INTEGRATED
ANNUAL REPORT
2020

Resilience to reset

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

The Integrated Report was approved by the Board on 17 September 2020 and is signed on its behalf by:

Rob Campbell
Chairman

Rob Hamilton
Chair of the Audit Committee

Our crew have continued to deliver in a tough operating environment. Even before the outbreak of COVID-19, we were starting to see macroeconomic pressures and impacts of climate change related to extreme weather events like the Australian bushfires. We discuss our resilience to reset in detail in the following pages and wanted to acknowledge our crew, who have continued to deliver exceptionally well through these most challenging of times.

A year of two parts

Financial highlights as at 30 June 2020

This year we have chosen to also present the FY20 figures on a first eight months and second four months basis, to provide additional insight into our performance prior to the impact of COVID-19 as well as our performance during the last four months of the financial year.

REVENUE

TOTAL

$401M -5%

(FY19 $423M)

4 MONTHS
$112.6M
to June 2020

4 MONTHS
$137.5M
to June 2019

8 MONTHS
$288.3M
to February 2020

8 MONTHS
$285.5M
to February 2019

NET PROFIT AFTER TAX*

TOTAL

$27.4M -8%

(FY19 $29.8M)

*Inclusive of non-recurring items.

4 MONTHS
$1.8M
to June 2020

4 MONTHS
-$0.6M
to June 2019

8 MONTHS
$25.5M
to February 2020

8 MONTHS
$30.3M
to February 2019

EARNINGS BEFORE INTEREST & TAX*

TOTAL

$48.6M -22%

(FY19 $62.1M)

*Inclusive of non-recurring items.

4 MONTHS
-$4.9M
to June 2020

4 MONTHS
$5.1M
to June 2019

8 MONTHS
$53.5M
to February 2020

8 MONTHS
$57.0M
to February 2019

VEHICLE SALES QUANTITY

TOTAL

2,066 0%

(FY19 2,059)

4 MONTHS
860
to June 2020

4 MONTHS
829
to June 2019

8 MONTHS
1,206
to February 2020

8 MONTHS
1,230
to February 2019

UNDERLYING NET PROFIT AFTER TAX*

TOTAL

$20.0M -28%

(FY19 $27.9M)

4 MONTHS
-$5.5M
to June 2020

4 MONTHS
-$2.5M
to June 2019

8 MONTHS
$25.5M
to February 2020

8 MONTHS
$30.3M
to February 2019

NZ DOMESTIC CAMPAIGN BOOKINGS

TOTAL

~20,000

From 25 May 2020 to 16 August 2020, we confirmed ~20,000 bookings on our 'get moving, to get New Zealand moving' packages.

*Excludes the following non-recurring items:
- a partial Togo exit undertaken in March 2020 which resulted in a one-off gain of $9.3M including tax and foreign exchange benefits.
- tax benefit of $1.1M in the USA.
- the write-off of $3.1M of goodwill attributed to Kiwi Experience.

thl at a glance

NEW ZEALAND

Brands:

maui, Britz, discover Waitomo, thl digital, mighty, RVSC, KIWI EXPERIENCE

Equity Investments:

ACTION

	FY20:	FY19:
employees	~600	~900
vehicles sold	575	628
kilometres travelled	76 million	94 million
customer experiences delivered	550,000	716,000
visits to our website in the first two weeks of the 'get moving, to get New Zealand moving' campaign	500,000	
pick ups on the busiest day – 29 May 2020	~260	

AUSTRALIA

Brands:

maui, Britz, thl digital, mighty, RVSC

	FY20:	FY19:
employees	~130	~150
vehicles sold including buybacks	591	562
kilometres travelled	66 million	74 million
customer experiences delivered	60,000	74,000
pick ups on the busiest day – 5 June 2020	~182	

USA

Brands:

Road Bear, Britz, El Monte RV, mighty

	FY20:	FY19:
employees	~300	~400
vehicles sold	900	869
kilometres travelled	50 million	60 million
customer experiences delivered	80,000	102,000
pick ups on the busiest day – 4 July 2019	~215	

* went down to 240 in March back up to 300 by 30 June 2020

UK

Equity Investments:

Just go

	FY20:	FY19:
employees	~40	~90
vehicles sold	262	330
customer experiences delivered	6,330	4,000
pick ups on the busiest day – 18 July 2019	~60	

REST OF THE WORLD

JAPAN

Franchise Operation

Brands:

El Monte RV

SOUTHERN AFRICA

Franchise Operation

Brands:

maui, Britz, KEA

thl digital

Brands:

FLEET, INSIGHTS, mighway, SHAREaCAMPER, Camper Mate, triptech

Dear Shareholders

On behalf of the Board, I present the Integrated Report and accounts for the 2020 financial year (FY20).

We ended the financial year in a world that looks very different from a year prior. The impact that COVID-19 has had on each part of our business has been severe. The primary focus of the business in recent months has been to shift the model from one of continual improvement and growth to one that is focused on ensuring survival and creating the frameworks to prosper again as conditions improve and opportunities arise.

Rob Campbell
Chairman

"The impact of COVID-19 has disrupted our daily lives in a way never seen before. Yet it has brought about an opportunity to reset with the right fundamentals underpinning the business."

We have delivered to the initial goals, secured the balance sheet, protected our people, and created opportunities. We must do more of the same in the year ahead.

This is the second year in which we have produced an Integrated Report, which provides the reader with more than just a financial view of the company's performance and outlook. As with our first Integrated Report, we are using the six capitals (IIRC) approach to guide the structure of our report.

Resilience to reset

The theme for our Integrated Report this year is 'resilience to reset'. The "resilience" element reflects our response to the unprecedented disruption brought about by the COVID-19 pandemic, and the speed and creativity in which we pivoted our business and made critical decisions in the midst of an ongoing crisis. How we responded is an important component of this report and is covered in detail.

The "reset" element is, we consider, the silver lining amongst the current turbulence. The impact of COVID-19 has disrupted our daily lives in a way never seen before. Yet it has brought about an opportunity to reset with the right fundamentals underpinning the business. We are positioned to challenge matters that were previously assumed to be permanent, and to make meaningful and transformational, rather than incremental change in our business for the post COVID-19 world. This is equally applicable to the tourism industry and society as a whole.

It is in this context that our Future-Fit Business commitment is strengthened. We must acknowledge that some aspects of our Future-Fit path will necessarily have to change in the short-term due to the cost reduction measures in place for now. We will have to adopt a less data and measurement driven approach. However, we continue to embed the six capitals framework and system thinking into our way of working, and our Future-Fit goals will drive the fundamentals underpinning our business as we reset.

Financial performance

Our net profit after tax (NPAT) result of $27.4M (underlying NPAT of $20M) was down on the prior year by $2.4M, and our operating earnings before interest and tax (EBIT) for the 100%-owned ***thl*** businesses delivered a result of $48.6M, down $13.5M compared to $62.1M in FY19. In this unique year these metrics do not give adequate insight into our performance for the year.

Given the developments that occurred part way through the financial year, the year is best viewed through two lenses – one for the first eight months and another for the last four months, in which we operated in an environment impacted by COVID-19. In this report, at times we will refer to these periods as 'the first eight months' and 'the last four months'. Our intent is to provide insight on the progression of the business from the prior year, and then a clear delineation of the impacts of COVID-19 which should help to guide expectations for the coming year and beyond.

In particular, our US business achieved a growth in vehicle sales proceeds of 79% during the last four months, compared to the prior corresponding period. A twist of fate would have it that the US vehicle sales market, which only a year ago appeared to be the aspect of our business encountering the greatest headwinds, has now become our strongest performer in the COVID-19 operating environment. The diversification of our markets, each with different scales and operating with countering summer seasons has been particularly beneficial during this period.

Financial and manufactured capital

We are a business heavily invested in physical assets – mainly motorhomes. The reasonably liquid nature of these assets provide our business model with flexibility that not all asset-intensive businesses possess. This was demonstrated in the last four months, in which we commenced the right-sizing of our fleet.

The sales proceeds that we generated, whilst maintaining healthy margins, allowed us to strengthen our balance sheet by achieving debt reduction of approximately 30% in the last three months of FY20. We were able to become one of the few publicly-listed tourism operators in our region to not seek additional equity. This was the best outcome for ***thl*** shareholders given that the share price was, and continues to, trade at well below the highs of recent years, and at times below the net assets of our company. This doesn't mean we will never raise equity, but we have created a strong level of stability and confidence with our lenders. As at 31 August 2020, our net debt (excluding the Action Manufacturing letter of credit) has reduced to $75M, a drop of $112M from 31 March 2020.

"We have the goal to become cash flow positive within the core global rentals business, and seek to continue to drive profitable sales of motorhomes, maximising the strong tailwinds in the global sales market at present."

Human capital

In the last four months we experienced the biggest organisational change in the history of ***thl***. The substantial and sustained downturn in revenue and prospect of extended operational losses meant we had to review all expenditure across our business.

We pulled the levers available to us by stopping uncommitted capital expenditure, arranging for rent abatement and deferrals, and as a Board and Executive team, agreeing to temporary reductions in fees and salaries. We made use of the Government support available through various wage support schemes. We explored options to raise revenue in new and unique ways, and in New Zealand we launched heavily discounted pricing to increase operational activity. Many jobs were kept in place as a result.

Despite all of these actions, like many other businesses, we were in a situation where our crew numbers no longer aligned with our operational needs, resulting in a difficult but necessary decision to reduce the number of people we employ. This was a devastating situation faced by most in our industry. This wasn't about the performance of our crew; it has simply been beyond our control.

Intellectual capital

From an intellectual capital perspective, ***thl*** has had a mixed year. On the one hand, the unavoidable reduction in staff results in organisational knowledge being lost, despite us taking measures to retain the capabilities needed. On the other hand, the unique circumstances and the manner in which the business responded, showed the intellectual capability and depth in the organisation. There are many stories throughout this Integrated Report which highlight that strength.

We had to go back to the fundamentals of business design, as overnight we had transformed from primarily an RV rentals and sales business to a company that owned a large fleet of underutilised motorhomes and branches. The team showed the strength of their design thinking skills in analysing the core capabilities of our people and products, in order to pivot our business to alternative use cases through different channels and using different marketing skills.

It was this initiative that commenced our re-deployment into becoming a provider of temporary housing and quarantine facilities. We were one of the first movers in our industry to pivot into this market. We were proactive about contacting Government agencies and private organisations globally, and we were able, on short notice, to leverage our operational expertise and existing infrastructure to meet COVID-19 containment needs in the countries we operate in.

Social and relationship capital

It has never been clearer that as an organisation, we operate as part of a wider system of relationships with our suppliers, Governments, the community and wider stakeholders. All of these relationships are interconnected and, from time to time, each will need to rely on one another to ensure continuity.

As an organisation, with the support of our crew, we were able to make our contribution to this wider system through our provision of temporary housing and quarantine facilities. Many of the ***thl*** crew from our operational teams, to our head office crew and our senior management, stepped up to assist in deploying these solutions at short notice regardless of the situation. On behalf of my fellow Directors, I want to take this opportunity to thank all of the employees who have worked so tirelessly through this most challenging time. There are so many people that performed well above expectations. I am confident that we have a team that can lead us through the next stages of this crisis and to a point where we will be stronger than before.

Through our 'get moving, to get New Zealand moving' campaign, we have engaged with a new group of customers, many of whom are first timers with ***thl*** or to travel by campervan. Our customers are at the heart of everything we do at ***thl***, as our core purpose is to 'create unforgettable holidays'. Undoubtedly, we have had some operational challenges in New Zealand given the momentous response to the 'get moving, to get New Zealand moving' campaign, while adjusting to changes in Alert levels, and more recently, due to the devastating fire at our Māngere branch. However, the majority of our customers have been highly supportive and understanding. We have had numerous customers thanking the crew for the campaign, which has given them the opportunity to take a campervan holiday which otherwise would have been out of reach. Customers also reached out to our crew after the Māngere fire by bringing flowers, chocolates and cards, after seeing how tirelessly our crew were working at our temporary branch to ensure our customers could still take their holidays, while still devastated by the recent event. I would like to thank all of our customers over the last 12 months, including those who are new to ***thl***, and hope that we are able to accommodate you for your future campervan holidays in more normal times.

Natural capital

The last 12 months have seen numerous crises, each of which alone could be considered a catastrophic event. In September 2019, we saw the start of intense bushfires burning throughout Australia which continued for six months. In 2020 we saw the emergence of COVID-19 which, although unrelated to our actions in society, was a clear illustration of the vulnerability of our global economy and the impact that an external shock can have on our normal way of living. Recently we have seen more devastating fires in the US, closing some of our branches. I was disheartened to find myself recently referring to the risk posed to our business from the upcoming wildfire season, which has unfortunately now become considered a norm, as opposed to an infrequent anomaly.

Our world's natural capital resources are finite, cannot be replaced and are essential to the functioning of our economy, and more broadly society, as a whole. We can recycle, regenerate, but not replace. The occurrences of these events demonstrate that there are clear and direct consequences to our inaction on climate change and that we will have to change our habits to fit our environment, not the other way around.

Where to next?

To an extent never before seen, the future of ***thl*** and society more generally, is uncertain and the old adage of 'the only certainty is uncertainty' rings true. How long it takes for international borders to open, and for a sense of normality to return to daily life on a global basis is an unknown, and something that is out of our control. Expectations in this area are constantly changing. Some months ago, a Trans-Tasman bubble seemed likely to be implemented shortly, yet even that possibility now seems to be some time away.

What is in our control at ***thl***, is the ability to constantly assess all of the likely scenarios as developments occur, and to reassess and prepare ***thl*** for any of those scenarios on an ongoing basis. It is that drive which has led us to our framework for the upcoming financial year, 'create flexibility through fleet management, cost reduction and debt reduction'.

On 31 July, we released our approach and framework for the coming year. That framework guides us for now, but we will be constantly reassessing and responding as the environment inevitably changes. From an outlook perspective it would be foolish to provide a forecast for the coming 12 months. We have the goal to become cash flow positive within the core global rentals businesses, and seek to continue to drive profitable sales of motorhomes, maximising the global sales market at present.

In short, based on what we can see today, we are confident that we have managed the situation effectively to date to survive, we have created new opportunities with decisive action, and we are well prepared to make the most of a recovery when it commences. As of today, in our view it is not a matter of *if* ***thl*** will return to recent historical profit highs, but *when*. Importantly, we will also look to be a better version of ourselves from a Future-Fit perspective. This is a difficult balance, but not an impossible one with vision and action combined in equal parts.

Across the ***thl*** Board and Executive team, we have an extensive amount of experience in both the RV and the wider tourism sector. The ***thl*** Board believes that we have the right people and culture, as well as balance sheet strength, to direct ***thl*** through these uncertain times and into a position in the future that is better than before.

Rob Campbell
Chairman

Dear Shareholders

This is a very different report, a year which is best assessed as two separate periods, being the first eight months of normal operations, and the last four months of ***thl*** operating in a COVID-19 world. Those last four months have been difficult for many, but as one of the businesses at the forefront of tourism, it is easily said that the impact of COVID-19 is the single greatest challenge that ***thl*** has faced in its history. However we responded decisively and will continue to do so, positively, with focus and energy.

Grant Webster
CEO

"Our ability to quickly pivot and develop a compelling proposition for COVID-19 related use cases for our motorhomes in each country was a testament to the resilience, agility and creativity of our people."

Off the back of that context, we consider our FY20 NPAT result of $27.4M (underlying NPAT of $20M) to be an admirable achievement, and a reflection of our responsive cost control, determined alternative revenue generation and solid marketing. Despite this, we acknowledge it was down on the prior year by $2.4M.

The result is reflective of contributions made by a large number of stakeholders. Firstly, the hard work and dedication of the ***thl*** team across the entire year, but particularly in the last four months in which many remained resilient and continued to dedicate themselves, many on reduced pay or reduced hours. Add to that the Government support schemes ***thl*** received, the support we received from our landlords and our banking partners, and some critical and well thought out strategic decisions by the ***thl*** Board and management team in the midst of a crisis.

The first eight months

In our FY19 Integrated Report, we referred to our mantra for the FY20 financial year as being 'Don't Stop. Change. Deliver'. For the first eight months to March, management were heavily focused on executing to that mantra. In every part of the business this meant a relentless focus on doing things better. The US market was improving but still relatively weak, so driving outcomes from the US review of 2019 was the top priority to ensure that we improved our capital employed and operating returns within this market. By contrast, the New Zealand rentals business had delivered another year on year record performance over the peak season, but still had the same level of focus driving operational efficiencies and improved customer experience to ensure continued growth. Australia's performance in the first half had tracked well, before being impacted by the bushfires. The tourism businesses were equally focused on growth opportunities and driving operational improvements. Kiwi Experience had turned the corner and was on track for a positive year, growing market share on an improved, lower cost base.

The last four months

Then in March, as the severity of COVID-19 became clear and global travel restrictions and quarantine measures came into place, ***thl***, along with the rest of the tourism industry, did exactly the opposite of our mantra for FY20 – it stopped; however we did get back up, change, and then delivered on our immediate goal of survival.

Having a global footprint and being heavily reliant on international tourism, we became quickly aware of the COVID-19 travel restrictions that were first implemented in the US and began to plan for a range of scenarios for all of our businesses globally. While the ultimate speed and severity of the pandemic, and its total disruption of 'business as usual' could not have been anticipated, as a group we adopted a 'crisis' approach very early on and pivoted rapidly to each new announcement and change in our operating environment.

At roughly the start of the COVID-19 pandemic, we had net debt of $188M (as at 31 March 2020). As at 31 August 2020, net debt was $75M. While our revenue largely disappeared overnight and cancellations commenced in large numbers, we sought to take action in the areas that we still had some control over. The speed of cost cutting and cash preservation we implemented to ensure survival, while at the same time managing the operational challenge of winding down tourism related travel was no mean feat. In April and May 2020, with the assistance of Government support packages globally, we reduced our operating costs down to $14.5M, compared to $34.7M for the same period in FY19.

Our ability to quickly pivot and develop a compelling proposition for COVID-19 related use cases for our motorhomes in each country was a testament to the resilience, agility and creativity of our people. In this space, ***thl*** was the leader and created the wave of COVID-19 quarantine accommodation, which was followed by others in our industry. Across our business we estimate that the quantum of this form of alternative revenue since March 2020 has been well in excess of $7M.

We identified these opportunities and responded with urgency. We went from a concept to having full isolation facilities set up with dozens of motorhomes in a matter of days.

All of these actions were delivered with care and diligence from an employee and customer health and safety perspective. This feat is a real testament to our operational capabilities and agility, our understanding of the market and the value of the relationships we have established globally over the years. It is a true example of ***thl*** executing to the second and third elements of our mantra – Change; Deliver.

Our framework for FY21

Given the increased uncertainty of the current environment, in July we decided it was appropriate to provide you, our shareholders, with an update on our direction for the year ending 30 June 2021 (FY21). That direction is well summarised in a single statement – *'creating flexibility through fleet management, cost reduction and debt reduction'*.

A surprisingly positive consequence of restrictions on international travel has been the growth in popularity of the RV as a travel type domestically. As an independent mode of transport allowing freedom of travel away from densely populated areas, the motorhome is well suited to a world concerned with COVID-19. This, combined with the decline of other means of travel has created a significant amount of category growth for RVs, with some in the United States RV industry dubbing 2020 as the 'Year of the RV'.

In the US we are riding the RV wave well, setting record vehicle sales performances in back to back months in June and July, and following with another excellent sales performance in August. In New Zealand, we took the initiative to create the wave of excitement ourselves through our 'get moving, to get New Zealand moving' campaign, with our motorhomes available for hire at our lowest rates in recent history.

We recently also launched 'the Great New Zealand Motorhome Sale' campaign, with 1,000 additional vehicles being made available across New Zealand in our branches and partnership with dealers. To date this has been received very positively. This campaign is all about flexibility, and maximising the strengths of our business. As we sell down our fleet, we create more options for ***thl***. We always retain the ability to quickly ramp up our business again when required. We continue to sell our vehicles with healthy sales margins, evidencing the quality of our motorhomes and sales channels. This is a result of decades in the manufacturing and design industry with first-hand experience on what works and what doesn't from both a quality and design perspective.

thl as a vehicle sales business

As mentioned in our July market update, our framework for FY21 was on the assumption that we will be operating in a domestic-only environment for the majority, if not all, of the year.

In the absence of an international market, naturally we pivot our business more towards the aspects that have always served domestic customers, namely vehicle sales, servicing and retail product.

People

The changes to our business in the last four months included an organisational restructure of a scale never before seen at ***thl***, in order to align our crew levels with our significantly reduced operational needs. Across the business, at our lowest point we had a reduction in labour costs of almost 60%. These changes were difficult but necessary actions that impacted ***thl*** crew from all aspects of the business, whether they were recent additions or long-standing members of our team. I would like to take this opportunity to thank all of our former ***thl*** crew that were impacted by these decisions for the contribution they made to the business. We lost a lot of talented and loyal ***thl*** crew. We have every hope that we can re-employ many of those crew in future, as we have done recently in the US.

The 'get moving, to get New Zealand moving' campaign was driven by several objectives across a number of the six capitals. By all measures, this campaign was a huge success in promoting our industry and achieved the objective of getting New Zealanders moving to explore their own backyards. The activity generated through our normally subdued winter period enabled us to retain well over 100 more jobs in New Zealand than if we had operated in a manner consistent with a normal winter period.

Surveys we conducted in New Zealand as part of our campaign also showed that we were reaching a new, younger audience that had never travelled by motorhome before: 65% of respondents indicated that it was their first time using a motorhome, with 85% indicating that they would travel by motorhome again.

We remain focused on the wellbeing of our crew. Beyond the obvious operational health and safety measures we have implemented to ensure we keep our crew, and our customers, safe and at low risk of contracting COVID-19, we are also conscious of the mental wellbeing of our team.

It is natural that with large organisational change in this current world environment, there comes increased stress for individuals. In particular, our crew in the US have been living with months of 'stay-at-home' orders and with an extremely prevalent COVID-19 presence. We remain in contact with our crew globally to just check in, as well as offering one-on-one support as appropriate. In Christchurch, we are trialling an anonymous wellness daily check-in app that assists us to understand the overall situation and to help guide individuals to professional services when required.

As mentioned in the Chair report, our crew in Auckland showed enormous resilience again this month when the flagship branch in Auckland was destroyed by fire. The coming year will inevitably be tough for this team with further changes in operating locations, but we know they are motivated to deliver.

Executive changes

Within our Executive team, we have also had some recent changes with the resignations of Jennifer Bunbury, our Chief Financial Officer, and Jo Allison, our Chief Operating Officer. Nick Judd has now joined us as our new Chief Financial Officer, bringing a wealth of experience in the tourism industry from 17 years at Air New Zealand. Given Nick's expertise and background beyond the financial function and the number of changes taking place, this was an opportune time to review our existing Executive structure.

As part of our COVID-19 response framework, we established a ***thl*** crisis management team consisting of Jen, Jo, a number of General Managers from across our business globally, and myself. This team led the key business decisions and response in a highly efficient manner during the early days of the crisis, and as a group, had a broad set of skills that cover the key business functions.

With this in mind, our new Executive structure, which was implemented on 1 September, sought to create a small leadership team with largely similar capabilities as that of the crisis management team. The changes have seen Matthew Harvey (GM New Zealand rentals), Kate Meldrum (GM Australian rentals) and Gordon Hewston (Senior VP US rentals) move into regional Chief Operating Officer roles, taking over the majority of Jo's responsibilities as the former sole Chief Operating Officer. Ollie Farnsworth (GM Marketing & Revenue Management) has also moved to a new Chief Commercial and Customer Officer role. Jo's remaining responsibilities have been assumed by both Ollie and Nick. With Steven Hall being promoted to Deputy Chief Financial Officer, Nick is able to take on these broader responsibilities beyond the financial function.

Reflective of our commitment to responsible business management and a sustainable way of thinking, the new Executive structure includes a Chief Responsible Management Officer. While Saskia Verraes (GM Responsible Management) initially moved into this role, Saskia will be shortly departing ***thl*** to join the leadership team at education provider The Mind Lab. As such, we are currently in the process of recruitment for the new Chief Responsible Management Officer role.

The new wider Executive team is a reflection of ***thl*** as a global company and the reality that we operate in a very different environment. Our response to COVID-19 demonstrated that we have the right people, capabilities and experience within our existing team and are well equipped to face the current challenges.

NPAT

$27.4M ▼

ROFE

9.5% ▼

Net debt*

$127.7M ▼

* Bank borrowings less cash on hand.

The General Manager and "C" level group in the business are the team that have created our high points as a business, ensured we have survived the worst tourism period in history and are going to re-position ***thl*** to be successful again.

Structured exit from Togo Group and formation of ***thl*** digital

During the early part of the calendar year we determined that whilst we remained supportive of the strategic intent, the necessary further investment likely to be required to deliver the desired financial outcomes of Togo Group was greater than what made financial sense for ***thl*** at that point in time. We have always had a positive ongoing relationship with our Joint Venture partner, Thor Industries, and both commenced discussions on the future of Togo Group in a positive and open manner.

"A surprisingly positive consequence of restrictions on international travel has been the growth in popularity of the RV as a travel type."

In working with Thor, we agreed a deal in which ***thl*** effected a structured exit from Togo Group through the receipt of a combination of intellectual property assets, a cash payment and a residual special class minority shareholding. Rather than a retreat from our digital ambitions, we view this as a necessary change to re-focus on a cost-effective regional strategy which will continue to keep ***thl*** as a leader in this space in Australasia.

The transaction achieved a number of objectives for ***thl*** and Thor. A significant amount of intellectual capital had been developed in Togo Group since its formation, so it was important that we retained rights to, what are from a ***thl*** perspective, the key assets of Togo Fleet, Togo Insights, Mighway in New Zealand and the joint venture shareholding in triptech (formerly Outdoria). We were also able to receive US$6M in cash, and to retain a minority shareholding in Togo Group that Thor have the option of acquiring at any time in the next four years at a purchase price of US$20M. In the interim, we also receive an annual payment of US$600,000 over that four year period.

Shortly following our structured exit, we expanded our regional digital offering through the acquisition of the New Zealand and Australian businesses of SHAREaCAMPER, a peer-to-peer RV rentals business similar to Mighway. We were also able to take a majority shareholding position in triptech. Both of these opportunities became available to us with minimal requirement for capital investment, enabling us to develop our technology portfolio notwithstanding the headwinds relating to COVID-19.

We have now established this technology arm, consisting of an impressive portfolio of businesses including Fleet (interim name), Insights, Mighway and SHAREaCAMPER, as ***thl*** digital. Together with our investment in triptech, ***thl*** digital forms our regional digital strategy.

A few months on, we are now ready to launch the Fleet and Insights products within our ***thl*** core rentals business. It is timely to remind shareholders that this suite of products lies at the heart of the ***thl*** rentals management processes. It is equivalent to a heart transplant for the business and replaces a system that is well over 20 years old. The team, over a number of years, have created, what we believe is the most sophisticated RV rental management software in the world, which we expect to enable more efficient revenue, fleet and cost management across the business. New Zealand and Australia launch this calendar year and we hope to launch in the US in 2021.

Future-Fit business

The FY19 report was, in my view, a substantial highlight for the nearly 35 years that ***thl*** has been operating. It marked a move to ***thl*** becoming a better business that was building a stable foundation and taking a long-term view that would ensure all stakeholders could benefit in an appropriately balanced manner. The reality in the current environment is that some of our work in this space has slowed, but we are also taking the opportunity to see what aspects we may be able to accelerate. With the lowest fleet renewal for many years, perhaps we will see an opportunity for suppliers to accelerate the electrification of our vehicle chassis.

Perhaps we will see customers become more attuned to the benefits of working with companies that are measuring what all of their impacts are on society, and perhaps we will see communities embrace our type of tourism in a more inclusive manner.

We remain committed to reaching the break-even point for all 23 of our Future-Fit goals, as we continue to believe that it is simply better business.

Capital expenditure

As indicated in our market update in July, we have been focused on minimising capital expenditure in the current environment, except where required. Since then, we have decided that we will be reinvesting in fleet in the US, as we have confidence in our ability to perform in the July – September 2021 summer season, whether it be on a domestic only basis or with a return of international tourism to the US. Despite this reinvestment, we expect that the total fleet we will operate in that summer period will be lower than in prior years, and thus our total funds employed in that business will be lower. We currently consider the US business as most likely to be the first to return to EBIT profitability within our group, and will be most focused on delivering an appropriate return on funds employed.

The 'Great New Zealand Motorhome Sale', if successful, may also create a situation where we invest in additional fleet in New Zealand beyond our currently committed capital expenditure as outlined in our July update. This is the flexibility we need to create. If New Zealand's borders open during the 2021 calendar year, we could be in a position where we need additional fleet. We will work through that scenario if and when it occurs. Our banking partners continue to be supportive of our business and understand the need for us to meet demand as it returns.

Capital position and balance sheet

There has been a reasonable amount of commentary in the market about tourism and travel companies, and the need for additional shareholder equity. We have, since the start of the COVID-19 crisis, assessed our balance sheet position and whether we have needed to raise equity. We have worked with our lenders, and as indicated in several places throughout this report, we have managed our fleet position well in order to reduce debt. We will continue to consider our equity position, however at present we are in a position where we are using our existing shareholder equity and reducing debt.

Given that ***thl*** is likely some time away from becoming profitable in all businesses in our group, we are not considering in depth what we believe the right debt to equity ratio is for this business, in the new environment.

We have also not reviewed our dividend policy at this point, but have previously advised that there will be no dividend in the 2020 calendar year. Moving forward, we seek to return to paying dividends. The current terms of our banking facilities require approval from our banking partners for any distributions.

Governance

As management, you always hope that you have the right skills and capabilities as a collective on your Board for all situations, a crisis included. From a management perspective, we can reassure shareholders that we are fortunate to have a Board which has been highly engaged, appropriately responsive and provided excellent advice and guidance during the worst of the outlooks. In particular, it should be noted that our Chair has worked tirelessly across his interests, providing global insights and support to ***thl*** management every day of the week.

Outlook, next steps and opportunities

As indicated previously, we are not currently in a position to provide a forecast for FY21, given the ever changing external landscape and number of influential factors that are beyond our control, including the restrictions on international travel.

We have indicated how we see our business operating in a domestic-only environment, and the key metrics by which we will be managing our business. We are focused on ensuring balance sheet security, then will progress towards becoming cash flow positive, and then towards profitability once again. We will continue to apply ourselves in creative ways, while remaining adaptable to the changing environment. We believe that there is always more to do in every business for improvement.

In recent years we had set some goals, and while the COVID-19 pandemic has essentially shattered those in the short-term, we remain confident in our capabilities and strategy, and therefore believe that ***thl***'s recovery is a matter of *when*, not *if*.

While it is important to ensure we are appropriately focused on dealing with the issues at hand, we have previously mentioned that we manage ***thl*** with the view to seeing that we continue to be around in 10, 20 and 30 years. This requires us to retain an element of focus at all times on our long-term intention, in this instance beyond the impact of COVID-19 and our reset.

Our Crew

Despite having mentioned the exceptional performance and dedication of the crew on multiple occasions, it just seems right to conclude this year's review with a further reflection on the ***thl*** crew. From the leadership team who stepped up immediately, to the management group that went above and beyond expectations, and our front line crew who came back day after day to work hard and support our customers, thank you.

Grant Webster
CEO

We remain future focused

The global system implications of the crisis, aggravated by lockdown measures, whilst having negative short-term financial implications on many businesses, have shown that businesses that have a strong governance structure, long-term view, ability to change, as well as engaged and resilient people, can recover and reset.

With the work on sustainability at ***thl*** since 2014 and, more recently the commitment to the Future-Fit Business Benchmark[1] as the underlying holistic performance measurement, ***thl*** believes it can be counted as one of these businesses with that wider purpose already built-in, and this may be a contributing factor to our resilience in the current crisis.

That said, the reality of the COVID-19 crisis on the ***thl*** "ESG" efforts, was that it required us to put all measurement, education and engagement work related to our Future-Fit Business Benchmark on hold whilst we focused on business survival.

This has meant that the commitment to establishing a clear overview of where we are on each of the 23 Break-Even goals by the end of FY20 has not been met, and the start of further crew engagement that was planned in the last quarter of FY20 has also been put on hold.

However, we are confident that we have a good understanding of where we want to go long-term. This year, whilst we agree that measurement is important, we will focus first on embedding Future-Fit decision-making to continue with progress towards creating System Value, and less on resource-intensive data collection and measurements.

Getting our people back to thriving

The outbreak of COVID-19 and associated lockdown regulations have impacted on our crew in many ways, good and bad. As part of the recovery process, we are reviewing all impacts and setting our crew up to thrive again. This includes how we work, what our workforce looks like from a capacity and capability perspective and where we work, Health and Safety remains a key focus, with a specific focus on mental health and wellbeing.

1 https://futurefitbusiness.org/

How did we perform last year?

Separate to the Future-Fit commitments, we have been tracking the following people goals:

Goal	How did we do in FY20	Plan for FY21
0 notifiable incidents.	0 notifiable incidents in AU and NZ. **Number of incidents reported:** FY20 / FY19 Australia: **31** / 35 New Zealand: **381** / 523	0 notifiable incidents remains our goal. Our Health and Safety focus stays top of mind and in FY21 we have established a Health and Safety role within the Future-Fit team that brings both performance and strategy components together.
Engagement score of 75% or higher.	Whilst engagement has been a key focus throughout the COVID-19 crisis as is evidenced throughout the report, we did not believe this was the time to conduct a survey. We are committed to start pulse surveys by October 2020.	We continue to commit to delivering on all Future-Fit people goals as soon as possible. For FY21 this means firstly to get our people back to thriving. To help with this, we are trialling a wellness app to give our crew a safe space to share how they feel, and for our leaders to listen and learn.
Move towards gender, cultural and age group diversity in all our roles, with at least a 5% improvement each year from our FY19 benchmark data.	As we did not complete a survey (see above) we do not currently have updated data on this goal. **For our wider Board and Executive team the statistics are:**	We continue to strive for gender, cultural and age group equality and we aim to have updated data on this by our FY21 half year release.

	FY20		FY19		FY18	
	m	f	m	f	m	f
Board	**3 (50%)**	**3 (50%)**	3 (43%)	4 (57%)	2 (33%)	4 (67%)
Wider Executive team	**11 (73%)**	**4 (27%)**	10 (71%)	4 (29%)	12 (80%)	3 (20%)

Reducing our footprint

We continue to take responsibility for the emissions of our activities, and those of our customers. We are committed to reducing them to zero, in line with our Future-Fit goals.

All of our businesses capture data as part of their monthly processes. This year we started looking at capturing gaseous, solid and liquid emissions on top of the Green House Gas emissions which we have been capturing since 2016.

Unfortunately, due to the reprioritisation of resource as part of our crisis management plans, we have had to delay the data capture and we have not been able to fully complete our FY20 footprint as yet.

The teams have restarted their emissions data capture and we will release our FY20 footprint and our new reduction goals as part of our FY21 half year results. Our website thlsustainability.com will also be updated as data becomes available.

A renewed health check and becoming a Pioneer

In last year's Integrated Report we showed the results of a high-level assessment against the 23 Future-Fit Break-Even goals and committed to in depth assessments conducted throughout FY20, leading us to a full understanding on where we are on the journey to become Future-Fit. Even though we have not been able to fully complete these assessments, they have given us valuable insights. In consideration of these insights, and the impacts of COVID-19, we felt that an updated Health Check was required with commentary reflecting this new understanding of where we are at on our Future-Fit journey. We share some of these insights here.

Becoming a Pioneer

In addition, we have become one of the world's first Future-Fit Pioneers[2], extending our desire to not only become Future-Fit ourselves, but to take others along on our journey. To support Pioneer companies in their prioritisation efforts, Future-Fit Foundation is creating a suite of industry specific "heat maps". Each heat map ranks the likely negative impact of a particular industry with respect to all 23 Break-Even Goals. This gives further relevance to our internal prioritisation and impact assessment. For ***thl***, the closest relevant heat maps are: Automotive Retail and Tour Operators. The rankings of both are shown in the table following. Every Future-Fit Pioneer is expected to publish its first Statement of Progress on the Future-Fit website within 12 months of signing up to the programme. This is a completely new kind of extra-financial disclosure, which explains not only where a business is now, but where it's going and why. We were planning to issue our Statement of Progress alongside this report, but Future-Fit Foundation also suffered COVID-19 related impacts which delayed completion of the disclosure guidelines. We now expect to publish our first Statement of Progress alongside our half year results in FY21. Until then, for more detail on our journey, we would like to invite you to explore our stories on www.thlsustainability.com

2 https://futurefitbusiness.org/pioneers/

Performance against Future-Fit Break-Even goals

KEY

HEALTH CHECK ASSESSMENTS SHOW HOW *THL* IS PERFORMING AGAINST THE FUTURE-FIT BREAK-EVEN GOALS

- We are off track and need to redesign our course
- We have major gaps and need to rethink
- We have minor gaps but know how to close them
- We are on track and can continue our journey

HEAT MAP INDICATORS SHOW THE TYPICAL IMPACT OF THIS INDUSTRY ON THE GOAL

- Typical business activities cause severe harm to people or planet in this issue area
- Different subsets of typical business activities fall into either highest or medium impact levels
- There is no evidence that typical business activities cause either severe or little harm to people or planet
- Typical business activities cause little harm to people or planet in this issue
- Typical business activities are unlikely to cause any harm to people or planet in this issue area

Future-Fit break-even goals	2019 health check	2020 health check	Automotive retail heat map rating	Tour operators heat map rating	Explanation of differences between a typical industry player and *thl* health check assessments
BE01: Renewable energy	●●○○	●●○○	?	!	***thl*** operationally is already on the way to reducing power use and replacing unsustainable power supply. For example by swapping to power suppliers who guarantee more renewable energy in the mix.
BE02: Water use	●●●○	●●○○	?	✓	***thl*** rentals operations are aligned with Automotive Retail in terms of impact and with increased drought risk it has become a major focus to reduce our use of water, for example in our wash bays . We are looking at installing water tanks where possible.
BE03: Natural resources	●●○○	●○○○	=	=	For ***thl***, management of natural resources only applies to Discover Waitomo and our assessment in FY19 showed that natural resources there are managed in accordance with the fitness criteria.
BE04: Procurement	●●●○	●●●●	✗	✗	The rating acknowledges the complexity of ***thl***'s supply chains and low traceability especially for our motorhomes. Supply Chain hotspot assessments are data intensive to start with. We acknowledge that this is an important area to understand better, and we believe industry or RV ecosystem wide hotspot data collaboration is the best way forward to gain full insight on our supply chain impacts.
BE05: Operational emissions	●●○○	●●●○	✓	!	Rentals, Vehicle Sales and Discover Waitomo operations align with the Automotive Retail heat map rating. For Kiwi Experience, transporting tourists between destinations is included as a core activity, and as such, this business aligns with the ratings given in the Tour Operator heat map. The data collection for emissions other then GHGs (BE06) has proven harder then expected.
BE06: Operational GHGs	●●○○	●●●○	?	!	As above, the majority of our business units have limited scope relating to operational GHGs e.g. electricity, gas, commuting, tyres and batteries. For Kiwi Experience, bus operation is core operational, and therefore aligns with the Tour Operator indicator. The collection of GHG data is standard in our business units now, but the reduction towards zero is a big challenge as solutions are not always readily available.
BE07: Operational waste	●●○○	●●○○	✓	?	Operational waste is more challenging for ***thl*** than described in both the Tour Operator and Automotive Retailer heat map due to the part/product dependent vehicle preparation process, i.e. our locations tend to generate more waste than typically described in the heat maps. We are well on our way to reducing our waste in all our locations and especially our US operation has made big inroads this year replacing single-use plastic.
BE08: Operational encroachment	●●●○	●●●○	✓	✗	For Waitomo and Kiwi Experience, where ***thl*** decides on destinations, or brings customers to a destination of high value, we align with the Tour Operator heat map and have high influence on community impact. For our other stores/branches/locations, they are commonly located in city-fringes and away from areas of high value, and typically align with the impact rating in the Automotive Retail heat map. Our community assessments where put on hold in March 2020.

Future-Fit break-even goals	2019 health check	2020 health check	Automotive retail heat map rating	Tour operators heat map rating	Explanation of differences between a typical industry player and *thl* health check assessments
BE09: Community health					For Kiwi Experience and Waitomo, we have a clear impact on the communities we visit/we are part of. For our vehicle sales businesses, the rating for Automotive Retail is appropriate. For our rentals businesses, while we have no direct control over the communities our customers visit, we do have significant influence and look to ensure that we listen to any community concerns and seek to make a positive impact, explaining the variance in rating between heat map impact ratings and our own measurement. The community outreach work during COVID-19 has given us a lot more insight in our place in the wider community and our duties as a good neighbour. The implementation of a Future-Fit community feedback mechanism is a key goal in FY21.
BE10: Employee health					We acknowledge the change in environment post-COVID-19, and the increased focus on wellbeing. Additional to this, for H&S from an adventure tourism perspective, at Blackwater Rafting there is a greater risk of injury.
BE11: Living wage					Whilst we are still committed, COVID-19 has slowed down the work that was being undertaken on the Living Wage. This continues to be a focus point and we believe we are in a better place than either heat map suggests.
BE12: Fair employment terms					Whilst not fully completed, the assessments in FY20 suggest that we are well on our way to achieve BE-12. ***thl*** pro-rate part-time roles in NZ and AU (this is different in the US). Also post-COVID-19, there are less seasonal workers so it has become less of an issue.
BE13: Employee discrimination					There is potential for discrimination to occur in all sectors, and therefore it should always be a consideration. Traditionally automobile-related roles have been dominated by males, and therefore it is important we look into this.
BE14: Employee concerns					***thl*** is already partly there with having a course of action in place and having started on the work to implement a Future-Fit employee concern mechanism and process. This is expected to be piloted by December 2020.
BE15: Product communications					Whilst we agree with the heat maps that it is high-impact, our assessments in FY19 demonstrated that we already perform well in this space and only relatively minor additions need to be made to achieve BE15.
BE16: Product concerns					We agree that having a clear product concerns mechanism is extremely important, and for the most part, we have elements in place across all of our business units. Our rating reflects the amount of input still required to meet BE16 fitness criteria.
BE17: Product harm					This is a significant and difficult goal for ***thl*** to achieve, as our vehicle products force the user to pollute the environment during use and at the end of life, perpetuating reliance on fossil-fuel-dependent infrastructure. Viable alternatives are not yet available and we require wider vehicle manufacturing industry participation in this goal to be able to achieve it.
BE18: Product GHGs					As above, this is a significant and difficult goal for ***thl***, as our vehicle products depend on fossil fuels to operate.
BE19: Products repurposed					Repurposing at end of life for our vehicles and all its parts in all countries we operate is challenging for ***thl***. We have started initial work on our top 10 parts used to try and find ways of repurposing. For this goal we will also require wider industry participation to achieve.
BE20: Business ethics					The high rating presented in the Tour Operator heat map is specifically related to child exploitation and indigenous exploitation, sometimes associated with tourism in different parts of the world. This has limited application to ***thl*** and our rating reflects that ***thl*** is on its way to achieving this goal.
BE21: Right tax					As a publicly listed company, subject to strict auditing and compliance requirements, achieving BE21 is relatively straight-forward across all jurisdictions.
BE22: Lobbying & advocacy					Although the automotive industry, in general, may actively lobby Government against increasingly stringent GHG restrictions, ***thl*** does not participate. Based on our CEO's role within the Future of Tourism Taskforce, and with TIA, which is public facing and aligned with Future-Fit goals, we believe that ***thl*** 's lobbying and advocacy is aligned with the pursuit of Future-Fitness.
BE23: Financial assets					It is expected that achieving BE23 is relatively straight-forward as ***thl*** does not rely on the management or ownership of financial assets.

Future-Fit integration and prioritisation

An important step in FY21 is the implementation of a decision framework that will drive our progress toward becoming Future-Fit, even if we are not able to continue with our assessments as originally planned. Below is the high-level overview of the decision framework.

Factors driving our decision-making

Financial	To achieve our financial capital goals and milestones.
Manufactured	Considering the impact of our decisions on pollution (GHG and other harmful emissions), generation of waste, intensity in usage of energy and water, especially in areas and times of stress on those resources. The impacts on our supply chain, and other social and environmental impacts.
Intellectual Property	Ensuring that our communications are ethical and honest, and that the generation and capturing of our intellectual property and know-how is ethical.
Human	Avoiding poor labour practices including excessive overtime, hazardous working conditions, irresponsible use of agency labour, underpayment or non-payment, undisclosed subcontracting, discriminatory practices and lack of rights to representation (i.e. unions and collective bargaining).
Social/Relationship	Ensuring our activities are not harmful to land, such as encroachment into areas of importance to local communities, conversion of pristine ecosystems (e.g. primary forests and wetlands), or lack of respect for community rights. The impact of our decisions on the goodwill, health and resilience of the communities affected by our presence and activities. Avoiding potentially unethical business conduct in any new operational activities.
Natural	Reviewing our use and impact on natural resources, which could be in the form of physical degradation of the environment, depletion of renewable resources, loss of biodiversity or diversion of agricultural crops.

Based on the renewed health check and the overall impacts of the pandemic on our people, we are prioritising the Human and Social Capital related goals this year. Unlike some of the product harm goals, the execution of the people goals is mostly within our own control. This is also in line with the current global trends due to COVID-19 in ESG focus areas.[3]

A key focus to achieve these goals is the implementation of a Future-Fit employee feedback mechanism, which we aim to complete by the end of 2020.

For more information see www.thlsustainability.com

3 https://www.bsr.org/en/our-insights/blog-view/rising-to-top-six-big-sustainability-issues-companies-should-watch-covid-19

Our evolving value model

thl is focused on establishing itself as a global leader in the RV ecosystem. This took on a whole different meaning in 2020. Last year we introduced the six capitals context, showing the inputs that we took for granted in our business model and sharing how they help create value for ***thl*** and the wider system in which we operate. Our move to Future-Fit helped define this further, and also the embedding of enterprise risk management in our operations this year has created a more conscious and deliberate way of operating.

The outbreak of COVID-19 and the resulting halt of international travel has had a major impact on this model and forced us to rethink fast. It showed the resilience of all our capital inputs and allowed us to create positive impacts on many of our capitals as well. This year we present our value model in this context.

RISKS THROUGH A COVID-19 LENS

- Increased compliance and legal changes in all our jurisdictions.
- Heightened Health and Safety concerns for crew and customers.
- Increased Cyber Security risks.
- World recession and jagged recovery.

> See page 40

The environment is core to our operational ecosystem. **> See page 34**

NATURAL CAPITAL

Climate change and increasing number of extreme weather events.

SOCIAL & RELATIONSHIP CAPITAL

We aim for elimination of harm to our crew. Our health check shows we are on our way but need to focus on getting our crew back to thriving this year. **> See page 18**

OUR CUSTOMERS

Inputs | PEOPLE

Reputation

Impact of supply chain.

Inputs | SUPPLIES

Reputation

$ Savings

Inputs | LENDERS & INVESTORS

Reputation &

$ Returns

BUSINESS

VISION

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

VALUES

- be the best
- we care everyday
- be curious
- do the right thing

GOVERNANCE

> See page 38

HUMAN CAPITIAL

Flexibility, resilience, skills and creativity of our crew through the crisis have been an essential building block for continuing to deliver value.

ACTIVITIES AND PROCESSES

The core of our business, whilst priorities changed, still exists.

ACCESS | BUILD/BUY | RENT | SELL | P2P | PROPRIETARY EXPERIENCES

PRODUCTS AND SERVICES

Pivoting to become an Essential Services Provider. **> See page 26**

FINANCIAL CAPITAL

Our access to, and management of, capital has proven vital in our resilience. Refer to financial statements. **> See page 52**

MANUFACTURED CAPITAL

We run a flexible, optimised RV-centric ecosystem that allows us to adapt and pivot in times of crisis. This includes, and is not limited to, many different branch locations providing back up to each other, and technology that provides safe operations.

INTELLECTUAL CAPITAL

Driving Domestic Tourism using our existing IP and quickly driving innovation creating a whole new stream of skills and knowledge. **> See page 30**

Impacts | BEING A GOOD NEIGHBOUR

Reputation

Social licence / $ Other income

OUR CUSTOMERS

COMMUNITY OTHER STAKEHOLDERS

Being a good neighbour. **> See page 28**

Serving a domestic market is exciting and brings new challenges. Our NPS scores in Waitomo have never been so high. In the US we are using it to educate our customers as a more responsible way of travel. **> See page 37**

Impacts | RESPONSIBLE TRAVEL

Reputation

$Revenue

Reputation

$ Savings

OUR CUSTOMERS

Impacts | END-OF-LIFE

We aim for elimination of harm to customers, communities, and society-at-large. Being a good neighbour is even more important in crisis times. **> See page 32**

Impacts | OPERATIONAL

Our operations have had to adapt to changing systems, including very strict H&S regulation and changing demands.

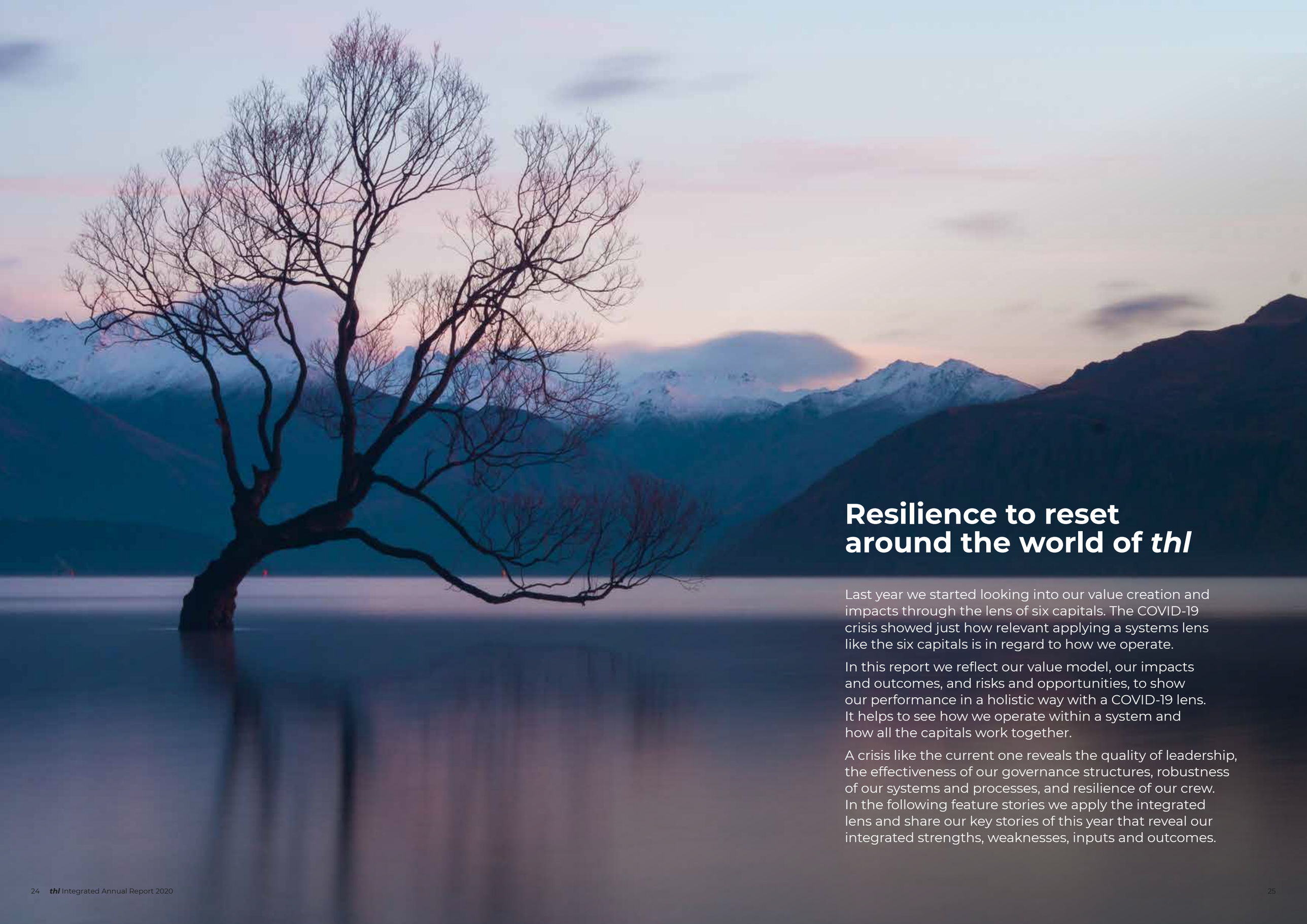
Reputation

$ Savings

OUR CUSTOMERS

Outcome | CIRCULAR ECONOMY

We aim for elimination of harm to the environment. Elimination of harm to the environment over products' life cycles from obtaining supplies, operations, product usage and end-of-life product disposition. **> See page 18**



Resilience to reset around the world of *thl*

Last year we started looking into our value creation and impacts through the lens of six capitals. The COVID-19 crisis showed just how relevant applying a systems lens like the six capitals is in regard to how we operate.

In this report we reflect our value model, our impacts and outcomes, and risks and opportunities, to show our performance in a holistic way with a COVID-19 lens. It helps to see how we operate within a system and how all the capitals work together.

A crisis like the current one reveals the quality of leadership, the effectiveness of our governance structures, robustness of our systems and processes, and resilience of our crew. In the following feature stories we apply the integrated lens and share our key stories of this year that reveal our integrated strengths, weaknesses, inputs and outcomes.

Alternative revenue: pivoting a business in two weeks

FY20 was tracking well for the global rental businesses, delivering revenue growth in New Zealand and Australia and stable revenue in the US. We were starting to see positive impacts of our Future-Fit focus over the summer in New Zealand through customer education and a freedom camping project providing real-time capacity information on freedom campgrounds to CamperMate users, resulting in less freedom camping fines.

The sudden loss of income from international visitors in all our markets in March forced us to move quickly to adapt how we worked and create new sources of revenue to keep the business afloat. In a crisis like this, the system needs to come together, which includes finance, people, communities and IP.

thl's vision to sustainably connect millions with personalised local experiences, leveraging our expertise in RVs and tourism globally, held true. Whilst we were not able to provide traditional international travel experiences, we quickly pivoted to provide many other opportunities using our RV experience.

Our main initial action was in response to the increased need for essential services support and emergency accommodation. We decided to provide self-contained RVs as emergency accommodation solutions for isolation/quarantine, essential worker services, and emergency housing across a number of different industries and business sizes.

Leveraging off our years of experience as the world's leading RV rental provider, we were well-positioned to adapt our operational experience to support COVID-19 containment needs worldwide.

A new business as an essential service provider

Even before the borders closed, the team in New Zealand quickly jumped on the opportunity to help the Government establish its first quarantine base. This involved providing 75 campervans to the Defence Force's Army Bay training camp for 157 people evacuated from Wuhan in China, the epicentre of the novel coronavirus in February 2020. For the rentals operational team, this was a very steep learning curve, which built IP that gave us a head start in establishing our operational processes to become an essential service provider when required a few weeks later in NZ, AU and the US.

The pivot involved providing motorhomes to Government agencies, utilities, healthcare providers and other organisations to assist in the response to the COVID-19 pandemic. Our vehicles provided mobile, self-contained facilities that could easily be located where the community need was greatest.

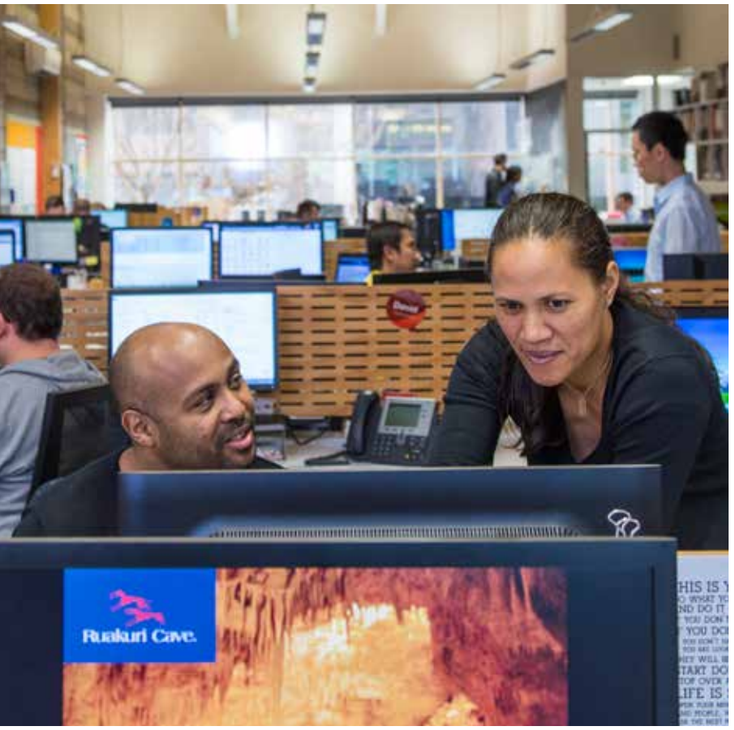
RVs as alternative accommodation in the US

In the US our motorhomes were used to provide temporary accommodation for vulnerable community members who had been exposed to COVID-19, and as mobile units for COVID-19 testing. We also supported essential services to operate safely. Working with a number of utilities and power companies to supply RVs that were used to comfortably accommodate essential employees on site at key power generation facilities, enabled them to safely isolate while ensuring the continued operations of the power plants.

In total we provided 600 vehicles to over 20 community support organisations to set up as temporary housing. "Through our outreach work we connected with counties, cities, states and other Government entities with a need to provide social distancing accommodations for their communities." said Gordon Hewston, Senior Vice President US Operations. "We were proud to be able to serve the community, to help protect America from the coronavirus and to keep our people in jobs."

Community support in California

We worked with several counties in California to set up temporary facilities in response to COVID-19, to effectively provide self-isolation for vulnerable community members who lacked the option to isolate at home. Counties were looking for solutions to be used in cases where a resident may test positive and need to self-isolate but did not require hospitalisation. The ability to respond quickly as the situation developed made an RV solution attractive. We provided large numbers of RVs, which in some cases were set up in a central campground facility with over 100 vehicles. We arranged delivery and set up of the RVs and provided a managed service for the RVs with staff on site.



Community support for COVID-19 response

In a further pivot, the teams focused on the communities we operate in. We had made a small start through some of our Future-Fit work looking into our community connections and placement. However, this crisis showed just how important being part of a community really is. The US outreach team comprised of up to 30 virtual team members from across the business who made contact with thousands of community support agencies. Through our outreach work we developed connections with Government agencies, community support organisations and departments in all of our operational locations.

The branch teams were able to provide support and services to community organisations to respond to the COVID-19 situation locally. The ability of our teams to quickly understand the needs of the community and identify and develop flexible solutions and new services was critical. This included developing the delivery, set up and management of RVs being used for COVID-19 response, and providing on-site services. Our RVs were used to support states like California to meet their emergency accommodation needs during the COVID-19 pandemic.

Caring for people

As part of this pivot, ensuring the health, safety and wellbeing of our crew and customers became even more front-of-mind. Crew showed their resilience, drawing on their combined expertise, professionalism and commitment and quickly adapted to the new situation. This involved being flexible, and changing how and where we worked, to respond to the rapidly developing situation globally and locally.

Crew plays a huge part in our survival and recovery. Not only through the safe operational execution, but also in creating new revenue streams. Their ideas and hard work, coupled with Government support, helped us retain roles, as well as skills and knowledge we need to rebuild our business. We were able to save many jobs in Australia and New Zealand and have also been able to rehire all US crew members who wanted to return.

LOOKING AHEAD

As a result of our outreach efforts, we have built relationships with local and state Government agencies and departments, and greatly strengthened awareness of our role as a community service provider during emergencies.

We can already see the benefits of this in the US and Australia where we are now well positioned to support a wide range of agencies and organisations responding to a variety of emergency situations.

Getting domestic tourism moving

International tourist arrivals worldwide grew 4% in 2019 to reach 1.5 billion.[4] Growth was strong but had started to slow from previous exceptional years especially in European markets.

We continued to see strong forward bookings and a reasonably positive outlook in most of our businesses around the world. Kiwi Experience successfully launched small group tours and our rentals Auckland branch location got a facelift just before the summer with a real focus on responsible local travel experiences.

Then in March 2020, with international borders closed, we refocused on supporting the growth of domestic tourism. In the aftermath of non-essential travel restrictions in many of our operating territories, there has been strong demand from people wanting to get away with a road trip ranking highly as a travel preference, and recreational vehicles being viewed as a safe means of travelling.

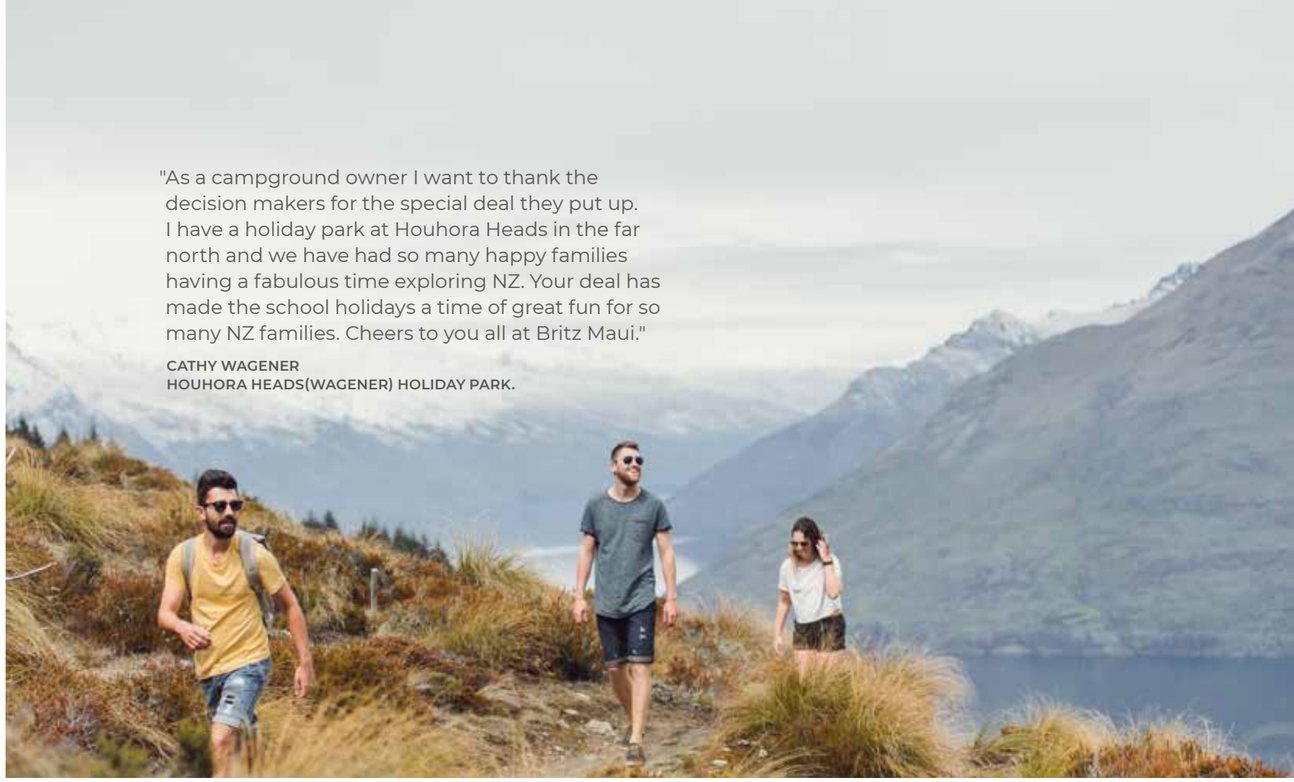
thl has therefore run a series of successful initiatives to stimulate domestic tourism, achieving goals of saving jobs, supporting regional economies through travel, creating some much-needed positive travel stories, and building new markets of motorhome advocates.

New Zealand

The relative size of our fleet per head of population in New Zealand meant that we could make a particularly big impact in this market. Our 'get moving, to get New Zealand moving' campaign launched shortly after the removal of domestic travel restrictions and was premised around heavily discounted flat-rate pricing (from $29/day) until 31 October 2020. Pricing was set using a marginal-cost methodology, whereby revenue only covers the incremental services to put our vehicles on the road.

The response was phenomenal, with coverage as one of New Zealand's top stories on Breakfast TV, One News, the New Zealand Herald, and stuff.co.nz. Over the first two weeks of the promotion there were tens of thousands of social media shares and 500,000 visits to our websites.

4 https://www.unwto.org/world-tourism-barometer-n18-january-2020



"As a campground owner I want to thank the decision makers for the special deal they put up. I have a holiday park at Houhora Heads in the far north and we have had so many happy families having a fabulous time exploring NZ. Your deal has made the school holidays a time of great fun for so many NZ families. Cheers to you all at Britz Maui."

CATHY WAGENER
HOUHORA HEADS(WAGENER) HOLIDAY PARK.

The popularity of the promotion was unprecedented in the history of ***thl*** and caused significant strain on our booking systems and contact centre.

Circa 20,000 bookings were made for travel during the promotion and reached the physical capacity of our branches to prepare any more vehicles. The campaign has saved jobs and is delivering better customer satisfaction metrics than previous years. It has been very well received by local tourism operators and, through the Tiaki Promise, spread the 'responsible travel' message by encouraging locals to care for Aotearoa New Zealand's communities, places and culture.

Despite the success of the campaign, from a financial perspective the New Zealand rentals business continues to be significantly impacted by the closure of New Zealand's borders as, historically, approximately 90% of customers in this business have been international visitors. Revenue intake from bookings received since the start of March has been approximately 50% below pcp.

Australia

The devastating summer bushfire season in Australia had impacted the Australian rentals business, prior to the closure of borders and travel restrictions established due to COVID-19.

During the bushfires, our telematics system in each of our campervans allowed us to keep in close contact with customers on the road, directing them safely away from regions affected by the fires. None of our customers were hurt and no vehicles were impacted. After the bushfire events, we actively campaigned to encourage our customers to get back into the regions and support the towns and shires that were so affected by the disruption to their summer tourism season.

COVID-19 followed hard on the heels of the bushfires. As each state provided certainty to their residents with travel restrictions, we worked with national and state tourism bodies to encourage locals to get out and see their own back yard. We have seen some recovery in domestic booking activity as intrastate travel restrictions lifted. We expect that bookings will continue to recover; particularly once interstate travel restrictions have also been lifted. The domestic tourism campaigns run by a number of states in Australia has created interest in road trips and motorhomes.

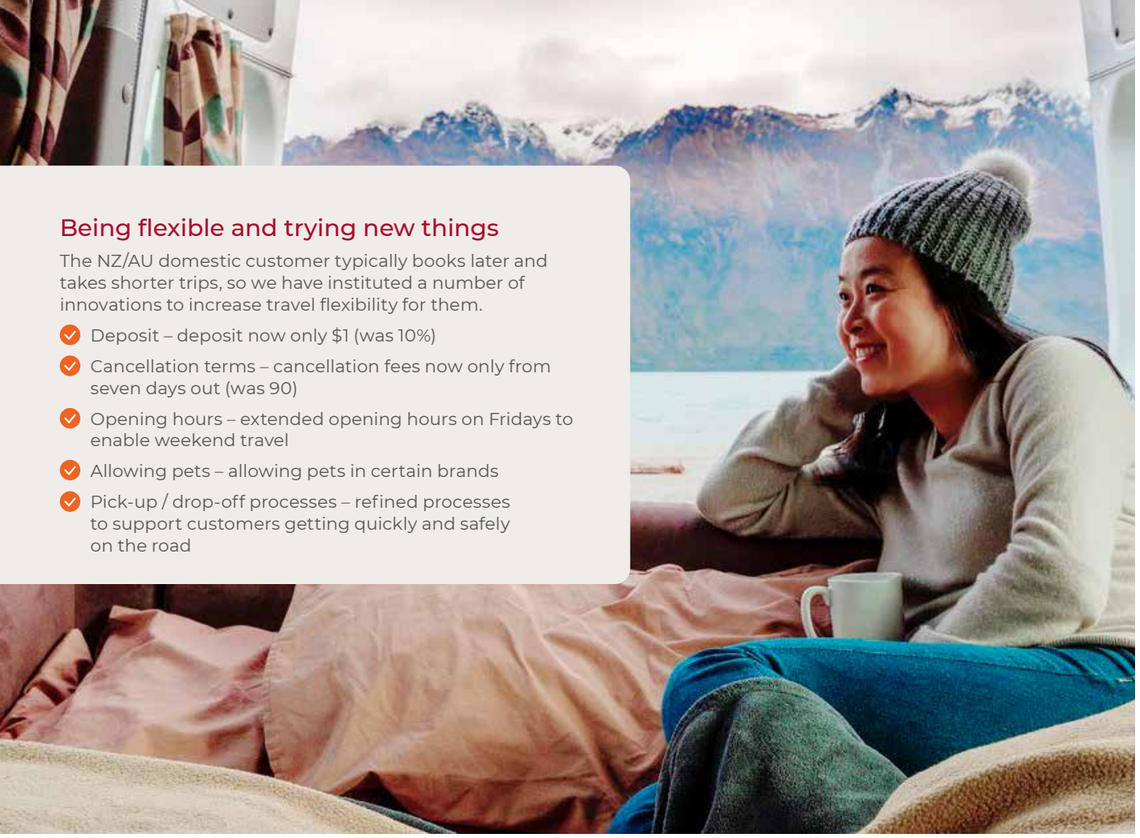
Sales of our new and ex-rental motorhomes and campervans have never been stronger, as the Australians, prevented from travelling overseas or taking a cruise, have looked to mark a road trip around Australia off their bucket list.

US

The US experienced a rapid increase in domestic rental bookings from mid-May, with RV travel increasingly seen as a safe way to travel with social distancing. With international travel restricted, domestic demand for RVs surged, traffic to the US websites increased 88% from mid-May to August and domestic bookings were up by nearly 100% on last year. US domestic customers include many first-time renters, often motivated by the desire to avoid flying and to have fully self-sufficient accommodation. June and July also saw record RV sales volumes, the highest in the history of the US operation.

Awareness of our US businesses received a significant boost with major media outlets including MSNBC, Fox and CBS running news stories featuring our RVs as a safe option for vacation travel. In July, PR efforts generated 180 million impressions with a publicity value of over US$70M. We expect the strong interest in RVs to continue, research reported by the RV industry association on travel choices in light of the COVID-19 crisis showed that 46 million Americans plan to take an RV trip in the next 12 months.[5]

5 https://www.rvia.org/news-insights/46-million-americans-plan-go-rving



Being flexible and trying new things

The NZ/AU domestic customer typically books later and takes shorter trips, so we have instituted a number of innovations to increase travel flexibility for them.

- Deposit – deposit now only $1 (was 10%)
- Cancellation terms – cancellation fees now only from seven days out (was 90)
- Opening hours – extended opening hours on Fridays to enable weekend travel
- Allowing pets – allowing pets in certain brands
- Pick-up / drop-off processes – refined processes to support customers getting quickly and safely on the road

People. People. People.

The COVID-19 restrictions had a major impact on ***thl***'s global business, and especially on our people with restructuring looming in all parts. Wage subsidies and other Governmental support delayed the need to down size and the global teams worked hard to save as many jobs as possible by encouraging domestic demand. The demand for campervans exceeded expectations and helped save many jobs.

For crew on the job, whilst continuing to focus on delivering unforgettable experiences to our domestic customers, it is our highest priority to ensure the health, safety and wellbeing of our crew, now more than ever. The COVID-19 crisis required us to make changes to our pick-up process and put in place new cleaning and sanitation protocols to prevent the spread of the virus. Office-based staff were required to work from home and were quickly equipped to do so with very little notice, enabling them to continue to provide the support needed to deliver domestic tourism experiences. Team work and the ability to quickly adapt was critical. This involved being flexible and changing how we worked to respond to the rapidly developing situation globally and locally, to implement the clean promise for customers, new SOPs, team training with a continuous focus on safety leadership at all levels. Some of the measures implemented include:

- quality PPE available for everyone
- more manager check ins
- daily team chats
- COVID Clean Business accreditation achieved in AU – for crew and customers.

COVID Clean Practicing Business

A secondary focus for our people stream has been on capacity building, both from an engagement and efficiency perspective. With different skillsets and varying pressures in different teams, we combined teams where we could and also gave people the opportunity to learn. This was not restricted to one site, but saw the whole country become one cohesive team, with the digital way of working helping to bring geographically dispersed people together at a scale not experienced before.

Despite all the pressure, this has resulted in good team morale and unprecedented cross-functional collaboration to put together domestic campaigns, and then deliver large numbers of customer experiences day in and day out.

We do recognise that all these changes have happened really fast, and our strong culture has allowed us to succeed in this new environment. Opportunities have emerged and changes to our new way of working needs to be reviewed. So, as we commence FY21 we will refocus on our culture and align some of our workplace policies and processes with these changes.

Partnerships

We are committed to offering high-value opportunities and experiences to our customers, and coupled with our strong desire to support our local communities and wider industry throughout the COVID-19 pandemic, we realised this could be best achieved by setting up and extending valuable, sustained, collaborative partnerships.

SOME EXAMPLES OF THESE ARE:

TOP10 HOLIDAY PARKS

We have partnered with New Zealand's largest holiday park network to open 10 pop-up branches around New Zealand within their sites. This is providing accessible travel opportunities to people not living in Auckland, Christchurch, or Queenstown.

NZ TOURISM OPERATORS

NZ Tourism Operators – as part of the 'get moving, to get New Zealand moving' campaign, ***thl*** assembled a group of exclusive travel offers from operators around New Zealand. These are available only to those in ***thl*** campervans and have successfully driven increased visitation to these attractions.

AUSTRALIAN NATIONAL, STATE, AND REGIONAL TOURISM OPERATORS

thl is actively partnering with tourism operators to promote destinations and road trips. Examples include Wonder out Yonder with Tourism Western Australia and Travel Your Road with Tourism Australia.

LOOKING AHEAD

We continue to focus on developing our domestic tourism capabilities and are focused on creating new customer centric propositions to grow categories, always backed up with a strong understanding of profitability. We simplify processes to enable higher turnover of vehicles with shorter hires and larger pick-up and drop-off capacities. We are supportive of the proposed Trans-Tasman travel bubble and, if accomplished, we expect that the bubble would be positive for our New Zealand and Australian rentals businesses. The Australian market has historically been important for this business in New Zealand, with Australians making up approximately a quarter of all customers. In the US we are ready for all scenarios, to ride the wave of the golden age of the RV, and continue to drive safe and responsible travel through our travel with heart programme.

COVID-19 and Waitomo's famous glowworm caves

COVID-19 has shown us just how connected the world is. We've seen the planet as the system it is – a network of inter-related countries, people, organisations, animals, natural resources and activities.

COVID-19 has had a big impact on an important system in our ***thl*** business too: the world-famous Glowworm Caves in Waitomo, New Zealand. The natural environment lies at the heart of this system. A tightknit community of people, many affiliated with the Maniapoto hapū (tribe), work in the caves which are owned by the Ruapuha Uekaha Hapū Trust and the Department of Conservation (DOC).

The pandemic has touched every part of this system. Unfortunately, many of the economic and social impacts have been negative – though better than they might have been, thanks to actions you will read about below. And there has been an environmental upside: the CO^2 levels in the caves are lower.

The unfolding COVID-19 crisis

February and early March at Discover Waitomo was a time of watching, waiting, and taking precautions, resulting in new COVID-19 signage, hygiene practices, and training for crew.

By mid-March New Zealand was facing a health crisis. Economic and social crises were close behind. With borders closed to tourists and the country in 'lockdown', we shut the caves.

COVID-19's economic and social impacts have been heartbreaking for ***thl*** and the local community. Eighty-seven percent of our visitors are international. Without them, we have had to reduce crew numbers by more than half. Other local businesses have suffered too, including accommodation providers and suppliers to our Homestead Café. These businesses are part of the Waitomo system too.

Support for the local community and our business

At this difficult time, there have been some positives. The first was negotiating a Government grant that recognised Discover Waitomo's national importance as a 'strategic tourism asset'. This funding has kept the caves open and saved ~35 jobs.

Then in May, our domestic campaign, 'get moving, to get New Zealand moving', saw thousands of Kiwis take to the roads when the Government lifted travel restrictions. The campaign has generated revenue for Waitomo.

Thirdly, DOC is considering local opportunities to enlist the skills of crew no longer employed by us.

An environmental upside

Other encouraging news involves the caves themselves. Guardianship (kaitiakitanga) is a Discover Waitomo value, and it extends to caves and glowworms.

Every ten minutes (144 times a day), our environmental team monitors the caves' CO^2 levels. They aim to keep emissions below 2,400 ppm (parts per million) and prevent condensation corroding the beautiful limestone formations. When the caves are hosting visitors, keeping to this target can involve managing entry by limiting tickets or delaying tours.

With no visitors from 24 March to 22 May, our Environmental Advisory Group was able to establish the 'no-visitors' baseline for the first time ever. They recorded CO^2 emissions of 500 to 600 ppm. They also learned how rain raises CO^2, with drip waters and streams releasing the gas.

Closing the caves let us control *lampenflora*, the invasive mosses and algae that damage caves. Articles for the Australasian Cave and Karst Management Association and a scientific publication will follow.

The impact on the 'stars of the show' – the glowworms – is less clear. Some guides believe the insects' 'fishing lines' look longer, and the population is bigger than before shutdown. We're investigating further.

LOOKING AHEAD

At the time of writing it is still unclear when international borders will reopen. In the meantime, our crew are taking the opportunity to 'build back better'. For example, customers are loving the smaller 'boutique' tours we are offering and a simple change to our mustering point (now round the *pouwhenua* or carved pole at the heart of the complex) has added to the visitor experience.

Reflections on the first eight months

There is no denying that our world changed this year in early 2020 and that how we recover and reset is most important to all our stakeholders. However, we wanted to share some reflections on the first eight months of FY20, as whilst some of these activities had to be put on hold, we want to acknowledge that many great things were happening in our global businesses.

Queenstown sustainable site

Queenstown had unprecedented growth over the past five years prior to 2020 and the Queenstown branch location had reached operational capacity at the existing site. The aim was to find a new site to enable ***thl*** in Queenstown to grow into becoming the global example of a motorhome rentals and sales branch of the future, with the capability to meet increased business demands in the region, and deliver an enhanced customer experience for both rentals, sales and maintenance services.

The new location, design and business operation factors in the Future-Fit business framework and includes things such as an automated truck wash, solar power, recycled water, rain water collection and other sustainability initiatives.

By the time we were business case ready, New Zealand had moved into lockdown. With the current changed market expectations, this will be relooked at in FY21.

EVs to trial

thl continued their journey towards low emission motorhomes. Please see this case study from EECA for a great overview of our journey so far: genless.govt.nz/stories-and-case-studies/case-studies/electric-campervans-open-new-zealand-to-sustainable-touring

After adding 11 Electric 2-Berth LDV-80 to our customer fleet in FY19, the next steps focused on our larger 4 to 6-Berth offering and finding options that would extend the range beyond the 120K limit of the current eLDVs. We worked with Action Manufacturing in Albany and EMOSS in the Netherlands[6] to repower two Mercedes Sprinters. These were delivered in early 2020 and ready to be road-tested by our crew at the time New Zealand went into lockdown.

We will continue this research and development towards lower emission fleet as soon as we can in FY21.

6 https://www.emoss.nl/en

El Monte putting sustainability at the heart of travel

To help bring to life El Monte RVs vision to put sustainability at the heart of their company culture, customer experiences and business practices, every branch in the US developed a Store Sustainability action plan in FY19.

The branch managers identified five key areas for action every branch could work on that would reduce our impact. The focus areas of energy, waste, water use, lowering emissions and community contribution align well with a number of Future-Fit Break-Even goals and support progress towards becoming a Future-Fit business.

The starting point for each store was completing a water and energy audit to provide advice on opportunities to improve. Then each store put in place initiatives to monitor use and increase awareness of energy and water saving practices. In October all the stores reviewed current recycling stations and improvements were implemented for all the customer areas. Many stores also started programmes to donate food and surplus items to local community organisations.

At the leader's conference in January 2020, the team reviewed the programme progress in 2019, sharing successes and highlights from the programme. A vote by all the managers present for the manager's choice Sustainability Superstore 2019 recognised LAX and SFO stores efforts to reduce their impact and progress their action plans.

> "In October all the stores reviewed current recycling stations and improvements were implemented for all the customer areas."

Highlights for SFO included achieving Silver Level in their Local Green Business Award – the Dublin Green Shamrock, and participating in the local creek clean-up for international coastal clean-up day. For LAX, successes including leading a pilot to remove single-use plastics from bedding and household kits, and upgrading to LED lights.

Kiwi pivoting to new product types

Kiwi Experience successfully launched a new product offering in the small group tour category. It created the opportunity to expand the customer base and respond to a growing demand for shorter trips that pack in the very best New Zealand has to offer. The small group tours feature transport for up to 16 passengers, a selection of real New Zealand experiences which aim to show off the best of New Zealand through a local's eyes, and of course the passionate and experienced Kiwi guides that Kiwi Experience is known for, focusing on showing passengers around New Zealand, not just as guests, but as whanau.

We have restarted small group offerings for the domestic market in September 2020.

Governance year in review

The Tourism Holdings Limited Group operates under a set of corporate governance principles designed to ensure the Company is effectively managed. The detail of our governance structure is explained in the corporate governance section of this report.

Changes to the *thl* Board

In the last 12 months, we had Dr. Guorong Qian join the ***thl*** Board. Dr. Qian is the Vice Chairman of CITIC Capital Holdings, ***thl***'s largest individual shareholder. He brings a wealth of experience to the ***thl*** Board from previous roles in various brokerage, asset management and investment roles. Due to Dr. Qian's position with CITIC Capital, the Board has determined that Dr. Qian is a non-independent Director for the purpose of the NZX Listing Rules.

Long standing Directors Graeme Wong and Kay Howe also retired from the ***thl*** Board following ***thl***'s Annual Shareholder Meeting held in October 2019. The ***thl*** Board thanks Graeme and Kay for their contributions over recent years. Current Directors Rob Hamilton and Debbie Birch were appointed to the vacant Chair roles of each of the Audit Committee and Marketing & Customer Experience Committee, respectively.

Governance in the context of COVID-19

Given ***thl***'s role at the forefront of the tourism industry, the ***thl*** Board and management were closely following the developments of COVID-19 in early 2020 to assess the potential impact on ***thl***'s global operations.

From a ***thl*** perspective, the first major event occurred on 12 March as the US Government announced a 30 day ban on travel originating from Europe, being the largest origin market for ***thl***'s US rentals business. This was shortly followed by similar travel restrictions being announced in New Zealand and Australia. The initial event triggered a move to daily management reporting to the Board with Board meetings being held approximately every second day. By way of comparison, the regular Board schedule consists of management reporting each month, meetings being held every second month, and ongoing communication in the interim as important issues arise.

From a management perspective, a COVID-19 crisis management team (CMT) was formed to effectively deal with the issues that were arising globally. The CMT consisted of key management personnel from across all of our jurisdictions, including the General Managers of our New Zealand, Australian and US rentals businesses. Daily stand up meetings were held for regular communication of developments and to share knowledge between the teams. In particular, knowledge from the US operations were invaluable for New Zealand and Australia, given that the developments in the US were occurring a few days ahead of the other two countries.

Ensuring that the market was appropriately informed was front of mind for the Board. An interim announcement was released on 12 March to acknowledge the developments while the impact of the various restrictions on ***thl*** were assessed. The following day, the Board made the decision to retract ***thl***'s FY20 NPAT market guidance given the growing uncertainties in the environment. Simultaneously the Board and the CMT commenced modelling of various scenarios to quantify the potential immediate and medium-term financial impacts on ***thl*** from the travel restrictions, as well as to understand any potential risk of non-compliance with ***thl***'s banking covenants. As the severity of the circumstances became clearer over the following days, the exercise helped inform business decisions on cash preservation and expenditure reduction. A number of measures were implemented, including the cancellation of ***thl***'s previously declared FY20 interim dividend and a temporary reduction in Directors' fees and Executive team salaries.

This impromptu Board reporting and meeting framework was maintained during the second half of March 2020, with six Board meetings and conference calls being held over a two week period. As each of the matters requiring an immediate response were addressed, the frequency of meetings moved to weekly while management updates continued to be provided as matters arose.

From a health and safety perspective, the growing likelihood of a more severe outbreak of COVID-19 prompted a further assessment of ***thl***'s standard operating procedures to ensure the risk of COVID-19 exposure for staff and customers was minimised.

thl's governance in the time of an unprecedented crisis has provided valuable lessons in crisis management and illustrated that despite risk management and planning, to some extent the response to significant shocks will develop naturally. These lessons have shown what works well, what processes we could look to implement and how we could do better in future. Given that it seems the risk of second waves of COVID-19 is likely to remain until a vaccine is found, the experience taken from the initial response means we are better equipped to deal with similar issues.

Strategic planning and budgeting in the context of COVID-19

Through input from the Board and Executive team, changes were made to ***thl***'s annual strategic planning and budget process usually undertaken in June each year. Acknowledging the uncertainty in the market and that the priority should be to address and respond to current circumstances rather than to review pre-COVID-19 financial performance, a simplified process was adopted focusing on three questions all considered in the context of COVID-19:

What have we learnt?

Where are we at currently?

Where are we going and what do we need to do to get there?

A version of this can be found in the divisional reports.

	Board meeting	Audit committee meeting	Remuneration and nomination committee meeting	Disclosure committee meeting	Marketing and customer experience committee meeting	Sustainability and risk committee meeting
Rob Campbell	22	3	4	24	3	3
Debbie Birch	22	3	4	–	3	3
Cathy Quinn	22	3	4	24	3	3
Gráinne Troute	22	3	4	–	3	3
Rob Hamilton[1]	22	3	4	13	3	3
Guorong Qian[2]	15	2	2	–	3	2
Kay Howe[3]	5	1	1	–	1	1
Graeme Wong[3]	4	1	1	11	1	1

1 Rob Hamilton joined the Disclosure Committee on 1 November 2019.
2 Guorong Qian joined the Remuneration & Nomination Committee on 1 November 2019.
3 Kay Howe and Graeme Wong retired as Directors with effect from 31 October 2019.

Risk Governance

The Sustainability and Risk Committee was implemented in 2019 and met three times in FY20.

The standard agenda of the committee covers top strategic risks and Future-Fit challenges, as well as deep dive sessions into special topics as appropriate, which this year included the spread of COVID-19 and its impacts, slowing tourism numbers (pre-COVID-19), climate change and over-tourism.

The Enterprise Risk Steering Committee oversees the Risk Management and meets every two months. The Enterprise Risk management system, ecoPortal, contains all our Board and operational risks which get monitored on a weekly basis by the project manager – Enterprise Risk, with workflows controlling regular reviews by the risk owners.

A mandatory Enterprise Risk awareness training module for all crew has been developed and will be rolled out in September 2020.

Enterprise risk through a COVID-19 lens

Whilst our Risk register contains a specific pandemic risk, for the second part of FY20 we have applied a COVID-19 lens over all related risks and how this impacts our value creation. This involves a more regular risk review for those risks tackling key considerations and questions and building new controls around: Compliance and Legal, Fleet, Finance and Planning, Reputation, Competitors, IT, People and H&S.

Here is our updated range of key risks that impact ***thl*** short-term and/or long-term through a COVID-19 lens. They are grouped by key themes and linked back to our overall capital outcomes.

Risk	Detail	Impact	Risk controls	Link to outcomes
Short-term				
Health and Safety	Being an essential service provider and also with domestic tourism offerings available, whilst COVID-19 is not fully controlled, it has exposed our crew and customers to additional Health and Safety risks.	If our operation was no longer regarded as safe, we would face major impacts on our operating model, as well as fines, law suits and significant reputational damage.	Continue to embed Health and Safety culture and strong processes in all parts of the business. Ensure knowledge sharing across jurisdictions to continually improve SOPs.	HUMAN CAPITAL Enabling people to develop, grow and do well SOCIAL CAPITAL Respecting our communities FINANCIAL CAPITAL Loss of revenue, penalties
Cyber security	External malicious activity causing loss of key systems and data breaches. There have been increased requirements for securing remote workers as Working from Home has added additional complexity in managing this risk. Increase in fraudulent activity due to COVID-19.	Loss of key systems causing operational disruption, ransom, funds. Reduction in EBIT. Reputational impact.	Continued user awareness training. Implemented a Privacy Impact Assessment on high risk systems, as well as further focus on best practice systems security and compliance with the latest local and international data protection regulations.	INTELLECTUAL CAPITAL Leading the way in innovation HUMAN CAPITAL Enabling people to develop, grow and do well
Key systems failure	One of ***thl***'s key strengths, strong innovation using technology, is also a key risk when these systems or part of the execution of these systems would fail.	Significant customer and revenue disruption. Loss of reputation. Benefits of projects delayed.	***thl*** digital now 100% ***thl*** owned. Well-developed operational back up, deployment and contingency processes and monitoring.	MANUFACTURED CAPITAL Optimising efficiency INTELLECTUAL CAPITAL Leading the way with new innovation
Short and Medium				
Compliance and Legal	• Operational compliance: Continuous and fast changing Governmental regulations. • Increased risk on HR compliance and Payroll errors: the amount of different new Government packages and amount of people changes that have to be processed in a short amount of time, increase the risk of exposure to error.	• Employee health negatively impacted. • Operational delivery negatively impacted. • Exposure to litigation.	Daily monitoring of legal policy and compliance changes to ensure that our operations continue to comply. Examples of these policy changes are definition of essential services, work from home orders and mandates around certain PPE.	FINANCIAL CAPITAL HUMAN CAPITAL Enabling people to develop, grow and do well MANUFACTURED CAPITAL Reputation and process
Major market shock impacts demand levels (eg: war, pandemic, terrorism)	The COVID-19 pandemic is showing the impacts of major global crisis and the effects on tourism. Reduction in international tourism reduces demand, affects profitability and ROFE.	Reduced customer demand level. Competitive behaviour reduction in rental customers, revenue and earnings. Reliance on alternative revenue streams to maintain business during extended lockdown periods with little revenue from traditional streams.	Continued focus on domestic tourism, vehicle sales and alternative revenue streams. Strong cost control.	FINANCIAL CAPITAL Shareholder value MANUFACTURED CAPITAL Optimising efficiency INTELLECTUAL CAPITAL Leading the way with new innovation

Enterprise risk through a COVID-19 lens - continued

Risk	Detail	Impact	Risk controls	Link to outcomes
Medium to long-term				
Climate change / Climate action	Climate change poses a great risk to all aspects of a business and is increasingly viewed as a key financial risk by investors, lenders, and insurance underwriters.	Operational disruption as we saw through the impact of the Australian bushfires in FY20. Additional compliance requirements as increasing regulations to control environmental impacts. Limited recovery of international travel after COVID-19 due to increased awareness.	Adapt business model towards zero emissions and monitor and adapt to climate related events. Our long-term key mitigation planning is through the implementation of the Future-Fit methodology, specifically goals: • BE01 Using energy from renewable sources and actively encouraging suppliers to do the same. • BE04 Procurement of goods and services does not hinder progress. • BE06 Eliminating operational greenhouse gas emissions and actively encouraging suppliers to do the same. • BE08 Ensuring operations do not encroach on ecosystems or communities and actively encouraging suppliers to do the same. • BE18 Eliminating product greenhouse gas emissions. • BE23 Investing in assets that do not hinder progress.	NATURAL CAPITAL Protecting and enhancing our environment MANUFACTURED CAPITAL Fleet and process SOCIAL CAPITAL Respecting our communities
Long-term				
World recession and slow jagged recovery	Economic event i.e. COVID-19 causes a recession that impacts all markets and unlikely to have even and fast recovery patterns.	Significant disruption to the RV market. Reduction in financial profitability, travel, demand for used and new vehicles.	Active monitoring of global trends and economic environment. Plan for agility and diversification in business models, markets and fleet. Minimise long-term fixed costs e.g. property. Minimise long-term commitments where possible.	FINANCIAL CAPITAL Shareholder value MANUFACTURED CAPITAL Optimising efficiency INTELLECTUAL CAPITAL Leading the way with new innovation

Divisional reports

New Zealand Rentals & Vehicle Sales
accelerating our agile advantage

RENTAL REVENUE

-6%

VEHICLE SALES REVENUE

-10%

EBIT

-4%

Where are we at?

The NZ rentals and Vehicle Sales business achieved an EBIT for FY20 of $30.2M, this was only $1.3M (4%) below what we achieved in FY19.

The NZ business was tracking strongly through the first three quarters when COVID-19 hit which overnight turned the operations on its head. From a business perspective, NZ rentals was fortunate that the majority of the peak season revenue had been taken at the time, and the impact from April – June was less material.

Vehicle sales for New Zealand was significantly impacted in the short-term by COVID-19. Through Alert Level 4 in March and April, only one vehicle was delivered. However, the bounce back coming out of lockdown did exceed expectations. The total number of vehicles sold in FY20 was 575, 53 units short of the prior year result and a 8% decrease. At a net contribution level, vehicle sales was $101k (-2%) down on the prior year.

Operating costs have been managed tightly across the year, and the business adjusted at speed to the challenges that were presented when COVID-19 hit to minimise the impact and reduce costs where possible. Total operating costs were $4.9M (7%) down on the prior year.

As COVID-19 restrictions eased, the business adjusted quickly to the new world and the reality of a purely domestic customer base for the foreseeable future. ***thl*** led the market in its response with the 'get moving, to get New Zealand moving' campaign which generated approximately 20,000 bookings and $6M in revenue for the campaign period.

The campaign saved jobs within ***thl*** and encouraged kiwis to start travelling again and spending in our regional communities. As mentioned, the vehicle sales market also bounced back strongly following the lockdown, as people redirected their discretionary travel spend, and RV ownership and the idea of exploring your own back yard encouraged new entrants to the RV ownership market.

What have we learnt?

Throughout the COVID-19 crisis, as with all the businesses, New Zealand rentals showed exceptional change tolerance. The 'get moving, to get New Zealand moving' campaign has been well covered within the main body of this report. The response to that campaign proved that we do have the ability to stimulate demand in the winter season, although at heavily discounted prices compared to historical rates. The category growth and word of mouth benefit from that campaign will be seen for some years to come for the business.

The capability we were able to keep in the business as a result and the demand we drove for regional tourism destinations will also provide intangible benefits over time.

The length of hire was up to two days longer on average than we had anticipated.

We had a large number of first timers, with over 85% of customers surveyed looking to hire again in the future.

The marketing and operational teams worked very well together, responding to the excessive demand challenges quickly. Our technology was challenged and we responded.

Where are we going?

The NZ business is re-positioning for the new world that we find ourselves in. Rentals is adjusting to a purely domestic customer base, and our vehicle sales are capitalising on the additional demand in the market. Domestic-focused ancillary revenue streams such as servicing and retail are being expanded, and the distribution of our fleet across New Zealand through partnerships (including with Top 10 holiday parks) has given us access to the regions and a wider domestic customer base.

Prior to the fire at the Māngere branch, we had pivoted our offering there to a real focus on vehicle servicing, retail and vehicle sales, and had seen positive initial activity.

The ambitious vehicle sales goal we have set ourselves as part of "the Great New Zealand Motorhome Sale" will see our fleet look very different at the end of the year. If we achieve sales near our targeted levels, we would expect to replenish our New Zealand fleet ahead of the FY22 summer season.

We are in a position to succeed in the domestic world we find ourselves in, and ready to launch and grow when the opportunity presents itself with the wider international market in the future.

Australian Rentals & Vehicle Sales
resilient in the face of adversity

RENTAL REVENUE (AUD)

-17%

VEHICLE SALES REVENUE (AUD)

+26%

EBIT (AUD)

-22%

Where are we at?

The Australian business had both the impact of COVID-19 and the Australian bushfires. Rental revenue for the first half of the year was up 4% through growth in hire days. The third quarter rental revenue dropped by close to AU$1M due to the bushfires, and then a further AU$11M from COVID-19 related closures in the fourth quarter.

Vehicle sales has remained positive with the number of sales up 5% on the prior year and total proceeds up 26% on the prior year.

What have we learnt?

Similarly to New Zealand, the Australian business benefited from acting quickly and at pace. The cost control and focus on vehicle sales protected the business from the sharp decline in rental revenue.

The contactless customer experience developed in response to the COVID-19 pandemic has provided a more productive and efficient service offering.

The alternative revenue streams activity in Australia was slower to gain traction than in the US or NZ, but has the most promising long-term opportunities. New channels to the broader tourism market will benefit the business in the long-term. There have also been fruitful discussions with potential long-term partners on mobile accommodation provision for services where motorhomes had not been previously considered.

Where are we going?

The key in Australia is to see interstate travel return. We are operating with an expectation that there will be no international revenue for FY21 and potentially part of FY22. Given the Australian business has historically had approximately 40% of its rentals customers being domestic, with international borders closed and a resilient general economy, we expect strong domestic demand once state borders are open.

We are working collaboratively with national and state Tourism entities, trade partners and direct opportunities, and repackaging our proposition to tailor to the domestic market.

Vehicle sales revenue will be a critical focal point. We will continue to leverage new audiences resulting from limited overseas travel options, our significant domestic hirers and the addition of SHAREaCAMPER as further incentive to buy a motorhome.

From a cost perspective, we continue to optimise our property leases, tailor our people capacity and capability to activity with new and efficient processes, and ensure cost reductions uncovered due to the COVID-19 pandemic can be retained in the new operating environment.

US Rentals & Vehicle Sales

maximising a strong RV sales market

Where are we at?

The US businesses achieved an EBIT of US$7M in FY20, only US$1.6M less than FY19 despite the major disruption of COVID-19 in the crucial spring/early summer period in the last quarter of FY20. We also successfully delivered our commitment made in May 2019, to make cost savings and reduce capital employed by $20M by the end of FY20.

In the first eight months the US motorhome sales market remained highly competitive following the industry oversupply from the previous year. Manufacturer wholesale sales of motorhomes were down 10% on the prior year and our sales volumes saw a similar trend.

The challenging vehicle sales market resulted in excess fleet in the rental market, which suppressed yields. In this difficult market we grew bookings by 2% during the first eight month period, with pleasing growth in international bookings.

The border closures due to COVID-19 in March led to the cancellation of approximately $12M in forward revenue for FY20 relating to international rental bookings. We immediately pivoted to provide a community support service for Government agencies, health departments and utilities. We provided rental services to over 20 organisations, including vehicles and support servicing at camps set up to provide emergency housing for vulnerable community members. Revenue from community rentals during this period exceeded US$6M.

As COVID-19 restrictions eased in May, the demand for RV rentals and sales surged. US consumers see RVs as a safe, 'socially distanced' option for travel. We delivered the two highest sales volume months in the history of the US operation in May and June, with healthy margins.

Domestic demand for RV rentals also rapidly increased as customers looked for alternatives to flying and hotels. Many were first time RV renters who found renting from an established company rather than P2P reassuring. With international travel restricted for the foreseeable future, we expect this demand to continue as US travellers face a domestic-only vacation choice.

What have we learnt?

The business learnt to be even more adaptable and agile. We have to ensure we have the right products and services in the right place and at the right time, to respond to changing restrictions and opportunities regionally and locally. We have to be flexible, support our crew and maintain an intense safety focus to operate safely and effectively in a very challenging operational environment.

In uncertain times we accelerated our ability to adapt to rapidly changing situations to quickly find the advantages, as demonstrated by the continuing success of the community outreach programme and by gearing up for peak season at pace.

Where are we going?

The US business has a strong domestic following and the category as a whole is experiencing the greatest growth curve in its over 50 year history. The demand for vehicle sales is unprecedented (using this word in the positive context is a rarity today).

RENTAL REVENUE (USD)

-11%

VEHICLE SALES REVENUE (USD)

+15%

EBIT (USD)

-19%

At this point in time, the RV industry more broadly, is expecting demand to continue to grow into CY2021 and potentially into 2022, although that is inherently more uncertain. The media interest in the category has been surprising with our business featuring in multiple mainstream media events in a positive manner.

We expect domestic demand to continue to rise, and as mentioned in our market update in July, we see potential to grow our aggregate booking numbers compared to a normal pre-COVID year. However, even if achieved, we would not expect the same level of returns due to the lower yield and generally higher costs of operating in the domestic-only market. If international borders open, we are confident we are in a very strong position with the key US wholesalers.

Whatever our customer base, the US team is highly engaged in operating in a manner which protects the health and wellbeing of crew and customers given we are operating with wide spread community transmission across most of the country.

Tourism Operations

passion remains with a lot less people

Where are we at?

The Tourism businesses delivered an EBIT result of $7.1M (excluding the impact of the write down of Kiwi Experience goodwill), which compared to $12.2M in the prior year. The impact of the New Zealand border closure was far more pronounced on these businesses.

Prior to the border closure, the Kiwi Experience business was recovering well, with forward bookings ahead of the prior year and positive EBIT momentum, given good cost control and new product development.

We currently have the Kiwi Experience business essentially in hibernation given the business was 100% international focussed.

The Waitomo business was first impacted by the reduction in tourists from China, then the more comprehensive New Zealand border closure. From the first lockdown period, we have progressively opened the business and are operating five days per week under the current restrictions and operating environment.

What have we learnt?

Despite only being able to retain a few crew from Kiwi Experience in the business (primarily redirected to other roles), the spirit and culture of Kiwi Experience has remained very strong. The team have remained connected and the drivers are looking forward to a return as soon as possible. We have launched a small domestic operation and will continue to trial different options whilst we wait for a border reopening.

The Waitomo business has also shown a team and community with enormous resilience. We understand that a large number of the crew that were made redundant have found appropriate employment elsewhere in some manner.

The Waitomo business itself has been able to adapt to the lower domestic numbers and provide a different experience. One that is more intimate with deeper cultural heritage and individual stories. There will be several lessons from this period which will shape the future of the product, and potentially, the direction of the business.

Where are we going?

From a Waitomo perspective, we intend to continue to work closely with the various owner groups in the region. We want to engage with the community of Waitomo to establish a plan to deliver a recovery that aligns with all interests.

From a financial perspective, the interim costs relating to Kiwi Experience are minimal, yet we are retaining the essential skills and knowledge to open with pace once we are able.

We expect the Waitomo business will remain in a loss-making position as long as the New Zealand border remains closed. We will continue to develop the domestic market, ideally beyond the school holidays and long weekends, where we have seen strong demand to date.

The region has a lot to offer New Zealanders and we are pivoting our marketing accordingly.

REVENUE

-26%

EBIT*

-68%

*Including the impact of the write down of Kiwi Experience goodwill

thl Digital
flexibility designed to scale up

Where are we at?

Following the change in the Togo Joint Venture structure, ***thl*** took certain assets and businesses to operate with 100% ownership. Most recently these businesses have been grouped into a new division called ***thl*** digital.

The Fleet and Insights products have been continuing to complete the development required to launch live in Australia and New Zealand as a fully integrated system.

The Mighway peer-to-peer rentals business has been joined by the recently acquired SHAREaCAMPER business. The Mighway business was on track for a break-even result prior to the border closures.

What have we learnt?

From a Fleet and Insights perspective, the COVID-19 situation has only reinforced the core principles behind the software development, i.e. a flexible system designed to scale up in a secure manner.

The Mighway and SHAREaCAMPER businesses again showed the ability to pivot and leverage the domestic campaign in New Zealand beyond the locations that ***thl*** operates. With a record number of bookings and revenue in the winter months, there is a possibility that these peer-to-peer businesses will thrive in the domestic only market.

Where are we going?

The Fleet and Insights products need to be launched throughout the ***thl*** businesses globally. Beyond that, we continue to see significant potential for the software to have several different use cases throughout the tourism and automotive vehicle industries globally. The team has a vision for expansion and is looking forward to proving the tangible value of the developed product over the coming months.

The peer-to-peer businesses are focused on achieving a break-even position and to expand the SHAREaCAMPER Australian operation.

Equity Investments

Throughout all aspects of the business, the last few months have shown the power of positive relationships, and that alignment in values provides benefits well beyond any legal document can ever offer.

We have been both fortunate and deliberate to have joint venture partners that understand the needs of each other and the preparedness to operate in a manner which is highly transparent, mutually beneficial and builds on each other's strengths. The response to the COVID-19 pandemic with all our joint venture partners has been exemplary.

JUST GO

Where are we at?

The Just go business was impacted in a similar manner to the rest of the business in the last four months of the year. The business was fortunate to be able to manage the calendar year 2020 fleet acquisition with the manufacturing partner to stagger the purchases over a 12 month period. This had a flow on benefit for the New Zealand business. This, along with the breadth of support from the UK Government, has seen the business protect its balance sheet and put it in a positive position for FY21.

The FY20 loss of $376k (***thl*** 49% share in NZD) reflected the impact of COVID-19 and is not seen as any ongoing concern for the business.

What have we learnt?

In the last two months as lockdown restrictions have eased in the UK, we have seen similar category growth for motorhome sales and rentals, as seen in our other markets globally.

Vehicle sales reached record levels in July, with the end of summer and autumn seasons looking promising compared to the prior year.

The asset finance structure of the Just go business worked well over the lockdown period and we have secured funding for the next round of fleet purchases.

Like the rest of the business, the Just go crew have excelled.

Where are we going?

FY21 still holds the same uncertainties as the rest of the industry, however we have seen strong domestic demand which has led to a positive start to the financial year.

The fleet strategy for the coming 12-18 months will be critical and is under constant review by the Just go Board.

thl remains committed to Just go and our joint venture partners, Nick and Sarah Roach.

ACTION MANUFACTURING

Where are we at?

Over the last four years, Action Manufacturing has been focused on diversifying away from a sole reliance on ***thl*** for its fortunes and activity. The acquisition of Fairfax Industries in 2018 is an example of this, and has ultimately been a positive move for the business.

The NPBT result of $1.4M (***thl*** 50% share) was broadly in line with the prior year and budgeted expectations. This is a remarkable effort from the team, given the shock in the operating environment and sudden decrease in order volume from ***thl***.

The Albany site completed a significant restructuring over Alert Level 4 in New Zealand, enabling costs to be reduced in line with reduced volume.

Action Manufacturing carries minimal debt, all of which relates to stock and Work in Progress.

What have we learnt?

The variety of product manufactured by Action Manufacturing under Government contracts, which includes emergency services vehicles, provides diversification and resilience to the business.

The expert design capabilities of the team at Action Manufacturing and agile approach to business has meant that the business has been able to capture new contracts over this period of uncertainty.

The Letter of Credit facility guaranteed by ***thl*** supports Action Manufacturing to continue to work on ***thl***'s committed motorhome order for New Zealand and Australia at an appropriate pace over the coming 12 months, with minimal cost to both businesses.

Where are we going?

We consider that Action Manufacturing has a positive outlook for FY21, as it looks to pivot and grow capacity in the non-***thl*** motorhome space.

In recent months, the Albany business has been able to successfully repurpose to provide operational support to ***thl*** in the

preparation of motorhomes moving from the rental fleet to sales, as well as providing assistance with service work and insurance repairs. The support has been beneficial to both Action Manufacturing as well as ***thl***, given the significant preparation activity associated with the "Great New Zealand Motorhome Sale".

Further expansion into Australia is another opportunity for the business. As noted in our market update on 31 July 2020, Action Manufacturing has had a number of successful tenders in recent months, including with the Queensland Ambulance Service. We expect that orders from the Queensland Ambulance Service will increase in FY21.

thl continues to have a positive view on the medium and long-term outlook for Action Manufacturing.

OUTDORIA / TRIPTECH

On 31 July, each of ***thl*** and Gerry Ryan increased their existing shareholdings in triptech, as Discovery Holiday Parks exited as a shareholder of the company. This transaction saw triptech's shareholder base move from multiple shareholders to a two-party joint venture. We see this as a positive for triptech, enabling greater clarity in direction and strong ongoing shareholder support.

The business is operating effectively domestically, with user numbers up on last year for Australia and New Zealand prior to the recent second wave of lockdown activity in both countries.

Triptech's FY20 loss was smaller than in the prior year. Despite the current international travel restrictions, we still consider that this business has a positive outlook.

TOGO GROUP

Our managed exit from Togo Group has been well covered in the Chair and CEO reports. The financial statements have a specific note for the accounting treatment of the transaction. A breakdown and explanation is also included in the ***thl*** Investor Presentation.

thl's share of the trading loss for Togo Group to the point of the transaction was $10.6M, compared to the full year loss of $12.8M in FY19.

ACTION MANUFACTURING NPBT

$1.4M

JUST GO NPAT

-$376K

TOGO NPBT*

-$10.6M

*9 months to 31 March 2020

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 2020.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly, in all material respects, the financial position of the Group as at 30 June 2020 and the results of the Group's operations and cash flows for the year ended on that date.

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

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

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

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

This document constitutes the 2020 Annual Report to Shareholders of Tourism Holdings Limited.

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

Rob Campbell
Chair

Rob Hamilton
Chair of the Audit Committee

17 September 2020

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Consolidated income statement

For the year ended 30 June 2020

	NOTES	2020 $000'S	2019 $000's
Sales of services	2	257,437	292,199
Sales of goods	2	143,493	130,805
Total revenue		400,930	423,004
Cost of sales	2	(125,502)	(114,373)
Gross profit		275,428	308,631
Administration expenses	4, 5	(44,212)	(49,469)
Operating expenses	4, 5	(185,685)	(197,160)
Other income	3	3,080	141
Operating profit before financing costs*		48,611	62,143
Finance income	6	427	87
Finance expenses	7	(13,369)	(11,289)
Net finance costs		(12,942)	(11,202)
Share of (loss)/profit from associates	20	(376)	246
Share of loss from joint ventures	18, 19	(9,151)	(11,294)
Profit before tax		26,142	39,893
Income tax benefit/(expense)	8	1,214	(10,140)
Profit for the year		27,356	29,753
Earnings per share from profit for the year attributable to the equity holders of the company	9		
Basic earnings per share (in cents)		18.6	23.7
Diluted earnings per share (in cents)		18.6	23.3

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

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

Consolidated statement of comprehensive income

For the year ended 30 June 2020

	NOTES	2020 $000'S	2019 $000's
Profit for the year		27,356	29,753
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve movement (net of tax)	24	(2,624)	(2,207)
Cash flow hedge reserve movement (net of tax)	32	(2,212)	(3,645)
Other comprehensive losses for the year net of tax		(4,836)	(5,852)
Total comprehensive income for year attributable to equity holders of the Company		22,520	23,901

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

Consolidated statement of changes in equity

For the year ended 30 June 2020

	NOTES	SHARE CAPITAL $000'S	RETAINED EARNINGS $000'S	CASH FLOW HEDGE RESERVE $000'S	OTHER RESERVES $000'S	TOTAL EQUITY $000'S
Opening balance as at 1 July 2019		217,012	56,176	(4,483)	8,312	277,017
Adjustment on adoption of NZ IFRS 16 (net of tax)	13	–	(7,150)	–	–	(7,150)
As at 1 July 2019		217,012	49,026	(4,483)	8,312	269,867
Comprehensive income						
Net profit for the year ended 30 June 2020	23	–	27,356	–	–	27,356
Other comprehensive income						
Cash flow hedge reserve movement (net of tax)	32	–	–	(2,212)	–	(2,212)
Transfer foreign currency gain to income statement in relation to Togo transaction	24	–	–	–	(9,066)	(9,066)
Foreign currency translation reserve movement (net of tax)	24	–	–	–	6,442	6,442
Total comprehensive income		–	27,356	(2,212)	(2,624)	22,520
Transactions with owners						
Dividends on ordinary shares	10	–	(20,567)	–	–	(20,567)
Issue of ordinary shares (net of issue costs)	22	52,904	–	–	–	52,904
Transfer from employee share scheme reserve	24	72	–	–	(72)	–
Employee share scheme reserve	24	–	–	–	375	375
Total transactions with owners		52,976	(20,567)	–	303	32,712
Closing balance as at 30 June 2020		269,988	55,815	(6,695)	5,991	325,099

For the year ended 30 June 2019

	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 2018		180,806	59,725	(838)	10,318	250,011
Comprehensive income						
Net profit for the year ended 30 June 2019	23	–	29,753	–	–	29,753
Other comprehensive income						
Cash flow hedge reserve movement (net of tax)	32	–	–	(3,645)	–	(3,645)
Foreign currency translation reserve movement (net of tax)	24	–	–	–	(2,207)	(2,207)
Total comprehensive income		–	29,753	(3,645)	(2,207)	23,901
Transactions with owners						
Dividends on ordinary shares	10	–	(33,385)	–	–	(33,385)
Issue of ordinary shares (net of issue costs)	22	36,122	–	–	–	36,122
Transfer from employee share scheme reserve	24	84	83	–	(167)	–
Employee share scheme reserve	24	–	–	–	368	368
Total transactions with owners		36,206	(33,302)	–	201	3,105
Closing balance as at 30 June 2019		217,012	56,176	(4,483)	8,312	277,017

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

Consolidated statement of financial position

As at 30 June 2020

	NOTES	2020 $000'S	2019 $000's
Assets			
Non-current assets			
Property, plant and equipment	12	359,717	407,016
Intangible assets	17	50,267	44,180
Financial asset recognised at fair value through the income statement	29	21,382	–
Investment in joint ventures	19	10,224	51,106
Investment in associates	20	4,044	4,319
Advance to joint venture	19	125	625
Right-of-use assets	13	69,562	–
Deferred tax assets	36	1,656	–
Total non-current assets		516,977	507,246
Current assets			
Cash and cash equivalents		35,514	8,837
Trade and other receivables	27	28,930	28,964
Inventories	16	68,487	56,219
Advance to joint venture	19	530	976
Current tax receivables		3,108	191
Derivative financial instruments	31	6	40
Total current assets		136,575	95,227
Total assets		653,552	602,473
Equity			
Share capital	22	269,988	217,012
Other reserves	24	5,991	8,312
Cash flow hedge reserve	32	(6,695)	(4,483)
Retained earnings	23	55,815	56,176
Total equity		325,099	277,017
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	25	163,322	210,980
Derivative financial instruments	31	9,193	5,798
Deferred income tax liability	36	11,886	22,224
Lease liabilities	13	74,567	–
Total non-current liabilities		258,968	239,002
Current liabilities			
Interest bearing loans and borrowings	25	–	46
Trade and other payables	28	37,001	47,489
Revenue in advance		12,192	25,544
Employee benefits		7,214	8,400
Derivative financial instruments	31	110	461
Current tax liabilities		5,664	4,514
Lease liabilities	13	7,304	–
Total current liabilities		69,485	86,454
Total liabilities		328,453	325,456
Total equity and liabilities		653,552	602,473

For and on behalf of the Board who authorised the issue of the consolidated financial statements on 17 September 2020.

R J Campbell
Chair of the Board
17 September 2020

R D Hamilton
Chair of the Audit Committee
17 September 2020

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

Consolidated statement of cash flows

For the year ended 30 June 2020

	NOTES	2020 $000'S	2019 $000's
Cash flows from operating activities			
Receipts from sale of services		248,752	298,998
Proceeds from sale of goods		143,493	130,805
Interest received	6	212	87
Payments to suppliers and employees		(193,510)	(224,119)
Purchase of rental assets		(108,790)	(176,075)
Interest paid		(13,584)	(11,134)
Taxation paid		(7,484)	(8,361)
Net cash flows from operating activities	35	69,089	10,201
Cash flows from investing activities			
Sale of property, plant and equipment		126	8
Purchase of property, plant and equipment		(4,125)	(3,884)
Advance to joint ventures	18, 19	(11,945)	(1,500)
Receipts from joint ventures	19	1,000	751
Purchase of intangibles		(432)	(407)
Investments in associates and joint ventures	19	–	(9,589)
Net cash flows used in investing activities		(15,376)	(14,621)
Cash flows from financing activities			
Payment for lease liability principal	13	(6,442)	–
Proceeds from borrowings	25	101,150	164,548
Repayments of borrowings	25	(153,938)	(166,225)
Dividends paid	10	(17,373)	(29,429)
Proceeds from share issue (net of issue costs)	22	49,280	30,798
Net cash flows used in financing activities		(27,323)	(308)
Net increase/(decrease) in cash and cash equivalents		26,390	(4,728)
Opening cash and cash equivalents		8,837	13,534
Exchange gains on cash and cash equivalents		287	31
Closing cash and cash equivalents		35,514	8,837

Significant non cash transactions:
During the year ended 30 June 2020, the Group received certain assets and liabilities as part of the exit from Togo Group (refer to note 18).

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

Notes to the consolidated financial statements

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About this report

Basis of preparation

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

The consolidated financial statements (financial statements) of the Group have been prepared:

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

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

Key:

= Accounting policy

= Critical accounting estimate

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 consolidated 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 financial statements, are:

- Income tax (note 8)
- Property, plant and equipment (depreciation rates, residual values and inventory reclassification) (note 12)
- Impairment of non-financial assets which include investments in associates and joint venture (note 19), and goodwill arising from business combinations (note 17)
- Assessment of going concern assumption (refer to paragraph below)
- Togo transaction (valuation of intellectual properties and residual investment) (note 18).

About this report (continued)

Assessment of going concern and impairment

The Board has considered the impact of COVID-19 on the financial position of the Group. This is commented on in more detail below and in the notes to the financial statements.

The Board has also considered the impact of COVID-19 in relation to the ongoing funding and capital requirements of the Group. In making these assessments, the Board has considered cash flow forecasts under a range of potential scenarios. These include cash flow forecasts for at least 12 months from the date of signing these financial statements and five year models supporting the impairment assessment at the cash-generating unit (CGU) levels. Acknowledging the inherent risks in relation to the unknown future impacts of COVID-19, these financial statements and the cash flow forecasts have been prepared based on currently available information and the Board's best estimates of the future circumstances of the Group.

Key assumptions used in the cash flow forecasts include:

- Domestic only tourism throughout FY21, without travel restrictions within each country;
- Rental yields and hire days estimates for each jurisdiction reflective of expectations from a domestic only market;
- Vehicle sales volumes throughout FY21 similar to that of FY19 levels; and
- A re-opening of international borders during FY22.

We note that in particular reference to the impairment testing there is the potential for a deterioration in macro-economic conditions and/or longer than anticipated border closures or travel restrictions which could impact one or a combination of key sensitivities to a greater degree than provided within. In this event, it could result in a future impairment of an asset, particularly where current headroom is low. In particular we note that the headroom in the Rentals Australia business and the investment in Action Manufacturing LP (AMLP) is relatively limited.

Based on the cash flow scenarios that were developed, the Group secured a committed bank funding facility of approximately $225M, consisting of a number of tranches maturing between September 2021 and July 2022 as outlined in note 25.

As described in note 25, the Group has made, among other undertakings, certain undertakings to, and has agreed certain "events of review" with, its banking syndicate in relation to EBITDA and vehicle sales performance throughout FY21. As at 31 August 2020, the Group's net debt position was $98M ahead of that in the banking case scenario model supporting the facility agreement. The Group was comfortably ahead of the required EBITDA and vehicle sales.

Based on this positive trading performance since the scenario modelling was developed and banking arrangements finalised, and the future cash flow forecasts as outlined above, the Board expects that the Group will be able to meet its undertakings and covenants in relation to the banking facility and will have sufficient cash to discharge its liabilities as they fall due, for at least one year from the date the financial statements are approved.

Having regard to all of the above, the Board's assessment is that there is no material uncertainty and concluded that the going concern assumption is appropriate. Therefore these financial statements have been prepared on the basis of a going concern.

An assessment of the impact of COVID-19 on the statement of financial position is set out below, based on information available at the time of preparing these financial statements:

About this report (continued)

STATEMENT OF FINANCIAL POSITION ITEM	COVID-19 ASSESSMENT	NOTE
Trade and other receivables	***thl*** has updated the provisions for doubtful debts for the increase in expected credit losses.	27
Inventories	Primarily consisting of motorhomes held for sale, ***thl*** has reviewed the recoverable value of motorhome assets and concluded that the margins on sale that are currently being achieved in each jurisdiction supports the carrying value.	12, 16
Advance to and investments in joint venture and associate	COVID-19 has impacted the performance of Just go and AMLP, ***thl***'s equity accounted investees. ***thl*** performed an impairment assessment over these investments using value in use calculations to determine their respective recoverable amounts. The assessment supports no impairment to the carrying value of these investments.	19, 20
Income tax	The decrease in earnings as a result of COVID-19 has resulted in overpaying provisional tax in New Zealand. A refund has been recorded at the amount expected to be received. In the United States, a one off tax benefit has arisen due to an allowance to carry back tax losses to previous tax years. The tax years that the losses were applied to had a higher tax rate than the losses were previously valued at.	8, 36
Derivative financial instruments	COVID-19 has impacted interest rate derivatives through the drop in interest rates and an increase in ***thl***'s own credit risk spread.	31
Property, plant and equipment	Primarily consisting of Motorhomes, ***thl*** has reviewed the recoverable value of motorhome assets and the depreciation rates applied, and concluded that the recoverable amount was determined to be greater than its carrying amount. This is further supported by the impairment assessment performed at the CGU level using a value-in-use calculation.	12
Intangible assets	Given the current and unexpected impact of COVID-19 to the economy and the current market capitalisation being less than net assets, ***thl*** has performed an impairment assessment of all of its CGUs using value-in-use calculations to determine each of the CGUs recoverable amount. The assessment supports no impairment required for all CGUs, apart from Kiwi Experience. Given the current hibernation of the Kiwi Experience business, combined with the decline of the UK backpacker market throughout FY19 and FY20, the goodwill in relation to the Kiwi Experience business has been fully written off.	17
Right-of-use assets and liabilities	***thl*** has assessed its lease portfolio and raised an impairment against the right-of-use assets in relation to two immaterial leases that are currently not being used in the Group's tourism businesses. All rentals businesses leases in relation to the rentals business are still being used and form part of the branch network in each jurisdiction. A value-in-use calculation has been performed for each of the rentals business which results in no impairment of the right-of-use assets. During the year ended 30 June 2020, ***thl*** received rent concessions due to COVID-19 which have not been treated as a lease modification, as a practical expedient, in accordance with the COVID-19-Related Rent Concessions amendment to NZ IFRS 16 Leases as issued in May 2020 and approved in New Zealand in June 2020.	13
Financial assets recognised at fair value	The remaining investment in Togo Group has been recognised at fair value and there is no indication of impairment at 30 June 2020.	31
Trade and other payables	There were no material accruals or provisions related to COVID-19.	28
Revenue in advance	The majority of revenue received in advance from international customers prior to COVID-19 has been refunded. The remaining balance primarily relates to revenue received in advance for domestic travel in each jurisdiction.	
Employee benefits	There was no material impact to the value of employee benefits as a result of COVID-19.	
Interest bearing loans and borrowings	The loan facility was amended in June 2020 as described in note 25. The net debt balance has reduced significantly from pre COVID-19 levels, primarily facilitated by cash flows received from the sale of motorhomes.	25

About this report (continued)

The Group has included the following amounts within the income statement for the year end 30 June 2020 in relation to the impacts of COVID-19:

DESCRIPTION	RECOGNITION IN STATEMENT OF COMPREHENSIVE INCOME	$000's
Increase in provision for doubtful debts	Operating expenses	1,099
Restructure and redundancy costs	Operating expenses	557
Impairment of right-of-use lease assets	Operating expenses	130
Impairment of Kiwi Experience goodwill	Operating expenses	3,126
Wage subsidies received	Netted off against employee entitlements	5,346
Rent relief received	Other income	1,030

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 21.

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 statement of financial position ('balance sheet') presented are translated at the closing rate at the date of that balance sheet;

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

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

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

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.

At the end of each reporting period:

(a) Foreign currency monetary items are translated using the closing rate;

(b) Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

(c) Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Section A – Financial performance

In this section

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

1. Segment note

The operating segments of ***thl*** are reported from a geographic and service type perspective. They are made up of the following business operations:

- New Zealand Rentals – Rental of maui, Britz and Mighty motorhomes, and the sale of motorhomes;
- Tourism Group – Kiwi Experience and the Discover Waitomo Caves Group experiences;
- Australia Rentals – Rental of maui, Britz and Mighty motorhomes and 4WD vehicles, and the sale of motorhomes;
- United States Rentals – Rental and sale of Road Bear, Britz, Mighty and El Monte RVs; and
- Other – includes Group Support Services and TH2. TH2 includes Mighway, Togo Fleet and ***thl***'s investment in Outdoria. The joint ventures and associates are also included in this category.

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

1. Segment note (continued)

	NEW ZEALAND					
2019	RENTALS $000's	TOURISM GROUP $000's	AUSTRALIA RENTALS $000's	UNITED STATES RENTALS $000's	OTHER $000's	TOTAL $000's
Sales of services	97,887	41,432	69,969	82,911	–	292,199
Sales of goods	50,763	–	13,553	66,489	–	130,805
Revenue from external customers	148,650	41,432	83,522	149,400	–	423,004
Depreciation	(19,452)	(1,521)	(14,634)	(15,744)	(194)	(51,545)
Amortisation	(87)	(692)	(33)	(2)	(283)	(1,097)
Other costs	(97,619)	(26,938)	(57,536)	(120,625)	(5,501)	(308,219)
Operating profit/(loss) before interest and tax	31,492	12,281	11,319	13,029	(5,978)	62,143
Interest income	–	–	14	10	63	87
Interest expense	(5)	–	(638)	(3,851)	(6,795)	(11,289)
Share of profit/(loss) from joint ventures and associates	–	–	–	–	(11,048)	(11,048)
Operating profit/(loss) before tax	31,487	12,281	10,695	9,188	(23,758)	39,893
Taxation	(8,947)	(3,595)	(3,003)	(517)	5,922	(10,140)
Operating profit/(loss) – after interest and tax	22,540	8,686	7,692	8,671	(17,836)	29,753
Capital expenditure	61,529	451	27,412	92,386	1,742	183,520
Non-current assets	155,113	23,487	87,007	182,917	58,722	507,246
Total assets	188,522	25,524	106,336	220,602	61,489	602,473
Net funds employed	148,378	21,879	72,205	184,291	52,453	479,206

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

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

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

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

2. Revenue

NZ IFRS 15 'Revenue from contracts with customers'

Effective 1 July 2018, the Group adopted NZ IFRS 15 'Revenue from Contracts with Customers' on a modified retrospective basis. On adoption the Group reassessed the revenue policies and concluded that in regards to the rental of motorhomes, a lease component has been identified and accordingly this portion of revenue is recognised under NZ IAS 17 for the comparative year (prior to adoption of NZ IFRS 16 on 1 July 2019) as opposed to under NZ IFRS 15. This does not have any impact on revenue recognition, however this does affect the disclosure thereof. Refer to the Rental Income paragraph below.

Revenue recognition processes and accounting policies have been amended to ensure that the five-step method, as defined in NZ IFRS 15, is applied consistently to revenue recognition across the Group.

The revenue earned by the Group is derived from the satisfaction of one or more performance obligations, which are satisfied at or over a similar period.

(i) Sales of services

Sales of services comprises rental income and service revenue.

Rental income

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

Service revenue

Service revenue comprises various performance obligations (rental add-ons such as accessories and customer liability reduction) in which satisfaction in most cases occurs evenly over the rental period and is recognised accordingly. The Group recognises this revenue over time, as the customer simultaneously receives and consumes the benefits provided by the entity's performance.

Sales from tourism services are recognised when the service is rendered to the customer and are recognised in the accounting period in which the performance obligation is satisfied, being when the customer obtains the benefit from the service. It relates to the satisfaction of a number of performance obligations at a point in time; the contract price that is determined for any single performance obligation is based with reference to the stand alone price and no significant financing components exist, as the transaction is settled within 12 months from the transaction date. There are no costs to obtain or fulfil the contract.

The Group prices its services on a fixed basis and the pricing is fixed and determinable when the duly executed arrangement is finalised. It has also been determined that there are no significant financing components as part of the Group's sale of services arrangements. The Group does not provide for returns or refunds in the contracts with its customers.

Revenue from these sales is recognised net of the estimated discounts or other promotions. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Group recognises the contract liability which represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. It relates to the payments and deposits from the customers and are disclosed as Revenue in Advance in the consolidated statement of financial position. The average timing of satisfaction of performance obligations in relation to the payment of the contract liability is between 1-6 months.

(ii) Sales of goods

The Group sells a range of motorhomes, accessories and other merchandise. Sales are recognised when control of the goods has transferred, being when the goods are handed over to the customer and the customer has the ability to direct the use of the goods. It relates to the satisfaction of a single performance obligation at a point in time; the contract price is determined and no significant financing components exist as the transaction is settled within 12 months from the transaction date and no costs to obtain or fulfil the contract.

2. Revenue (continued)

Sales of services

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

	2020 $000'S	2019 $000's
Rental revenue	180,797	197,210
Service revenue	76,640	94,989
Total sales of services	257,437	292,199

Future minimum rental revenue under non-cancellable operating leases.

	2020 $000'S	2019 $000's
Within one year	4,118	7,244
Within one to two years	–	7
Total	4,118	7,251

Sales of goods

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

	2020 $000'S	2019 $000's
Sales of goods	143,493	130,805
Cost of goods	(124,302)	(113,176)
Vehicle selling expenses	(1,200)	(1,197)
Cost of sales	(125,502)	(114,373)
Gross profit	17,991	16,432

3. Other operating income, net

	2020 $000'S	2019 $000's
Net loss on disposals of non-fleet assets	(110)	(2)
Loss on Togo exit transaction (note 18)	(8,383)	–
Foreign currency translation gain on Togo exit transaction (note 18)	9,066	–
Other income*	2,507	143
Other operating income	3,080	141

* Included within other income is $1M rent relief received as a result of COVID-19.

4. Profit before tax includes the following specific expenses

	NOTES	2020 $000'S	2019 $000's
Donations		38	9
Depreciation	12, 13	61,973	51,545
Impairment of goodwill	17	3,126	–
Amortisation of intangible assets	17	1,160	1,097
Rental and operating lease costs		1,941	12,204
Raw materials and consumables		1,285	1,532
Repairs and maintenance including damage repairs		24,169	27,643
Internal audit fees		185	165
Net foreign exchange losses/(gains)		(260)	20
Audit fees – PricewaterhouseCoopers New Zealand			
Audit of financial statements[i]		564	475
Audit of implementation of new accounting standards		–	38
Other fees – PricewaterhouseCoopers New Zealand			
Remuneration benchmarking[ii]		–	31
Treasury services[iii]		20	15
Agreed upon procedures[iv]		30	19
Other services[v]		–	20
Total fees paid to PricewaterhouseCoopers New Zealand		614	598

Notes on fees paid to auditor:

i. The fee includes the fees for the annual audit of the consolidated financial statements of ***thl***.

ii. Remuneration benchmarking in 2019 is in relation to providing market remuneration data for certain senior management roles and Directors.

iii. Treasury services in 2019 and 2020 are in relation to financial markets risk analysis and commentary.

iv. Agreed upon procedures in 2019 and 2020 are in relation to Waitomo lease compliance, the interim financial statements and proxy vote scrutineering in the annual meeting.

v. Other services in 2019 include an assurance engagement for the interim financial statements and assistance with the compilation of subsidiary financial statements.

PricewaterhouseCoopers New Zealand was also engaged after the balance date to perform agreed upon procedures on the quarterly banking compliance certificate and on holiday pay calculation remediation and COVID-19 payroll changes 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.

	2020 $000'S	2019 $000's
Wages and salaries	71,318	80,548
Share-based payment costs (note 34)	375	368
Other employee benefits	2,005	2,636
Total employee remuneration	73,698	83,552

Wages and salaries include redundancy costs of $557k, offset by the benefits received in relation to NZ COVID-19 Wage Subsidy of $3,979k and Australian Jobkeeper scheme of $1,367k.

6. Finance income

	2020 $000'S	2019 $000's
Interest income	427	87
Total finance income	427	87

7. Finance expenses

	2020 $000'S	2019 $000's
Interest on bank borrowings	9,424	11,284
Interest on finance leases	3,945	5
Total interest expense	13,369	11,289

8. Income tax

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

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

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

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

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

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

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

8. Income tax (continued)

	NOTES	2020 $000'S	2019 $000's
Current tax		9,462	13,095
Deferred tax	36	(10,676)	(2,955)
Income tax (benefit)/expense		(1,214)	10,140

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

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

	2020 $000'S	2019 $000's
Profit before tax	26,142	39,893
Tax calculated at domestic rates applicable to profits in the respective countries	8,143	11,287
Non-assessable income[1]	(10,037)	(63)
Expenses not deductible for tax purposes	1,827	784
Adjustment for US tax losses carried back[2]	(1,147)	(1,868)
Income tax (benefit)/expense	(1,214)	10,140

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

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

As a result, the weighted average effective tax rate was -5% (2019: 25%).

9. Earnings per share

	2020	2019
Profit attributable to the equity holders of the Parent ($000's)	27,356	29,753
Weighted average number of ordinary shares on issue (000's)*	146,753	125,801
Basic earnings per share (in cents)	18.6	23.7

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 34).

	2020	2019
Weighted average number of ordinary shares on issue (000's)*	146,753	125,801
Dilutive redeemable shares and options if exercised (000's)	199	1,998
Total shares (000's)	146,952	127,799
Diluted earnings per share (in cents)	18.6	23.3

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

10. Dividends

The 2020 interim dividend was cancelled and there is no 2020 final dividend. The 2019 final dividend paid in the year ended 30 June 2020 was $20,567k (14 cents per share). The final and interim dividends paid in the year ended 30 June 2019 were $17,243k (14 cents per share) and $16,142k (13 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.

11. Imputation credits

	2020 $000'S	2019 $000's
The amount of imputation credits available for use in subsequent reporting periods	4,491	5,671

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

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

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 buildings are the Waitomo Caves Visitor Centre and the Waitomo Caves Homestead.

- Leased assets

  The most significant leased assets relate to the premises in New Zealand, Australia and the United States.

- Inventory

  The most significant inventory items are the ex-rental motorhome fleet assets that are held for sale. Other inventory items include spare parts, living equipment used inside rental motorhomes, and retail stock.

- Intangible assets

  Intangible assets include:

  – Goodwill arising from the purchase of the Road Bear RV, El Monte RV businesses and Kiwi Experience;

  – The cost of the Waitomo Caves leases;

  – Software;

  – Brands; and

  – Trademarks, leases and licenses.

12. Property, plant and equipment

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

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

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

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

12. Property, plant and equipment (continued)

The Group estimates the residual values of the fleet in order to depreciate motorhome assets using the straight-line method. This estimate of the useful life and the residual value of the vehicle is based on when it is expected to be taken out of the rental fleet. The residual value is influenced by its condition, the mileage on the motorhome and the consumer demand within the relevant resale market. The Group also considers the market conditions and the impact any changes could have on the estimates as part of the overall fleet management program. The Group completes an annual review of the appropriateness of the residual values and useful lives that have been used by reviewing the gains/losses made on recent sales, and forecasts, of similar motorhomes. The estimated useful lives of motorhomes on the rental fleet are 1 - 6 years. This results in annual depreciation rates as a percentage of the original costs of between 5% and 15% for motorhomes. If the depreciation rate increases/(decreases) by 1% for motorhomes, the depreciation expense will increase/(decrease) by approximately $5.0M for the year.

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

Buildings & leasehold improvements	7 - 40 years
Vehicles (non-fleet)	5 - 10 years
Other plant & equipment	3 - 20 years

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

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

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

12. Property, plant and equipment (continued)

	MOTORHOMES $000's	MOTOR VEHICLES $000's	LAND AND BUILDINGS $000's	OTHER PLANT AND EQUIPMENT $000's	CAPITAL WORK IN PROGRESS $000's	TOTAL $000's
Year ended 30 June 2019						
At 1 July 2018	362,800	866	15,231	8,156	29,007	416,060
Additions and transfers from work in progress (net)	183,586	40	641	1,549	(2,296)	183,520
Disposals	(95,301)	(9)	(6)	(178)	–	(95,494)
Exchange differences	(3,022)	(2)	(51)	(94)	6	(3,163)
Depreciation charge	(46,667)	(197)	(1,661)	(3,020)	–	(51,545)
Closing net book amount	401,396	698	14,154	6,413	26,717	449,378
As at 30 June 2019						
Cost	504,994	1,836	27,578	21,940	26,717	583,065
Accumulated depreciation	(103,598)	(1,138)	(13,424)	(15,527)	–	(133,687)
Net book amount	401,396	698	14,154	6,413	26,717	449,378
Less reclassification of motorhomes to inventory at balance date						
Cost	56,406	–	–	–	–	56,406
Accumulated depreciation	(14,044)	–	–	–	–	(14,044)
Net book amount reclassified	42,362	–	–	–	–	42,362
Closing net book amount post reclassification	359,034	698	14,154	6,413	26,717	407,016

13. Leases

Adoption of NZ IFRS 16

The Group has adopted NZ IFRS 16 Leases from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provision in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 July 2019. The net impact is a reduction in retained earnings on 1 July 2019 of $7.2M. This is a non-cash adjustment and did not impact the Group's ability to comply with its debt covenants.

Prior to 1 July 2019, leases of property, plant and equipment were classified as operating leases with an operating lease expense recognised on a straight-line basis over the term of the leases under NZ IAS 17.

From 1 July 2019, leases are recognised as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group's leasing activities

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

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

13. Leases (continued)

Lease liabilities have been measured at the present value of the remaining lease payments, discounted using a discount rate derived from the incremental borrowing rate for each relevant overseas territory on 1 July 2019 when the interest rate implicit in the lease was not readily available. Incremental borrowing rates applied to lease liabilities range between 4.3% - 5.3%. The Group is exposed to potential future increases in variable lease payments based on the change of an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

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

Short-term and low-value leases

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

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

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

The statement of financial position impact of NZ IFRS 16

The impact of NZ IFRS 16 on the Group's opening statement of financial position is as follows:

	30 JUNE 2019 $000's	ADJUSTMENT $000's	1 JULY 2019 $000's
Right-of-use assets	–	74,283	74,283
Total non-current assets		74,283	
Retained earnings	56,176	(7,150)	49,026
Total equity		(7,150)	
Lease liabilities		4,784	4,784
Lease incentives	523	(523)	
Total current liabilities		4,261	
Lease liabilities		80,093	80,093
Deferred tax liabilities	22,224	(2,921)	19,303
Total non-current liabilities		77,172	
Total equity and liabilities		74,283	

Lease liabilities and right-of-use assets recognised as at 1 July 2019 differs to the interim financial statements due to a re-assessment of the treatment of variable lease payment dependent on an index or a rate and re-assessment of the extension options for a number of locations. As a result of this, the revised lease liabilities and the right-of-use asset at 1 July 2019 would have been approximately $85M and $74M respectively, an increase of $1.1M for lease liabilities and $1.7M for right-of-use asset from that previously reported. The impact of the reported lease liabilities interest and rights-of-use asset depreciation for the period ended 31 December 2019 was $527k.

13. Leases (continued)

Measurement of lease liabilities

The table below presents the reconciliation from lease commitments in accordance with NZ IAS 17 to the opening balance of lease liabilities recognised in accordance with NZ IFRS 16:

	1 JULY 2019 $000's
Operating lease commitment disclosed as at 30 June 2019	60,551
Discounted using the Group's incremental borrowing rate at the date of initial application	(30,851)
(Less): short-term leases recognised on a straight-line basis as expense	(89)
Add: adjustments as a result of a different treatment of extension options	55,355
Foreign currency translation differences	(89)
Lease liability recognised as at 1 July 2019	84,877

Maturity of lease liabilities are included in note 30.

Measurement of right-of-use assets

Most of the associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Some of the right-of-use assets for property leases and other assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. There were no right-of-use asset additions for the year ended 30 June 2020. The right-of-use assets related to the following types of assets:

	1 JULY 2019 $000's	**30 JUNE 2020 $000'S**
Buildings	74,273	69,552
Vehicles and equipment	10	10
Total	74,283	69,562

The profit impact of NZ IFRS 16

The following table shows the adjustments to profit or loss for the year ended 30 June 2020 as a result of the adoption of NZ IFRS 16:

	PRE NZ IFRS 16 ADOPTION $000'S	IMPACT OF NZ IFRS 16 $000'S	REPORTED RESULTS $000'S
For the year ended 30 June 2020			
Total operating expenses	229,396	(2,579)	226,817
Rental and lease expenses	11,134	(10,386)	748
Depreciation and amortisation	55,326	7,807	63,133
Operating profit before financing costs	46,032	2,579	48,611
Finance income	427	–	427
Finance expenses	(9,424)	(3,945)	(13,369)
Net finance costs	(8,997)	(3,945)	(12,942)
Share of loss from joint venture and associate	(9,527)	–	(9,527)
Profit before tax	27,508	(1,366)	26,142
Tax expense	813	401	1,214
Profit after tax	28,321	(965)	27,356

13. Leases (continued)

The profit impact of NZ IFRS 16

The following table shows the adjustments to profit or loss for the year ended 30 June 2020 as a result of the adoption of NZ IFRS 16:

	30 JUNE 2020 $000'S
Depreciation charge of right-of-use assets	
Properties	7,798
Equipment	9
	7,807

The cash flows presentation impact of NZ IFRS 16

Prior to the adoption of NZ IFRS 16, operating lease payments were included in payments to suppliers within operating activities. Following the adoption of the NZ IFRS 16, the interest component is allocated to operating cash flow, and the repayment of the lease liability principal is classified within financing activities.

	30 JUNE 2020 $000'S
For the year ended 30 June 2020	
Interest paid on leases (operating activities)	3,945
Payments for lease liability principal (financing activities)	6,442
Total cash outflows from lease liabilities	10,387

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying NZ IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

14. 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:

	2020 $000'S	2019 $000's
Property, plant and equipment	27,160	65,387

15. Operating leases

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

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

	2020 $000'S	2019 $000's
Within one year	89	10,702
One to five years	–	31,521
Beyond five years	–	18,328
	89	60,551

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

16. Inventories

Inventories are made up of the following categories:

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

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

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

16. Inventories (continued)

	2020 $000'S	2019 $000's
Raw materials	4,550	5,117
Motorhomes held for sale	59,164	47,172
Finished goods	5,018	4,123
Provision for obsolescence	(245)	(193)
	68,487	56,219

17. Intangible assets

Intangible assets of the Group comprise:

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

Goodwill

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. These CGUs are monitored for internal management purposes, being the operating segment with the Tourism Group made up of two CGUs – Kiwi Experience and the Discover Waitomo Caves Group (note 1).

Trademarks, leases and licences

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

Amortisation of trademarks, leases and licences are calculated using the straight-line method over the life of the underlying assets.

Other intangibles

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

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

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

17. Intangible assets (continued)

	BRAND VALUE ACQUIRED $000'S	GOODWILL $000'S	TRADEMARKS, LEASES AND LICENSES $000'S	OTHER INTANGIBLES $000'S	TOTAL $000'S
Year ended 30 June 2020					
At 1 July 2019	841	34,890	7,436	1,013	44,180
Exchange differences	35	1,323	(608)	6	756
Additions	–	189	9,177	259	9,625
Impairment	–	(3,126)	–	–	(3,126)
Disposal	–	–	–	(8)	(8)
Amortisation charge	–	–	(642)	(518)	(1,160)
Closing net book amount	876	33,276	15,363	752	50,267
As at 30 June 2020					
Cost	876	82,700	31,443	14,419	129,438
Accumulated amortisation and impairment	–	(49,424)	(16,080)	(13,667)	(79,171)
Net book amount	876	33,276	15,363	752	50,267

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

Year ended 30 June 2019					
At 1 July 2018	835	34,668	8,097	1,047	44,647
Exchange differences	6	222	–	(5)	223
Additions	–	–	–	407	407
Amortisation charge	–	–	(661)	(436)	(1,097)
Closing net book amount	841	34,890	7,436	1,013	44,180
As at 30 June 2019					
Cost	841	81,188	22,874	14,162	119,065
Accumulated amortisation and impairment	–	(46,298)	(15,438)	(13,149)	(74,885)
Net book amount	841	34,890	7,436	1,013	44,180

Impairment of non-financial assets

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

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).

17. Intangible assets (continued)

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

	RENTALS $000's	TOURISM GROUP $000's	TOTAL $000's
2020			
New Zealand – goodwill	–	189	189
United States of America – goodwill	33,087	–	33,087
United States of America – brands	876	–	876
	33,963	189	34,152
2019			
New Zealand – goodwill	–	3,126	3,126
United States of America – goodwill	31,764	–	31,764
United States of America – brands	841	–	841
	32,605	3,126	35,731

The Directors have assessed at balance date whether any impairment indicators exist. In making this assessment, the Directors have taken into consideration the impact of COVID-19 on the business as well as the market capitalisation value of the Group being less than the carrying value of the Group's net assets on the statement of financial position at 30 June 2020.

The recoverable amount of a cash-generating unit is determined on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board 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 recoverable amount (enterprise value) of the CGU 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 CGU value in use models used by ***thl*** to generate the 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).

The following table shows the sensitivity analysis for the value-in-use calculations:

CGU	KEY ASSUMPTIONS	CHANGE IN KEY ASSUMPTION	REDUCTION IN RECOVERABLE AMOUNT ($M'S)	INCREASE IN RECOVERABLE AMOUNT ($M'S)	WOULD THE INDICATED SENSITIVITY RESULT IN IMPAIRMENT
United States of America	Discount rate: 10.6%	Discount rate (+/- 1.0%)	19	22	No
	Terminal growth rate: 1.25%	Terminal growth rate (+/- 0.25%)	5	5	No
	FY19 discount rate: 10.6%	Hire days (+/- 5.0%)	12	11	No
	FY19 Terminal growth rate: 2%	International travel recovery in FY23 v FY22	11	–	No
New Zealand	Discount rate: 9.8%	Discount rate (+/- 1.0%)	20	24	No
	Terminal growth rate: 1.0%	Terminal growth rate (+/- 0.25%)	5	5	No
		Hire days (+/- 5.0%)	19	19	No
		International travel recovery in FY23 v FY22	29	–	No
Australia	Discount rate: 8.0%	Discount rate (+/- 1.0%)	17	23	No
	Terminal growth rate: 1.5%	Terminal growth rate (+/- 0.25%)	5	4	No
		Hire days (+/- 5.0%)	19	19	No
		International travel recovery in FY23 v FY22	22	–	No

We note that while the sensitivity of key assumptions provided in the above table would not on their own result in an impairment in each case, it is possible that they could occur in combination. Should a deterioration in macroeconomic conditions or a further delay in international tourism recovery occur then this may adversely impact a combination of the key assumptions and result in an impairment. We note that there is currently less headroom in the Rentals Australia CGU than in either of New Zealand or the USA.

Section C – Investments

In this section

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

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

b) Analysis of ***thl***'s associate and joint ventures.

thl's investments include a 50% interest in AMLP, a business that manufactures motorhomes for the Group's New Zealand and Australian business segments and other speciality vehicles for external customers. ***thl*** previously had 50% joint venture investment in Togo Group which was disposed of in March 2020. Other investments is a 49% interest in Just go, a motorhome rental operation in the United Kingdom.

18. Togo exit transaction

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

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

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

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

18. Togo exit transaction (continued)

Togo Group

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

Since then, Togo Group has provided digital services to RV owners and operators (Togo Fleet), and has operated the Mighway and Roadtrippers businesses.

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

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

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

	PERIOD TO 23 MARCH 2020 $000'S	12 MONTHS TO 30 JUNE 2019 $000'S
Investment in Togo Group, beginning balance	**42,309**	45,148
Subsequent investment in Togo Group	**–**	9,589
Share of losses recognised against the investment balance during the year	**(10,578)**	(12,829)
Foreign exchange revaluation gain during the year	**3,381**	401
Investment in Togo Group, ending balance	**35,112**	42,309
Advance opening balance	**457**	819
Net cash advances/(repayment) during the period	**12,858**	(362)
Advance closing balance	**13,315**	457
Net interest in Togo Group	**48,427**	42,766

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

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

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

18. Togo exit transaction (continued)

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

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

The above net fair value also represents the fair value of the Group's previously-held equity interest in Togo Group immediately prior to the effective date of the 2020 Agreement. The Group therefore has recognised a loss of $8.4M as a result of re-measuring to fair value its previously-held equity interest in Togo, which had a carrying value of $48.4M prior to disposal.

Furthermore, the Group transferred a foreign currency gain of $9.1M from the foreign currency translation reserve to the income statement in relation to disposing of its investment in the foreign joint venture.

The tables below provide summarised financial information for Togo Group:

	23 MARCH 2020 $000'S	30 JUNE 2019 $000's
Revenue	5,486	6,145
Expenses	(26,917)	(32,110)
Loss before income tax	(21,431)	(25,965)

The Group's share in losses for the 10 months period ended 23 March 2020 is $10.6M (12 months ended 30 June 2019: $12.8M). The difference between 50% of the loss before income tax of Togo Group and equity share recognised by ***thl*** is due to the deferred consideration elimination adjustments between ***thl*** and Togo Group.

For comparative reporting purposes, the assets and liabilities of Togo Group at 30 June 2019 are:

	2019 $000's
Assets	
Total non-current assets including partner advances	138,914
Current assets	3,555
	142,469
Liabilities	
Non-current liabilities	–
Current liabilities	4,276
	4,276
Net assets	138,193
The Group's 50% share of Togo Group net assets	69,097

Total advance to and investment in Togo Group

	2019 $000's
Non-current	42,309
Current	457
	42,766

19. Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

After application of the equity method, including recognising a joint venture's profits/losses in accordance with the accounting policies above, the Group determines whether there is any objective evidence that its net investment in a joint venture is impaired. The net investment in a joint venture is impaired and impairment losses are incurred if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. The carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

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

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 33). 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.

The following amounts represent the sales and results, and assets and liabilities of 100% of AMLP:

	2020 $000'S	2019 $000's
Revenue	64,147	74,896
Expenses	(61,293)	(71,826)
Profit before income tax	2,854	3,070

The profit before income tax of AMLP includes depreciation expense of $2,365k (2019: $818k) and net finance costs of $761k (2019: $662k). ***thl***'s share of profit before tax from AMLP has been included in ***thl***'s tax calculation.

19. Joint ventures (continued)

Analysis of AMLP

	2020 $000'S	2019 $000's
Assets		
Non-current assets	10,599	6,054
Cash and cash equivalents	6,309	4,814
Current assets	29,718	38,991
	46,626	49,859
Liabilities		
Non-current liabilities including partner advances	4,478	–
Current liabilities	21,700	32,265
	26,178	32,265
Net assets	20,448	17,594
The Group's 50% share of AMLP net assets/(liabilities)	10,224	8,797

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 $nil due to the adoption of NZ IFRS 16 (2019: $2,624k).

The Group's recognised interest in AMLP

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

	2020 $000'S	2019 $000's
Investment in AMLP, beginning balance	8,797	7,262
Share of profits recognised against the investment balance during the year	1,427	1,535
Investment in AMLP, ending balance	10,224	8,797
Advance opening balance	1,144	31
Net cash advances/(repayment) during the year	(489)	1,113
Advance closing balance	655	1,144
Net interest in AMLP	10,879	9,941

	2020 $000'S	2019 $000's
Non-current	10,349	9,422
Current	530	519
	10,879	9,941

The impairment testing of the investment in AMLP does not result in an impairment of the carrying value, however there is very limited headroom. There are a range of downside scenarios which could result in an impairment of the investment.

20. Investments in associate

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

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

	2020 $000'S	2019 $000's
Just go	4,044	4,319
Total	4,044	4,319

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

	2020 $000'S	2019 $000's
Just go	(376)	246
Total	(376)	246

21. Subsidiaries

The principal activities of the Parent company and trading subsidiaries are motorhome rental (Tourism Holdings Australia Pty Limited, JJ Motorcars Inc and El Monte Rents Inc) and attractions (Waitomo Caves Limited). 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 (30 June 2019: 100%). All subsidiaries have 30 June balance dates. Material subsidiary companies at 30 June 2020 and 2019 are:

NAME	COUNTRY OF INCORPORATION
Tourism Holdings Australia Pty Limited	Australia
Waitomo Caves Limited	New Zealand
JJ Motorcars Inc	United States of America
El Monte Rents Inc	United States of America
Tourism Holdings USA Inc	United States of America
TH2connect GP Limited (from Togo transaction)	New Zealand

Section D – Managing funding

In this section

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

a) Equity;

b) Debt;

c) Receivables and payables; and

d) Financial instruments.

22. Share capital

	2020 SHARES 000'S	2019 SHARES 000's	2020 $000'S	2019 $000's
Ordinary shares				
Opening balance	132,036	123,136	217,012	180,806
Issue of ordinary shares – redeemable ordinary shares converted	377	403	658	1,031
Transfer from employee share scheme reserve for redeemable shares converted	–	–	72	84
Issue of ordinary shares – in lieu of Directors' fees	80	33	160	161
Ordinary shares to be issued – in lieu of Directors' fees accrued at 30 June	–	–	(24)	9
Ordinary shares Issued under Dividend Reinvestment Plan	855	1,001	3,484	5,154
Ordinary shares issued – rights offer	14,667	–	49,869	–
Ordinary shares Issued – placement to HB Holdings	–	7,463	–	30,000
Less transaction cost arising on shares issued	–	–	(1,243)	(233)
Closing balance	148,015	132,036	269,988	217,012

The total authorised number of ordinary shares is 148,014,900 shares (2019: 132,035,883) 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 1,478,830 redeemable ordinary shares on issue that are convertible on a 1:1 basis to ordinary shares (2019: 1,855,496). If these convert to ordinary shares per the terms outlined in note 34, total shares on issue will be 149,493,730 (2019: 133,891,379).

In the current year redeemable ordinary shares were converted to ordinary shares in August 2019 (176,666) and November 2019 (200,000). There were no cancellations of redeemable ordinary shares and issues of redeemable ordinary shares in the current year, as the 2009 Executive Long Term Incentive Scheme was replaced with a new options scheme in 2017 (see note Share-based payments).

In the prior year redeemable ordinary shares were converted to ordinary shares in December 2018 (33,333) and April 2019 (369,999). 100,000 redeemable ordinary shares were cancelled in January 2019.

Ordinary shares were issued to Directors in lieu of Directors' fees per the terms outlined in note 33. Shares were issued in October 2019 (20,188) and April 2020 (59,645). In the prior year shares were issued to Directors in lieu of Directors fees in October 2018 (13,615) and April 2019 (18,305). At 30 June 2020 share capital includes an accrual for shares to be issued in lieu of Directors' fees of $21,000 (2019: $45,000).

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

22. Share capital (continued)

In the prior year 590,065 ordinary shares were issued in October 2018 at an issue price of $5.283 per share and 411,397 ordinary shares were issued in April 2019 at an issue price of $4.926 per share to shareholders who elected to participate in the Dividend Reinvestment Plan.

In June 2019, the Group announced a placement and pro rata rights offer capital raise. The capital raise comprised an upfront placement of $30M to HB Holdings (a wholly owned subsidiary of the CITIC Capital International Tourism Fund), issuing an additional 7,462,686 shares at a price of $4.02 per share, which settled on 24 June 2019, followed by an approximately $50M fully underwritten pro rata 1 for 9 rights offer at $3.40 per share, which settled in July 2019 resulting in the issuance of an additional 14,667,436 shares. Incremental directly attributable issue costs of $233k were incurred from the placement and have been netted off against the proceeds of the capital raising at 30 June 2019. Incremental directly attributable issue costs of $1.243M were incurred from the rights offer that was settled in July 2019.

23. Retained earnings

	2020 $000'S	2019 $000's
Balance at beginning of the year	56,176	59,725
Adjustment on adoption of NZ IFRS 16 (net of tax)	(7,150)	–
Profit for the year	27,356	29,753
Dividends on ordinary shares	(20,567)	(33,385)
Transfer from employee share scheme reserve	–	83
	55,815	56,176

24. Other reserves

Foreign currency translation reserve

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

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

	2020	2019
NZD/AUD	0.9340	0.9561
NZD/USD	0.6426	0.6694
NZD/GBP	0.5220	0.5284

Employee share scheme

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

24. Other reserves (continued)

	2020 $000'S	2019 $000's
Foreign currency translation reserve		
Balance at beginning of the year	7,549	9,756
Currency translation differences (net of tax)	6,442	(2,207)
Foreign currency gain transferred to income statement in relation to Togo transaction	(9,066)	–
Balance at year end	4,925	7,549
Employee share scheme reserve		
Balance at beginning of the year	763	562
Value of employee services charged to the income statement	375	368
Transfer to retained earnings	–	(83)
Transfer to share capital	(72)	(84)
Balance at year end	1,066	763
Total other reserves	5,991	8,312

25. Borrowings

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

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

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

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

	2020 $000'S	2019 $000's
Non-current		
Bank borrowings	163,322	210,979
Finance lease obligations	–	1
	163,322	210,980
Current		
Finance lease obligations	–	46
Total borrowings	163,322	211,026

25. Borrowings (continued)

	2020 $000'S	2019 $000's
Maturity of non-current portion		
Bank loans		
One to two years	87,846	82,773
Two to three years	75,476	55,006
Three to five years	–	73,200
	163,322	210,979
Finance lease obligations		
One to two years	–	1
Two to three years	–	–
	–	1

	2020 $000's	2019 $000's
Finance lease liabilities – minimum lease payments		
No later than one year	–	48
Minimum lease payments	–	48
Future finance charges on finance leases	–	(1)
Present value of finance lease liabilities	–	47

Interest rates (excluding line fees) applicable at 30 June 2020 on the bank term loans ranged from 1.0% to 4.8% p.a. (2019: 2.1% to 5.3% p.a.).

The Group received USD1M from the US Paycheck Protection Program ("PPP") in May 2020 in relation to payroll costs during the last quarter of the FY2020. The Group is yet to apply for loan forgiveness but has not established its eligibility for loan forgiveness at balance date, hence the amount received has been treated as borrowing as at 30 June 2020. The PPP loan has a maturity of two years with an interest rate of 1%. No collateral or guarantees are required.

The guaranteeing group, consisting of Tourism Holdings Limited and all New Zealand, Australian and USA 100% owned subsidiaries, had, at balance date, multi-currency revolving cash advance facilities with Westpac Banking Corporation, Westpac New Zealand Limited, ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited, The Hong Kong and Shanghai Banking Corporation (acting through its New Zealand branch) HSBC Australia Limited, an interchangeable working capital facility with ANZ Bank New Zealand Limited and a short term loan facility with Westpac New Zealand Limited and Westpac Banking Corporation. The Group has provided a composite first ranking debenture over the assets and undertakings of the Group in New Zealand, Australia and the USA in favour of its banks.

The facility agreement was amended on 26 June 2020. The amended agreement includes committed facilities for debt funding of approximately $225M (including the interchangeable facility), consisting of a number of tranches maturing between September 2021 and July 2022, with total commitment to be reduced to $180M by 30 September 2021.

In particular, the facility agreement also includes:

- A requirement for consent from the Group's banking partners for any distribution to shareholders or capital expenditure beyond a prescribed amount, during the term of the facilities;
- That the Group's existing earnings-based covenants (leverage ratio and interest coverage ratio) will not be tested until 1 July 2022, however other existing covenants (equity ratio and guaranteeing group ratio) remain applicable;
- New covenants relating to minimum shareholder funds, and a cumulative EBITDA requirement (tested quarterly) from the quarter ending 30 September 2021; and
- New requirements that quarterly EBITDA and vehicle sales performance are not greater than 15% below forecast in a banking case scenario, that was based on the Group's expectations in April 2020. If these levels are not met then an 'event of review' will occur.

25. Borrowings (continued)

Having considered the qualitative factors surrounding the changes to the terms in the facility agreement, the Group assessed that the changes were considered substantial. As a result, the amendment was treated as an extinguishment of the existing liability followed by a recognition of a new liability in accordance with the Group's accounting policy and NZ IFRS 9 Financial Instruments. The new bank borrowing is recognised at its face value in accordance with initial recognition requirements, which is consistent with the carrying value of the existing borrowings. The Group also incurred $452k of transaction costs in connection with the amendment and the extinguishment of the existing facility and therefore has recognised this as bank charges in the income statement.

The Working Capital facility is interchangeable between overdraft, trade finance loan and documentary letter of credit. The documentary letter of credit facility is utilised for the purchase of fleet from AMLP.

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

	2020 $000's	2019 $000's
New Zealand dollar	**37,218**	46,623
Australian dollar	**5,889**	8,577
United States American dollar	**116,873**	152,525
Pounds sterling	**3,342**	3,301
	163,322	211,026

The Group has the following undrawn borrowing facilities:

	2020 $000's	2019 $000's
Floating rate		
– Expiring beyond one year	**49,858**	62,478

No borrowing costs were capitalised in 2020 (2019: nil).

26. Other commitments

As at 30 June 2020, the Group has a $30M Documentary Letter of Credit facility as part of the interchangeable working capital facility. The amount drawn at 30 June 2020 was $14,429k (2019: $10,689k).

The outstanding documents are in favour of AMLP (refer to note 19) and are due for payment within 12 months. This is recognised within 'trade and other payables'.

27. Trade and other receivables

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

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

	2020 $000's	2019 $000's
Trade receivables	**14,083**	12,342
Less provision for impairment of receivables	**(2,106)**	(1,007)
Trade receivables – net	**11,977**	11,335
Prepayments	**4,439**	4,780
Other receivables	**12,483**	5,356
Receivable under buy-back arrangement	**31**	7,493
Total trade and other receivables	**28,930**	28,964

At June 2020 trade and other receivables includes an amount of $31k (June 2019: $7,493k) relating to vehicles purchased under a short term buy-back arrangement. This agreement involves purchasing vehicles to be used in the fleet for a period less than 12 months and then sold back to the supplier. On initial recognition, ***thl*** recognised the cash paid for the vehicles, the price expected to be received upon resale, and the balancing amount of the two is considered the lease expense. The transaction is accounted for as a short-term lease on the basis that:

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

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

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

The Group has recognised an increase of $1,099k (2019: $487k increase) in the provision for the impairment of its trade receivables which has been included in other operating expenses. The Group has written off, to other operating expenses, $154k (2019: $39k) of balances of receivables during the year ended 30 June 2020.

28. 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. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

	2020 $000's	2019 $000's
Trade payables	20,566	29,467
Accrued expenses and other payables	16,435	18,022
	37,001	47,489

29. Financial instruments

Classification of financial assets

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

29. Financial instruments (continued)

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The interest rate swaps in place as at 30 June 2019 and 30 June 2020 qualified as cash flow hedges under NZ IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of NZ IFRS 9 and these relationships are therefore treated as hedges.

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

	2020				2019		
	FINANCIAL ASSETS AT AMORTISED COST $000's	**FINANCIAL ASSETS VALUE THROUGH PROFIT OR LOSS $000's**	**DERIVATIVES USED FOR HEDGING $000's**	**TOTAL $000's**	FINANCIAL ASSETS AT AMORTISED COST $000's	DERIVATIVES USED FOR HEDGING $000's	TOTAL $000's
Assets							
Advance to joint venture	655	–	–	655	1,601	–	1,601
Total cash and cash equivalents	35,514	–	–	35,514	8,837	–	8,837
Retained interest in Togo (note 18)	–	21,382	–	21,382	–	–	–
Total trade and other receivables	24,491	–	–	24,491	24,184	–	24,184
Derivative financial instruments	–	–	6	6	–	40	40

	2020				2019		
	MEASURED AT AMORTISED COST $000's	**MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS $000's**	**DERIVATIVES USED FOR HEDGING $000's**	**TOTAL $000's**	MEASURED AT AMORTISED COST $000's	DERIVATIVES USED FOR HEDGING $000's	TOTAL $000's
Liabilities							
Interest bearing loans and borrowings	163,322	–	–	163,322	211,026	–	211,026
Derivative financial instruments	–	–	9,303	9,303	–	6,529	6,529
Trade and other payables	33,646	–	–	33,646	45,669	–	45,669

Section E – Managing risk

In this section

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

a) Outlining ***thl***'s approach to financial risk management; and

b) Analysing financial (hedging) instruments used to manage risk.

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

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

30. Financial risk management

Currency risk

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

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

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

Exchange rate sensitivity

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

	2020 $000'S	2019 $000's
Post-tax impact on reported profit and equity of:		
A 5 cent increase in the NZ dollar vs the AU dollar	0	3
A 5 cent increase in the NZ dollar vs the US dollar	(9)	(10)
A 5 cent decrease in the NZ dollar vs the AU dollar	0	(3)
A 5 cent decrease in the NZ dollar vs the US dollar	9	10

Interest rate risk

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

30. Financial risk management (continued)

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

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

	EFFECTIVE INTEREST RATE	FLOATING $000's	FIXED UP TO 1 YEAR $000's	FIXED 1-2 YEARS $000's	FIXED 2-5 YEARS $000's	FIXED >5 YEARS $000's	TOTAL $000's
As at 30 June 2020							
Assets							
Advance to joint venture	3.6%	655	–	–	–	–	655
Cash and cash equivalents	0.0%	35,514	–	–	–	–	35,514
		36,169	–	–	–	–	36,169
Liabilities							
Bank borrowings*	5.6%	–	163,322	–	–	–	163,322
		–	163,322	–	–	–	163,322
Interest rate derivative contracts**	3.0%	–	20,908	19,452	68,930	12,449	121,739

The effective interest rate of Group borrowings is 5.6% including the impact of the interest rate swaps and line fees on facilities.

	EFFECTIVE INTEREST RATE	FLOATING $000's	FIXED UP TO 1 YEAR $000's	FIXED 1-2 YEARS $000's	FIXED 2-5 YEARS $000's	FIXED >5 YEARS $000's	TOTAL $000's
As at 30 June 2019							
Assets							
Advance to joint venture	5.0%	1,601	–	–	–	–	1,601
Cash and cash equivalents	0.2%	8,837	–	–	–	–	8,837
		10,438	–	–	–	–	10,438
Liabilities							
Bank borrowings*	5.2%	1,000	209,979	–	–	–	210,979
Finance lease obligations	4.5%	–	47	–	–	–	47
		1,000	210,026	–	–	–	211,026
Interest rate derivative contracts**	3.0%	–	27,491	20,509	51,850	46,029	145,879

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

Interest rate sensitivity

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

	2020 $000'S	2019 $000's
Pre-tax impact of:		
An increase in interest rates of 1.0%	(653)	(984)
A decrease in interest rates of 1.0%	653	984

30. Financial risk management (continued)

At year-end the value of interest rate derivative contracts used as cash flow hedges were subject to interest rate risk in relation to the value recognised in equity. If interest rates moved by 1.0% 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 1.0%, 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 2020, there is no impact on the income statement in relation to the valuation of the interest rate swaps.

	2020 $000'S	2019 $000's
Post tax impact on equity of a 1.0% move in interest rates		
An increase in interest rates of 1.0% across the yield curve	2,467	2,982
A decrease in interest rates of 1.0% across the yield curve	(2,529)	(3,131)

Credit risk

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

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

	2020 $000'S	2019 $000's
Bank balances	35,514	8,837
Advance to joint ventures	655	1,601
Trade receivables (net of impairment provision)	10,164	11,335
Other receivables	14,296	5,356
Receivable under buy-back arrangement	31	7,493
	60,660	34,622

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	**2020 $000'S**	2019 $000's
Trade receivable analysis			
Debtors past due		7,621	7,729
Impairment provision		(2,106)	(1,007)
Debtors past due but not impaired		5,515	6,722
Debtors current		6,462	4,613
Total trade debtors	27	11,977	11,335

30. Financial risk management (continued)

	2020 $000'S	2019 $000's
Ageing of debtors past due		
1-30 days	1,605	5,969
31-60 days	624	660
61-90 days	1,922	37
91+ days	3,470	1,063
Total debtors past due	7,621	7,729

There is no overdue balance in advances to joint ventures, other receivables and receivables under buy-back arrangement as at 30 June 2020 (2019: nil).

Liquidity risk

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

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

The amounts disclosed are the contractual undiscounted cash flows.

	UP TO 1 YEAR $000's	**BETWEEN 1-2 YEARS $000's**	**BETWEEN 2-5 YEARS $000's**	**GREATER THAN 5 YEARS $000's**	**TOTAL $000's**	**CARRYING VALUE $000's**
Year ended 30 June 2020						
Trade and other payables	33,646	–	–	–	33,646	33,646
Bank borrowings	5,765	92,716	77,219	–	175,700	163,322
Lease liabilities	10,970	9,918	25,791	63,465	110,144	81,871
Interest rate and foreign currency derivative contracts*	2,155	1,947	3,777	457	8,336	9,303
	52,536	104,581	106,787	63,922	327,826	288,142

	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
Year ended 30 June 2019						
Trade and other payables	45,669	–	–	–	45,669	45,669
Bank borrowings	9,639	90,576	134,007	–	234,222	210,979
Lease liabilities	47	–	–	–	47	47
Interest rate and foreign currency derivative contracts*	842	668	1,673	356	3,539	6,259
	56,197	91,244	135,680	356	283,477	262,954

* 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.

30. Financial risk management (continued)

Capital risk management

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

There are a number of externally imposed bank covenants required as part of seasonal and term debt facilities. These covenants are calculated monthly and reported to banks quarterly. The most significant covenants relating to capital management are Net Interest Bearing Debt to EBITDA ratio, and an Equity to Total Assets ratio (net of intangible assets) (note 25). There have been no breaches or events of review for the current or prior period.

Seasonality

The tourism industry is subject to seasonal fluctuations with peak demand for tourism attractions and transportation over the summer months. The operating revenue and profits of the Group's segments are disclosed in note 1. New Zealand and Australia's profits are typically generated over the southern hemisphere summer months and the United States of America's profits are typically generated over the northern hemisphere summer months. Due to the seasonal nature of the businesses, the risk profile at year end is not representative of all risks faced during the year.

31. Derivative financial instruments

Derivative financial instruments and hedging activities

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

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

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

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

Cash flow hedges

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance expenses'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

31. Derivative financial instruments (continued)

	2020 ASSETS 000'S	**2020 LIABILITIES 000'S**	2019 ASSETS $000's	2019 LIABILITIES $000's
Interest rate swaps – current portion	–	110	13	148
Foreign currency swaps – current portion	6	–	27	313
Cash flow hedges – total current portion	6	110	40	461
Interest rate swaps – non current portion	–	9,193	–	5,798
Cash flow hedges – total non current portion	–	9,193	–	5,798
Total cash flow hedges	6	9,303	40	6,259

The cash flow hedges are fully effective therefore the ineffective portion recognised in the income statement that arises from cash flow hedges in 2020 amounts to nil (2019: nil).

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2020 were $110,958k (2019: $124,928k).

At 30 June 2020, the fixed interest rates vary from 1.07% to 5.0% (2019: 1.83% to 5.78%).

The liquidity table in note 30 identifies the periods in which the cash flows are expected to occur. The periods in which the cash flows are expected to impact the profit or loss are materially the same.

Fair values

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

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

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

As at 30 June 2020, the Group's assets and liabilities measured at fair values are derivative financial instruments which are classified within Level 2 of the fair value hierarchy (2019: Level 2), and the Class B preference shares in Togo Group (note 18) are classified within Level 3 of the fair value hierarchy.

The methods used in determining fair value are as follows:

Derivative financial instruments

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

31. Derivative financial instruments (continued)

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

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

There were no changes to these valuation techniques during the period. There were no transfers of derivative financial instruments between levels of the fair value hierarchy during the year.

Class B preference shares in Togo Group

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

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

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

*The input value is stated in the 2020 Agreement between ***thl*** and Thor.

32. Cash flow hedge reserve

	2020 $000'S	2019 $000's
Balance at beginning of year	(4,483)	(838)
Fair value loss	(3,074)	(5,056)
Deferred tax on fair value loss	862	1,411
	(6,695)	(4,483)

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

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.

33. Related party transactions

Key management compensation

	2020 $000'S	2019 $000's
Salaries and other short term employee benefits	4,461	5,674
Share based payments benefits	375	368

Total positions included in the executive team are 15 (2019: 14).

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

Directors' fees

	2020 $000'S	2019 $000's
Directors' fees	618	653

Shares issued in lieu of cash

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

	SHARES 000's		VALUE $000's	
	2020	2019	**2020**	2019
Shares issued in lieu of cash	80	32	160	161
Shares to be issued to Directors at 30 June	–	–	21	45

Kay Howe (Previous 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***. Kay Howe retired as a Director in October 2019.

	2020 $000'S	2019 $000's
Payments to Supreme including purchase of motorhomes and caravans	1	22
Sales of motorhomes to Supreme	263	57

Grant Brady (Managing Director of AMLP)

Grant Brady, Managing Director of AMLP, is a minority shareholder and Director of Bush Road Enterprises Limited. ***thl*** subleases a property in Bush Road which is owned by Bush Road Enterprises Limited. The 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:

	2020 $000'S	2019 $000's
Cost of sublease and operating expenses	486	660

33. Related party transactions (continued)

Action Manufacturing LP

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. During the year, the Group sold certain ex-rental vehicles to AMLP to repurpose and resell. AMLP also subleases part of the Bush Road property described above.

	2020 $000'S	2019 $000's
Purchase of motorhomes by the Group from the joint venture	**44,171**	49,726
Sales of vehicles by the Group to the joint venture	**1,177**	1,518
Interest charged to the joint venture	**37**	17
Net interest in AMLP (note 19)	**10,879**	9,941
Management of Mighway vehicles	**5**	–

Just go

In the year ended 30 June 2020 the Group purchased motorhomes from Just go with a value of $13,096k (June 2019: $12,040k). As at 30 June 2020, the Group had no commitment to purchase motorhomes from Just go (2019: $11,240k).

Schork Family

As part of the consideration for the acquisition of El Monte Rents Inc, the Group issued 3,384,266 ordinary shares to entities associated with the Schork family. An entity associated with the Schork family provides warranties to customers of El Monte Rents Inc - the total amount paid by customers during 2020 was $300k (June 2019: $330k). At the time of the acquisition, the Group entered into a number of property lease agreements with entities associated with the Schork family. The leases are in relation to branches used by El Monte RV. The cost of the leases are set out in the table below:

	2020 $000'S	2019 $000's
Total lease payments	**3,226**	3,255

Cathy Quinn

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

	2020 $000'S	2019 $000's
Legal services	**577**	677

Togo Group

As part of the investment in Togo Group (refer to note 18), ***thl*** had an obligation to complete certain parts of the Togo Fleet RV industry platform development. ***thl*** also provides finance, payroll and administrative support services to Togo Group. These have been charged to Togo Group on a monthly basis until the 23 March 2020.

	MAR 2020 $000'S	JUN 2019 $000's
Togo Fleet development costs charged by Togo Group	**–**	573
Support services provided by ***thl***	**128**	277
Net interest in Togo Group (note 18)	**–**	42,766
Revenue from Togo Group for providing Mighway Managed option	**154**	410
Payments to Togo Group for IT hardware (in vehicle tablets)	**1,343**	34

34. Share-based payments

Employee benefits

Share scheme

Share scheme 2009-16

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

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

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

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

34. Share-based payments (continued)

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

	AVERAGE EXERCISE PRICE*	2016 GRANT	2015 GRANT	2014 GRANT	TOTAL REDEEMABLE SHARES
At 30 June 2018	$2.35	1,488,962	669,866	200,000	2,358,828
FY2019 transactions					
Redeemable shares exercised	$2.56	(303,332)	(100,000)	–	(403,332)
Redeemable shares cancelled/forfeited	$2.79	(100,000)	–	–	(100,000)
At 30 June 2019	$2.29	1,085,630	569,866	200,000	1,855,496
FY2020 transactions					
Redeemable shares exercised	$1.79	(100,000)	(76,666)	(200,000)	(376,666)
At 30 June 2020		985,630	493,200	–	1,478,830

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

Convertible shares at 30 June 2020 were 1,478,830 (2019: 1,493,619).

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

EXPIRY DATE	EXERCISE PRICE*	2020 REDEEMABLE SHARES	2019 REDEEMABLE SHARES
March 2020	$1.17	–	200,000
October 2020	$1.47	193,200	193,200
March 2021	$1.84	300,000	376,666
April 2022	$2.79	985,630	1,085,630
Redeemable shares outstanding	$2.29	1,478,830	1,855,496
Valuation of redeemable shares		301,766	374,749

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 2020 expense of $15k (2019: $130k) will accumulate in the employee share scheme reserve.

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

	2016	2015	2014
Issue price	$2.57	$1.41 & $1.78	$1.14
Forecast dividend yield over the life of the transfer rights	6.1%	8.9%	6.0%
Risk free rate of interest over the exercise period of the share transfer rights	3.40%	3.30%	4.63%
Volatility of Tourism Holdings Limited share price returns mid point	23.0%	26.0%	32.5%
Cost of equity adjustment p.a.	12.30%	11.50%	13.20%

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. Share-based payments (continued)

Share scheme 2017

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

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

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

1. Options to purchase ordinary shares are issued to executives by the Board.
2. The option price is set based on the volume weighted average price of Tourism Holdings Limited ordinary shares over the 20 days leading up to the grant date.
3. The options can be exercised at the election of the employee after a minimum of two years from the grant date. A maximum of one third of the options can be exercised after two years, two thirds after three years and all options can be exercised after five years. After six years, the options lapse and there is no further right to exercise. The exercise price payable by the executive is the option price plus a cost of equity adjustment for two years, less dividends paid for two years.
4. The participants holding options have no interest in the ordinary shares that are the subject of the options, until the options are exercised and ordinary shares issued.
5. Valuation of the options for accounting purposes is done by KPMG using the Binomial Option Pricing Model. The assessed value is charged to the income statement over the life of the scheme/option with a corresponding credit to the employee share scheme reserve.

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

	ISSUED PRICE	2020 GRANT	2019 GRANT	2018 GRANT	2017 GRANT	TOTAL OPTIONS
At 30 June 2018				980,000	1,040,000	2,020,000
FY2019 transactions						
Options granted	$4.81	–	1,220,000	–	–	1,220,000
Options exercised	–	–	–	–	–	–
Options cancelled / forfeited	–	–	(60,000)	(193,334)	(146,667)	(400,001)
At 30 June 2019		–	1,160,000	786,666	893,333	2,839,999
FY2020 transactions						
Options granted	$1.29	1,440,000	–	–	–	1,440,000
At 30 June 2020		1,440,000	1,160,000	786,666	893,333	4,279,999

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

The value of the share transfer rights is calculated using the Binomial Option Pricing Model and is being amortised over the life of the share transfer rights. The 2020 expense of $360k (2019: 238k) will accumulate in the employee share scheme reserve.

34. Share-based payments (continued)

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

	2020	2019	2018
Issue price	$1.29	$4.81	$6.08
Forecast dividend yield over the life of the transfer rights	9.20%	5.91%	3.8%
Risk free rate of interest over the exercise period of the share transfer rights	1.17%	2.33%	2.9%
Volatility of Tourism Holdings Limited share price returns mid point	32.3%	21.0%	21.0%
Cost of equity adjustment	11.0%	11.9%	12.0%

35. 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	2020 $000'S	2019 $000's
Net profit after tax		27,356	29,753
Plus/(less) non-cash items:			
Depreciation of property, plant and equipment	12	54,166	51,546
Depreciation of right-of-use assets	13	7,807	–
Amortisation of fixed term intangibles	17	1,160	1,097
Amortisation of executive share scheme	34	375	368
Movement in deferred taxation		(7,431)	1,021
Increase in provision for doubtful debts		1,125	486
Interest		(214)	155
Impairment of assets	17	3,256	–
Share of loss from joint ventures and associates	19, 20	9,526	11,048
Non-cash Director's remuneration		136	171
Total non-cash items		69,906	65,892
Plus/(less) items classified as investing activities:			
Net loss on sale of property, plant and equipment	3	110	2
Net gain recognised in relation to the Togo Group transaction	18	(683)	–
Total items classified as investing activities		(573)	2
Reclassification of cash flows associated with rental assets			
Net book value of rental assets sold		100,923	95,414
Purchase of rental assets		(108,790)	(176,075)
Total cash flows associated with rental assets		(7,867)	(80,661)
Trading cash flow		88,822	14,986

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

	NOTES	2020 $000'S	2019 $000's
Plus/(less) movements in working capital:			
Decrease in trade payables excluding rental assets		(4,598)	(4,617)
(Decrease)/increase in revenue received in advance		(14,141)	1,143
(Decrease)/increase in provision for taxation		(1,477)	757
(Decrease)/increase in employee benefits		(1,317)	54
Decrease/(increase) in trade and other receivables		1,823	(5,878)
(Increase)/decrease in inventories		(23)	3,756
Total movements in working capital		(19,733)	(4,785)
Net cash flows from operating activities		69,089	10,201

Net debt reconciliation

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

	2020 $000'S	2019 $000's
Cash and cash equivalents	35,514	8,837
Total cash and cash equivalents	35,514	8,837
Borrowings, short-term	–	(46)
Borrowings, long-term	(163,322)	(210,980)
Lease liabilities, short-term	(7,304)	–
Lease liabilities, long-term	(74,567)	–
Net debt	(209,679)	(202,189)
Cash and cash equivalents	35,514	8,837
Gross debt – variable interest rates	–	(1,000)
Gross debt – fixed interest rates	(245,193)	(210,026)
Net debt	(209,679)	(202,189)

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

There is no restricted cash as at 30 June 2020 (2019: nil).

	ASSETS	LIABILITIES FROM FINANCING ACTIVITIES		
	CASH/BANK OVERDRAFT	BORROWINGS DUE WITHIN ONE YEAR	BORROWINGS DUE AFTER ONE YEAR	TOTAL
Balance at 1 July 2018	13,534	(221)	(212,102)	(198,789)
Cash flow	(4,728)	175	1,502	(3,051)
Foreign exchange adjustment	31	–	(380)	(349)
Net debt at 30 June 2019	8,837	(46)	(210,980)	(202,189)
Balance at 1 July 2019	8,837	(46)	(210,980)	(202,189)
Cash flow	26,390	46	52,742	79,178
Foreign exchange adjustment	287	–	(5,084)	(4,797)
Non-cash movement – lease liabilities	–	(7,304)	(74,567)	(81,871)
Net debt at 30 June 2020	35,514	(7,304)	(237,889)	(209,679)

36. Deferred income tax

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current liabilities and when the deferred income tax relate to the same fiscal authority.

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

	2020 $000'S	2019 $000's
Beginning of the year	22,224	23,053
Income statement charge – provision	(2,577)	(366)
Income statement charge – property plant and equipment	(2,858)	456
Tax losses[2]	(4,156)	(1,620)
Losses to utilise to generate cash refund	2,835	3,487
Adjustment for US tax losses carried back[1]	(1,085)	(1,425)
Adjustment on adoption of NZ IFRS 16	(3,504)	(1,361)
Tax charged to equity-derivative	(649)	–
End of the year	10,230	22,224

	2020 $000'S	2019 $000's
Amounts recognised in income statement		
Provisions	(4,395)	(1,818)
Property, plant and equipment	41,946	44,804
Tax losses[2]	(19,711)	(18,390)
Tax credits[1]	(2,510)	(1,425)
Leases	(3,504)	–
Amounts recognised directly in equity		
Derivative financial instruments	(1,596)	(947)
Net deferred tax liability	10,230	22,224

[1] Tax credits include tax losses in the US which were rolled back to previous tax years prior to the rate change where tax had been filed at the higher rate.

[2] The above comparative disclosure has been reclassified for consistency with current year presentation. This reclassification did not change the comparative balance of deferred tax but instead discloses the temporary differences attributable to provision, property plan and equipment and tax losses separately.

37. Changes in accounting policies and disclosures

Issued standards and amendments effective from 1 July 2019

NZ IFRS 16 Leases was adopted using the modified retrospective approach, with no restatement of comparative information. The cumulative effect of adopting NZ IFRS 16 was recognised in the opening balance sheet as at 1 July 2019. Further details of the adoption of NZ IFRS 16 and the new accounting policy are disclosed in note 13.

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

38. Contingencies

As at 30 June 2020 the Group has bank guarantees of $1,113k in place. Predominantly these are in lieu of bonds paid relating to leased assets (2019: $1,089k).

39. Events after the reporting period

Fire in Auckland, New Zealand

On 3 September 2020 a fire broke out at the Group's rental branch in Mangere, Auckland. As a result of the fire, the Mangere branch is unusable, and a temporary rentals branch has been established to enable the continuation of normal rental operations. Due to the recent nature of this event, the financial impact is yet to be assessed and quantified. The Mangere branch is a leased premise. The book value of the leasehold improvements and inventory at the Mangere branch at 30 June 2020 was $1.1M. In addition to the building becoming unusable, there are 19 motorhomes with a book value of $1.2M that were also damaged beyond repair. The cost of repairs to other damaged vehicles is yet to be assessed. The Group has insurance policies in relation to material damages and fleet, and insurance assessments are currently in progress.

COVID-19

The global impact of COVID-19 is ongoing, and continues to have a financial impact on the Group. Subsequent to 30 June 2020, there have been varying degrees of border restrictions and lock-down requirements in each of the jurisdictions that the Group operates in. The Group restructured its operations and funding arrangements during the 2020 financial year following the initial COVID-19 outbreak, and has not required any further significant restructuring since then.

Independent auditor's report

To the shareholders of Tourism Holdings Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of Tourism Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2020, 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).

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

Our firm carries out other services for the Group in the areas of treasury advisory, agreed upon procedures in relation to: Waitomo lease compliance, the interim financial statements, proxy vote scrutineering at the annual meeting, quarterly banking compliance certificate and holiday pay calculation remediation and COVID-19 payroll changes assessment. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

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

Independent auditor's report (continued)

To the shareholders of Tourism Holdings Limited

DESCRIPTION OF THE KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Funding requirements and forecast compliance with loan facility undertakings and covenants, including the impact of COVID-19 As disclosed in the *Assessment of going concern and impairment* note on page 59 of the Group's consolidated financial statements, the Board of Directors (the Board) has considered the ongoing funding and capital requirements of the Group given the impact of COVID-19. The Group developed cash flow forecasts (forecasts) under a range of potential scenarios. Based on the scenarios, the Group has secured an amended bank funding facility with certain new undertakings and covenant requirements as set out in note 25 of the consolidated financial statements. The Board is of the view that the Group will be able to meet these undertakings and covenants and will have sufficient cash to discharge its liabilities as they fall due. We consider this area as a key audit matter because forecasts are inherently subjective with key assumptions based on estimates and judgements, coupled with the uncertainties of the ongoing effect of COVID-19 on the Group's performance.	We held discussions with management to understand: • the Group's overall strategy in navigating through the impact of COVID-19; • the current performance of each business unit and its forecast outlook; and • the Group's funding requirement relative to its strategy. We read the amended bank funding facility agreement and understood the new required undertakings and covenants. We obtained the Group's Board approved forecasts, including the forecast calculations to assess compliance against relevant undertakings and covenants for the next 12 months from the date of approval of the consolidated financial statements, and performed the following procedures: • understood management's forecasting process and the basis for determining the key assumptions; • assessed management's historical forecasting reliability by comparing the Group's actual results against the forecasts over the last three years. Where actual results deviated from historical forecast results, we understood the underlying reasons and considered the potential impact on the reliability of the forecasts prepared in the current year; • tested the mathematical accuracy of the forecasts; • assessed the reasonableness of the key assumptions incorporated in the forecasts; • reviewed the forecasts' sensitivity analysis performed by management and overlaid this with our own assessment of forecasting risk, including consideration of the impact of COVID-19; • reperformed the forecast covenant compliance calculations at the calculation dates for the next 12 months from the date of approval of the consolidated financial statements; and • considered the adequacy of disclosures in the *Assessment of going concern and impairment* note and note 25.

DESCRIPTION OF THE KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment risk for non-financial assets, including the impact of COVID-19 As disclosed in note 17 of the consolidated financial statements, the Group tests intangible assets with indefinite useful lives annually for impairment and tests other non-financial assets for impairment whenever there are indicators that the carrying amount may not be recoverable. The economic impact of COVID-19 on the tourism industry, as well as the current market capitalisation of the Group being lower than the net assets at 30 June 2020, are indicators of impairment. The Board has performed an impairment assessment by determining the recoverable amounts of the relevant cash generating units (CGUs) and the Group's equity accounted investments in Action Manufacturing LP (AMLP) (note 19) and Just Go (note 20) on a value-in-use basis using discounted cash flow models. In preparing the impairment assessments, the Board took into account the current profitability of the Group and the impact of COVID-19 on the Group's operations. The key assumptions in the discounted cash flow model (impairment model) for each of the CGUs and the results of the Board's assessment, including the impact of reasonably possible changes in assumptions, are disclosed in *Assessment of going concern and impairment* note on page 59 and note 17 of the consolidated financial statements. The Board also assessed each material asset for impairment. As a result of the assessment performed, an impairment of $3.1 million of goodwill in relation to Kiwi Experience was recognised. The impairment assessment was a key focus area of our audit due to the inherent judgement in assessing impairments and the impacts of COVID-19 on the assumptions that the Board's assessment is based on.	In considering the impairment assessments for each CGU, we performed the following: · obtained the Group's impairment assessment and models and held discussions with management to understand: – the Group's overall strategy in navigating through the impact of COVID-19; – the current performance of each CGU and the Group's equity accounted investees (AMLP and Just go) and their forecast outlook; and – the basis for determining the key assumptions in preparing the impairment models. · considered whether the methodology applied was appropriate and tested the mathematical accuracy of the impairment models; · compared actual results to forecast performance for the past three financial years, understood reasons for deviations, analysed key trends and considered the impact on our assessment of forecast earnings; · engaged our auditor's valuation expert to: – assess and challenge the key cash flow assumptions, including hire days, international travel recovery, the discount rate and the terminal growth rates, including benchmarking these to external data where relevant; and – assist us in developing our own point estimate based on our independent assessment of the key assumptions (developed with reference to historical performance, industry and other external market evidence, where relevant) which we used to consider the reasonableness of management's estimate; . · assessed the adequacy of disclosures, in particular the sensitivity disclosures in *Assessment of going concern and impairment* note and in note 17 of the consolidated financial statements. In considering the results of the Board's assessment of impairment on an individual asset basis, we considered the following: · the value of recoverability of ex-rental motorhomes through sale and whether there is an indication of impairment; · the impact of onerous leases to the right-of-use assets; and · the impact to individual assets of Kiwi Experience, including the write-off of its full goodwill balance. We obtained management's assessment, held discussions with management and the Board to understand the rationale of the impairment of goodwill in Kiwi Experience, and formed our independent assessment based on our knowledge of the business and its current hibernation state (currently not operating), including its historical limited profitability and the absence of a clear business plan for Kiwi Experience once the border reopens.

DESCRIPTION OF THE KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Residual values and depreciation rates for motorhomes The Group generates revenue from motorhomes through both rental income and the sale of motorhomes from its ex-rental fleet that have been reclassified to inventory. As disclosed in note 12 of the consolidated financial statements, the value of motorhomes at 30 June 2020 was $377 million, net of $50 million depreciation charged for the year. The net book value of motorhomes reclassified to inventory was $54 million. As disclosed in note 2 of the consolidated financial statements, the Group sold motorhomes for $143 million at a total cost of motorhomes of $124 million. The method of estimating the depreciation rate, which includes an estimation of residual values, is detailed in note 12 of the consolidated financial statements. The estimation of an appropriate depreciation rate for motorhomes directly affects both depreciation expense and the net book value of ex-rental fleet reclassified to inventory, and can therefore have a significant impact on the profit of the Group, which is why we have given this area specific audit focus and attention.	We performed the following audit procedures to assess the judgements made by management in determining the residual values and depreciation rates for motorhomes: · updated our understanding of the relevant business processes and management's annual assessment of motorhome residual values and depreciation rates; · for a sample of motorhomes sold during the year, compared the sales proceeds to the carrying amount (i.e. the depreciated net book value of the ex-rental fleet reclassified to inventory) and recalculated the profit or loss on sale; · compared the actual sales achieved during the year to historical and forecasted results. Where actual results deviated from historical and/or forecasted results, we understood the underlying reasons and considered the potential impact on current and future depreciation rates. This provided evidence to support management's ability to reliably forecast the expected useful life and residual values of the motorhome fleet; · recalculated the depreciation charge for the year; and · assessed whether depreciation rates applied were consistent with the accounting policy.

DESCRIPTION OF THE KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Accounting for the managed exit from Togo Group The Group entered into an agreement with Thor Industries, Inc. (joint venture partner) to undertake a managed exit from Togo Group. The transaction involved a reduction of the Group's shareholding in Togo Group from 50% of the ordinary shares to 20.18% of class B preference shares in exchange for certain assets and liabilities from Togo Group, which are set out in note 18 to the consolidated financial statements. This transaction was complex with respect to determining the appropriate accounting treatment for the managed exit and valuing the intellectual properties acquired and the remaining investment in Togo Group. We have therefore considered this to be a key audit matter.	We have performed the following audit procedures: · obtained an understanding of the transaction and the accounting treatment applied through: – discussions with management; – review of management's assessment, including the external accounting advice management obtained and the determination of the effective date; and – review of the exit agreement between the Group and the joint venture partner; · engaged our valuation expert to assess the methodology and key assumptions adopted by management in the valuation of the intellectual properties acquired by the Group as part of this transaction; · held discussions with the Group's external valuation expert, together with our valuation expert, to assess the methodology and key assumptions used in the valuation of the retained interest in class B preference shares; · tested the relevant data inputs in the valuation to underlying accounting records and supporting documents; · on a sample basis, tested material movements in the account balances, revenue and expenses of Togo Group from 1 July 2019 to the effective date of the exit transaction; · inspected the receipt of the cash consideration for the 6% share, which was remitted by Thor in August 2020; · reperformed the reconciliation of the Group's investment in Togo Group to ensure the investment amount derecognised at the effective date was materially accurate; · recalculated the loss on disposal and the cumulative translation reserve recycled to the consolidated income statement; and · considered the appropriateness of disclosures in note 3 and 18 of the consolidated financial statements.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $1.6 million, which was based on operating profit before financing costs.

We chose this benchmark because, in our view, it provides a more stable measure and better reflects the performance of the Group.

As reported above, we have four key audit matters, being:

- Funding requirements and forecast compliance with loan facility undertakings and covenants, including the impact of COVID-19
- Impairment risk for non-financial assets, including the impact of COVID-19
- Residual values and depreciation rates for motorhomes
- Accounting for the managed exit from Togo Group.

Materiality

The scope of our audit was influenced by our application of materiality.

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

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

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

Our Group audit scope focused on the major operating locations. In aggregate, the locations selected for a full scope audit contribute 98% of the Group's revenue and 99% of the Group's operating profit before financing costs.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do 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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report (continued)

To the shareholders of Tourism Holdings Limited

Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
17 September 2020 Auckland

PricewaterhouseCoopers, 15 Customs Street West, Private Bag 92162, Auckland 1142, New Zealand
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Corporate governance

For the year ended 30 June 2020

Tourism Holdings Limited ('***thl***'s) operates under a set of corporate governance principles designed to ensure that ***thl*** is effectively managed. The Board is committed to the continued development of ***thl***'s corporate governance practices by 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***, which describes the 'rules' under which the company operates, including issue and other share transactions, distributions, shareholder meetings, Director appointment, remuneration and powers, and the conduct of Board and shareholder meetings.
- The Board Charter and subcommittee charters, which set out the roles and responsibilities of the Directors.
- The Code of Ethics, which outlines the standards of ethical behaviour expected of Directors, staff and contractors.
- The Market Disclosure Policy, which outlines the policy around disclosure of company information, including the commitment to compliance with continuous disclosure requirements.
- The Securities Trading Policy, which outlines policy and guidelines around trading in ***thl*** securities by Directors, officers and staff.
- The Diversity Policy, which outlines the commitment to diversity in Board, Executive and Staff appointments.
- The Delegated Authority Policy, which outlines the delegation of authority by the Board to management, and the authorisation levels at which Board approval is required.

thl's governance practices have been reviewed against the recommendations of the NZX Corporate Governance Code 2019 ('Code'). The Board considers that the ***thl*** governance framework and practices for the year ended 30 June 2020 are in compliance with the recommendations of the Code, except in respect of the setting of measurable objectives for diversity, as further noted on page 120. The information in this Governance Report is current as at 30 June 2020 and has been approved by the ***thl*** Board.

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

Principle 1 – Ethical behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being following throughout the organisation."

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

thl has adopted a Code of Ethics to ensure it maintains such high ethical standards and reinforces ***thl***'s commitment to the community. The Code of Ethics addresses the areas of ethical business practices, insider trading, conflicts of interest and use of Company property, amongst other matters. The Code of Ethics was most recently updated on 31 May 2019 and is available at www.thlonline.com.

Securities Trading Policy

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

All individuals defined as "restricted persons" under that policy must notify ***thl*** of their intention to trade and obtain approval from the Board before trading in ***thl***'s shares. No trading in shares is permitted in 'blackout periods' from 1 June each year until 48 hours after the release of the full year results and from 1 December each year until 48 hours after the release of the half year results, except in exceptional circumstances.

Principle 1 – Ethical behaviour (continued)

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

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

The Securities Trading Policy was most recently updated on 31 May 2019 and is available at www.thlonline.com.

Principle 2 – Board composition and performance

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

Board skills and expertise

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

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

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

Individual Director profiles are set out in the Board of Directors (page 133).

Principle 2 – Board composition and performance (continued)

Roles and responsibilities of the Board

The Board is committed to managing ***thl*** in an ethical and professional manner, and in the best interests of the company and its shareholders. Specific responsibilities of the Board, as set out in the Board Charter, 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, approval of the remuneration of the senior executive group, and the adoption of ***thl***'s remuneration policy;
- Overseeing the development, adoption and communication of the corporate strategy and objectives and oversight of the adequacy of ***thl***'s resources required to achieve the strategic objectives;
- Approval of and monitoring of actual results against the annual business plan and budget (including the capital expenditure plan);
- Review and ratification of ***thl***'s risk management framework, internal compliance and control, codes of conduct, and legal compliance;
- Approval and monitoring of the progress of capital expenditures, capital management initiatives, and acquisitions and divestments;
- Overseeing accounting and reporting systems and ***thl***'s compliance with its continuous disclosure obligations;
- Approval of the annual and half-year financial statements;
- Setting measurable objectives for achieving diversity with the organisation; and
- Adopting and reviewing ***thl***'s risk management framework.

Board performance evaluation and training

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

Director appointment

The policy for appointment and retirement of Directors is contained within ***thl***'s constitution and Board Charter. In accordance with the NZX Listing Rules, Directors must not hold office (without re-election) past the third Annual Meeting following their appointment or 3 years, whichever is longer.

Cathy Quinn and Gráinne Troute shall retire by rotation at the 2020 Annual Meeting and, being eligible, will offer themselves for re-election.

Director independence

The criteria to determine whether Directors are independent is set out in the Board Charter. All the Directors holding office on 30 June 2020, with the exception of Guorong Qian, are considered to be independent. Directors are required to inform the Board of any relevant information that may impact independence. The Remuneration and Nomination Committee Charter reviews the independence of Directors on behalf of the Board.

Principle 2 – Board composition and performance (continued)

Board Diversity Policy

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

The ***thl*** Diversity Policy was most recently updated on 31 May 2019 and is available at www.thlonline.com. It requires the Board to consider the diversity position of ***thl*** annually and whether to set any measurable objectives, which may be numerical and non-numerical.

A global staff engagement survey commenced in 2020 to generate benchmark data for the assessment of ***thl***'s diversity position globally. The survey was suspended once the impact of COVID-19 and subsequent organisational changes occurred. ***thl*** intends to re-commence this process in the upcoming financial year. Once completed, the ***thl*** Board will be reviewing the findings and setting measurable objectives, with progress against those objectives being reported in future annual reporting.

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

Principle 3 – Board committees

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

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

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

The Audit Committee

The Audit Committee is comprised solely of Non-Executive Directors of the Board, a majority of whom must be independent Directors.

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

The Audit Committee oversees ***thl***'s internal audit work programme based on ***thl***'s risk management framework. An internal audit work plan is developed each year, with internal audit assignments completed by EY, supplemented with review work completed by the internal finance function. No audit assignments were completed by EY during FY20. The business has a separate health and safety function, with regular reporting to Board and management.

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

Principle 3 – Board committees (continued)

Remuneration & Nomination Committee

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

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

The current composition of the Remuneration & Nomination Committee is Gráinne Troute (Chair), Rob Campbell, Rob Hamilton and Guorong Qian.

Market Disclosure Committee

The Market Disclosure Committee is comprised of the Chair of the Board, the Chair of the Audit Committee and Cathy Quinn. The Committee monitors compliance with the Group's Market Disclosure Policy which covers compliance with NZX Listing Rules, the Companies Act 1993, the Financial Markets Conduct Act 2013 and other guidelines issued by the Financial Markets Authority
and the NZX.

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

Marketing & Customer Experience Committee

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

Sustainability & Risk Committee

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

Other Committees

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

Takeover protocols

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

Principle 4 – Reporting and disclosure

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

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

Continuous disclosure

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

The Market Disclosure Policy contains a procedure for the escalation of potential material information to the Market Disclosure Committee, in order to allow the Committee to determine whether the information is material and whether an announcement is required. The Market Disclosure Policy is provided to all ***thl*** staff and is also available on www.thlonline.com. Additionally, ***thl*** provides training regarding its continuous disclosure obligations to all staff and monitors compliance on an ongoing basis.

Principle 4 – Reporting and disclosure (continued)

Financial reporting

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

Non-financial reporting

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

Principle 5 – Remuneration

"The remuneration of Directors and executives should be transparent, fair and reasonable."

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

The ***thl*** Remuneration Policy was most recently reviewed by the Remuneration & Nomination Committee on 31 May 2019 and is available on ***thl***'s website at www.thlonline.com.

Director remuneration

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

The total fee pool approved by the shareholders for Director remuneration at the 2018 Annual Meeting is $750,000. The annual fees currently paid to Directors is $175,000 for the Chairperson, $87,500 for each Director, plus $15,000 for the Chairperson of the Audit Committee and $10,000 for the Chairperson of each other Committee. Total Directors' remuneration received, or due and receivable during the year ended 30 June 2020 is set out on page 126 in the Director remuneration note below.

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

CEO and Executive remuneration

Decisions concerning the remuneration of the CEO require approval from the Board, unless specifically delegated to the Remuneration & Nomination Committee. Decisions concerning the remuneration of any other C-level positions, General Managers or similar require approval from the Chair of the Remuneration & Nomination Committee.

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

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

Annual performance-based incentives are linked to financial and individual targets.

The Board elected to suspend the short-term performance-based incentive scheme for the financial year ended 30 June 2020, due to the substantial shock to the Company and the tourism industry relating to COVID-19. Ordinarily, the CEO and CFO annual incentive is based 90% on Company financial performance (Net profit after tax, and Return on funds employed), and 10% on individual performance against specific targets (such as acquisitions and investor relations). The annual incentives of other Executives are based 40% on Company financial performance and 40% on other financial targets, and 20% on individual performance against specific targets. Other senior staff have annual incentives based 60% on financial performance and 40% on individual performance against specific targets.

Principle 5 – Remuneration (continued)

The ***thl*** long term incentive (LTI) scheme is designed to align the interests of the Executives with those of the shareholders. Executives are rewarded for long-term increases in shareholder value. Executives are invited to participate in the long term incentive plan by the Board on an annual basis, and participating Executives are awarded share options at the discretion of the Board. The awarding of options is based on a percentage of fixed remuneration, based on a valuation of the options carried out each year by KPMG. Details of the schemes and the status of options issued under the schemes is included in note 34 to the Financial Statements.

Further detail regarding CEO remuneration for the year ended 30 June 2020 is set out in the CEO remuneration note below.

Staff remuneration

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

The number of ***thl*** staff which received remuneration exceeding $100,000 in the year ending 30 June 2020 is set out in the employee remuneration section.

Principle 6 – Risk management

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

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

Strategic risk management

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

Financial risk management

The Audit Committee is responsible for ensuring that ***thl*** has appropriate control and systems in place to manage any financial risks and to protect ***thl***'s assets. This involves reviewing ***thl***'s risk management system, business policies and practices and internal control framework.

The Committee is also responsible for ensuring that ***thl*** maintains up to date risk registers, business continuity and disaster recovery plans, and insurance coverage which ensures that earnings are well protected from potential adverse circumstances.

thl management maintains the material risk register and reports to the Board every second month on such risks. Management monitors risks on an ongoing basis to identify any new risks as well as any potential changes to the threat posed to ***thl***'s business from previously identified risks.

Further information regarding the material risks faced by ***thl***'s business and how these are being managed is set out in the notes of the financial statements.

Health and safety

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

The Committee works with management to identify and maintain a register of workplace hazards, and to ensure that ***thl*** has in place and appropriately documents its health and safety policies and procedures.

thl management report to the Board on any health and safety incidents, including implementation of responses to prevent further incidents, on a monthly basis.

Principle 7 – Auditors

"The Board should ensure the quality and independence of the external audit process."

The Audit Committee is responsible for recommending the appointment and removal of external auditors, ensuring their independence and regularly monitoring and reviewing both internal and external audit practices. The Committee closely monitors ***thl***'s relationship with the external auditor, including:

- Ensuring the rotation of the external auditor or lead partner and peer review partner at least every five years;
- Obtaining confirmation of the auditor's independence in writing; and
- Monitoring and approving any other services provided by the external auditor to ***thl*** other than in its audit role, and monitoring total non-audit fees.

The Audit Committee Charter sets out the types of services which the external auditor is prohibited from providing to ***thl*** in order to ensure that their ability to provide audit services is not impaired and that they remain independent.

thl's current external auditor is PwC New Zealand. PwC was re-appointed by shareholders at the 2019 Annual Meeting. In accordance with ***thl***'s Board Charter, PwC New Zealand will attend the 2020 Annual Meeting and be available to answer questions about the conduct of its audit and the preparation and content of its audit report.

thl has an internal audit function which is based on an annual plan prepared by management, reflecting ***thl***'s risk management framework. The Audit Committee receives and reviews reports from the internal audit team, and is responsible for ensuring that recommendations, actions and timelines for internal audits are agreed and undertaken with management.

Principle 8 – Shareholder rights and relations

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Access to information

The Board aims to ensure that shareholders are able to access up-to-date information regarding ***thl***'s business and ongoing developments in an easy-to-access format. ***thl*** makes available on its website a description of each of its businesses, historical interim and annual reports and other shareholder communications, and key corporate governance documents as required by the Code.

A brief biography of each of ***thl***'s Directors and key members of the Executive team is available on ***thl***'s website.

Annual Meetings

The Board encourages all shareholders and stakeholders to attend its Annual Meetings. It aims for all Annual Meetings to be attended by all Directors as well as the CEO and the CFO, and to ensure that they are available for questions from shareholders.

For shareholders that are unable to attend physically, a live-stream of the Annual Meeting is made available which includes the ability for shareholders to submit questions online. Minutes of each Annual Meeting are subsequently made available on ***thl***'s website.

Board composition

thl's constitution allows no less than three and up to ten Directors. As at 30 June 2020, the Board of Directors comprised seven Directors, all of whom are Non-executive Directors.

DIRECTOR	ROLES	DIRECTOR SINCE	INDEPENDENCE
Rob Campbell	Chair, Chair Market Disclosure Committee, Member Audit Committee, Member Remuneration & Nomination Committee, Member Marketing & Customer Experience Committee, Member Sustainability & Risk Committee	May 2013	Independent Director
Debbie Birch	Chair Marketing & Customer Experience Committee, Member Audit Committee, Member Sustainability & Risk Committee	September 2016	Independent Director
Cathy Quinn	Chair Sustainability & Risk Committee, Member Audit Committee, Member Market Disclosure Committee, Member Marketing & Customer Experience Committee	September 2017	Independent Director
Gráinne Troute	Chair Remuneration & Nomination Committee, Member Audit Committee, Member Marketing & Customer Experience Committee, Member Sustainability & Risk Committee	February 2015	Independent Director
Rob Hamilton	Chair Audit Committee, Member Remuneration & Nomination Committee, Member Market Disclosure Committee	February 2019	Independent Director
Guorong Qian	Member Remuneration & Nomination Committee	July 2019	Non-independent Director

Table of Board attendance

DIRECTOR	BOARD MEETING	AUDIT COMMITTEE MEETING	REMUNERATION & NOMINATION COMMITTEE MEETING	DISCLOSURE COMMITTEE MEETING	MARKETING & CUSTOMER EXPERIENCE COMMITTEE MEETING	SUSTAINABILITY & RISK COMMITTEE MEETING
Rob Campbell	22	3	4	24	3	3
Debbie Birch	22	3	4	–	3	3
Cathy Quinn	22	3	4	24	3	3
Gráinne Troute	22	3	4	–	3	3
Rob Hamilton[1]	22	3	4	13	3	3
Guorong Qian[2]	15	2	2	–	3	2
Kay Howe[3]	5	1	1	–	1	1
Graeme Wong[3]	4	1	1	11	1	1

[1] Rob Hamilton joined the Disclosure Committee on 1 November 2019.
[2] Guorong Qian joined the Remuneration & Nomination Committee on 1 November 2019.
[3] Kay Howe and Graeme Wong retired as Directors with effect from 31 October 2019.

Director and Officer gender composition

As at 30 June 2020, being the balance date, ***thl***'s Director and Officer gender composition was as follows:

	2020		2019	
	MALE	**FEMALE**	MALE	FEMALE
Directors	3 (50%)	3 (50%)	3 (43%)	4 (57%)
Officers*	3 (60%)	2 (40%)	3 (60%)	2 (40%)

* Pursuant to the NXZ Listing Rules. Refer to page 17 of this report for gender diversity for the wider Executive team.

Directors' remuneration

Directors' remuneration received, or due and receivable during the year ending 30 June 2020 is as follows:

	2020		2019	
DIRECTORS OF TOURISM HOLDINGS LIMITED	DIRECTOR'S FEES	OTHER REMUNERATION	DIRECTOR'S FEES	OTHER REMUNERATION
Rob Campbell	153,125	–	166,667	–
Debbie Birch	73,854	–	83,333	–
Kay Howe[3]	32,500	–	92,500	–
Rob Hamilton[1]	84,688	–	36,458	–
Guorong Qian[2]	69,271	–	–	–
Cathy Quinn	85,313	–	84,167	–
Gráinne Troute	85,313	–	92,500	–
Graeme Wong[3]	34,167	–	96,667	–
	618,231	–	652,292	–

[1] Rob Hamilton was appointed as a Director with effect from 1 February 2019.
[2] Guorong Qian was appointed as a Director with effect from 24 July 2019.
[3] Graeme Wong and Kay Howe retired as Directors with effect from 31 October 2019.

Each of Rob Campbell, Debbie Birch, Cathy Quinn, Rob Hamilton and Graeme Wong (former Director) were issued, or are to be issued, ordinary shares in ***thl*** as part of their Director remuneration. Refer to the section titled "Directors' share dealings".

All Directors reduced their Director fees by 50% from April to July 2020 as a responsive measure to COVID-19.

CEO remuneration

Fixed remuneration

In 2020 the CEO, Grant Webster, received fixed remuneration including allowances of $588,417 (2019: $578,000).

Short term incentive

The annual short-term incentive of the CEO is set at 40% of fixed remuneration and allowances if all performance targets are achieved. In addition, a further incentive of up to 28% (2019: 28%) of fixed remuneration and allowances is payable for the over-achievement of financial and broader business performance targets. In relation to the 2020 financial year, CEO's base salary was reduced by 50% from April to July 20 and no payment was made for the CEO annual performance incentive due to the suspension of the short-term performance-based incentive scheme following the substantial shock to the Company and the tourism industry relating to COVID-19 (2019, $95,000).

Long term incentive

In 2020 the CEO was granted 630,000 share options under the 2017 Long-Term Incentive Scheme valued at $0.385, giving a total value of $242,550. In 2019 the CEO was granted 425,000 share options under the 2017 Long-Term Incentive Scheme valued at $0.398, giving a total value of $169,150.

Under both the 2017 and 2009 long-term incentive schemes, the share rights vest from the second anniversary of the issue, with one third vesting after the second year, one third after the third year, and the final third after the fourth year. In 2020, 80,000 share options vested under the 2017 Long-Term Incentive Scheme and 84,098 redeemable ordinary shares vested under the 2009 Long-Term Incentive Plan.

Superannuation

The CEO is a participant in KiwiSaver, and is eligible to receive an employer contribution of 3% of gross taxable earnings. In 2020 this contribution was $21,107 (2019: $33,573).

CEO remuneration (continued)

Total remuneration

The total remuneration of the CEO was as follows:

	2020	2019
Base salary	$588,417	$578,000
Short-term incentive	–	$95,000
Long-term incentive	$242,500	$169,150
Total	$830,917	$842,150

The contracted CEO base renumeration has been $678,000 since 2018. The CEO has made voluntary reduction in salary in both FY19 and FY20. The base salary reflected in the table above is the actual paid amount.

Employee remuneration

The number of employees in the Group or former employees (not including Directors) whose remuneration that was paid in the 2020 financial year (including severance pay) was within the specified bands is as follows:

REMUNERATION IN $000's	NUMBER OF EMPLOYEES
100 – 109	31
110 – 119	19
120 – 129	18
130 – 139	11
140 – 149	4
150 – 159	3
160 – 169	6
170 – 179	3
180 – 189	4
190 – 199	5
200 – 209	1
210 – 219	3
220 – 229	2
230 – 239	2
240 – 249	2
250 – 259	2
260 – 269	1
280 – 289	1
290 – 299	2
300 – 309	1
310 – 319	1
320 – 329	1
330 – 339	1
370 – 379	1
520 – 529	1
960 – 969	1
Total	127

Substantial product holders

The following information is provided in compliance with section 293 of the Financial Markets Conduct Act 2013 and records Substantial Product Holder notices received as at 30 June 2020.

	NUMBER OF ORDINARY SHARES IN WHICH A RELEVANT INTEREST WAS HELD
Accident Compensation Corporation	11,856,697
Morgan Stanley & Co. International plc	6,604,042
HB Holdings Limited	26,789,440

Spread of shareholders

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

As at 31 July 2020 the total number of voting securities on issue was 148,014,900.

SIZE OF SHAREHOLDINGS	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	% OF TOTAL ISSUED SHARES
1 - 1,000	1,910	1,037,605	0.70%
1,001 - 5,000	3,433	9,108,547	6.15%
5,001 - 10,000	1,120	8,086,672	5.46%
10,001 - 50,000	907	17,707,400	11.96%
50,001 - 100,000	72	5,045,516	3.41%
100,001 and over	61	107,029,160	72.32%
	7,503	148,014,900	100.00%

The above shows the spread of shareholders as at 31 July 2020. The shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been reallocated to the applicable members of NZCSD.

Twenty largest shareholders

	AS AT 31 JULY 2020	NUMBER OF ORDINARY SHARES	
1	HSBC Nominees (New Zealand) Limited	33,170,164	22.41%
2	Accident Compensation Corporation	11,440,829	7.73%
3	Citibank Nominees (Nz) Ltd	10,239,837	6.92%
4	Forsyth Barr Custodians Limited	5,893,611	3.98%
5	JPMORGAN Chase Bank	4,340,018	2.93%
6	Ngai Tahu Capital Limited	3,968,304	2.68%
7	New Zealand Depository Nominee	3,427,078	2.32%
8	Kay Jocelyn Howe	2,962,833	2.00%
9	Grant Gareth Webster & Stephen David Webster[1]	2,222,963	1.50%
10	Forsyth Barr Custodians Limited	2,007,369	1.36%
11	Bnp Paribas Nominees NZ Limited	1,786,685	1.21%
12	Custodial Services Limited	1,513,763	1.02%
13	Dean Neil Edgerton & Nicole Tonnile Edgerton & William Desmond Edgerton	1,421,781	0.96%
14	Glenn Laurance Howe & Tony Laurance Howe	1,360,455	0.92%
15	FNZ Custodians Limited	1,247,642	0.84%
16	Moon Chul Choi & Keum Sook Choi	1,202,222	0.81%
17	Alpine Bird (New Zealand) Limited	1,144,720	0.77%
18	Custodial Services Limited	1,033,555	0.70%
19	Ja Hong Koo & Pyung Keum Koo	1,030,000	0.70%
20	National Nominees New Zealand Limited	950,001	0.64%
		92,363,830	62.4%

[1] Represents shares beneficially owned by Grant Gareth Webster and Stephen David Webster as trustees of the Denika Family Trust.

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

Directors' shareholdings

As at 30 June 2020, Directors had relevant interests in ordinary shares in ***thl*** as below:

AT 30 JUNE 2020	**INTEREST**	**SHARES**
Rob Campbell	Beneficial[1]	806,593
Debbie Birch	Beneficial	25,531
Cathy Quinn	Beneficial[2]	33,673
Gráinne Troute	Beneficial	95,833
Rob Hamilton	Beneficial	13,294
Guorong Qian	Nil	Nil

[1] Held by Tutanekai Investments Limited, an associated person of Rob Campbell.
[2] 31,416 of these shares are held by the Sequin Family Trust, an associated person of Cathy Quinn.

Directors' share dealings

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

Tutanekai Investments Limited (an entity beneficially associated with Rob Campbell) was issued with 15,000 ordinary shares in the Company on 23 July 2019 at $3.40 per share, as part of the ***thl*** 1 for 9 rights offer. Tutanekai Investments was issued with 10,694 ordinary shares on 1 October 2019 at $4.091 per share, as part of Rob Campbell's Director remuneration for the six months ended 30 September 2019, and 34,046 ordinary shares on 1 April 2020 at $1.285 per share as part of his Director remuneration for the six months ended 31 March 2020. On 25 November 2019, Tutanekai Investments Limited purchased 3,400 ordinary shares via on-market purchase at $3.05 per share. Additionally, Tutanekai Investments Limited was issued with 20,324 ordinary shares on 11 October 2019 at $4.069 per share as part of the ***thl*** Dividend Reinvestment Plan.

Debbie Birch was issued with 969 ordinary shares in the Company on 23 July 2019 at $3.40 per share, as part of the ***thl*** 1 for 9 rights offer. Debbie was also issued with 3,529 ordinary shares on 1 October 2019 at $4.091 per share as part of her Director remuneration for the six months ended 30 September 2019, and 12,305 ordinary shares in the Company on 1 April 2020 at $1.285 per share as part of her Director remuneration for the six months ended 31 March 2020.

Cathy Quinn (personally and through beneficial ownership in the Sequin Family Trust) was issued with 3,076 ordinary shares in the Company on 23 July 2019 at $3.40 per share, as part of the ***thl*** 1 for 9 rights offer. Cathy was also issued with 1,831 ordinary shares on 1 October 2019 at $4.091 per share as part of her Director remuneration arrangements for the six months ended 30 September 2019, Cathy Quinn was also issued with 1,069 ordinary shares in the Company on 11 October 2019 at $4.069 per share as part of the Dividend Reinvestment Plan.

Gráinne Troute was issued with 9,326 ordinary shares in the Company on 23 July 2019 at $3.40 per share, as part of the ***thl*** 1 for 9 rights offer. Gráinne was also issued with 2,568 ordinary shares on 11 October 2019 at $4.069 per share as part of the ***thl*** Dividend Reinvestment Plan.

Rob Hamilton was issued with 13,294 ordinary shares in the Company on 1 April 2020 at $1.285 per share as part of his Director remuneration for the six months ended 31 March 2020.

General notice of Directors' interest

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

Rob Campbell	· Appointed as Investment Committee member at NZ Equity Management; · Appointed as Chair of New Zealand Rural Land Co; · Appointed as Advisory Board Member to Paua Wealth Management; · No longer a Director of King Tide Asset Management.
Debbie Birch	· Appointed as Director of Birch & Associates Limited; · Appointed as Chair of Raukawa ki te Tonga AHC Limited; · No longer a Director of Ruapehu Alpine Lifts Limited; · No longer a member of Port Nicholson Block Settlements Trust Steering Committee; · No longer a Director of Portfolio Management Services Limited; · No longer a Director of LGNZ Independent Assessment Board; · No longer a member of Te Ohu Kai Moana A&R Committee.
Cathy Quinn	· Appointed as Director of Rainbow's End Theme Park Limited; · Appointed as Director of New Zealand Experience Limited; · Appointed as Member of Council of the University of Auckland; · Appointed as Chair of Fertility Associates Holdings Limited.
Gráinne Troute	· Appointed as Chair of Tourism Industry Aotearoa; · No longer a Director of Evolve Education Group Limited.
Rob Hamilton	· Nil
Guorong Qian	· Appointed as Vice Chair of CITIC Capital Holdings Limited.

General notice of Directors' interest (continued)

The following entries were made in the interests register for Directors of ***thl***'s subsidiaries during the year:

Grant Webster	· Appointed as co-Chair of the New Zealand Tourism Futures Taskforce; · No longer a Director of TH2connect, LLC.
Jennifer Bunbury	· No longer a Director of TH2connect, LLC.
Catherine Meldrum	· Appointed as Director of Three Stone Bay Limited.

Rob Campbell is Chair of SkyCity Entertainment Group Limited, Summerset Group Holdings Limited, New Zealand Rural Land Co, Tutanekai Investments Limited and WEL Networks Limited and is a Director of Precinct Properties New Zealand Limited, Serica Credit Fund and THL Corporate Trustee Limited.

Debbie Birch is a Director of Ngati Awa Group Holdings Limited, NZ Growth Capital Partners, Taupo Moana Investments Limited, Raukawa ki te Tonga AHC Limited, Te Puia Tapapa GP Limited, Tuwharetoa Hau Rau GP Limited and White Island Tours Limited, and trustee of Wellington Free Ambulance Trust.

Cathy Quinn is a Director of Fletcher Building Limited, Fletcher Building Industries Limited and Rainbow's End Theme Park Limited, Fertility Associates Holdings Limited and New Zealand Experience Limited.

Gráinne Troute is a Director of Investore Property Limited, Summerset Group Holdings Limited and Chair of Tourism Industry Aotearoa.

Rob Hamilton is Chief Financial Officer of SkyCity Entertainment Group Limited.

Guorong Qian is Vice Chair at CITIC Capital Holdings Limited.

NZX Waivers

On 27 February 2017 ***thl*** obtained a waiver from NZXR from Rule 8.1.7 (which ensures that options may not be subsequently amended by an issuer in a manner that is detrimental to the interests of the holders of the underlying Equity Securities). The waiver was granted to the extent that the Rule would otherwise prevent the issue of options under ***thl***'s long term incentive scheme for senior executives, introduced in 2017. The ruling allows for a formula to be used for the exercise price of the options, that will result in a fluctuating exercise price.

On 22 May 2019 ***thl*** obtained a waiver from NZXR from Listing Rule 6.5.2 under the revised NZX Listing Rules. This waiver re-documented the existing waiver received on 27 February 2017 in respect of Rule 8.1.7 under the former NZX Listing Rules.

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.

Auditors

In accordance with section 207T of the Companies Act 1993, PricewaterhouseCoopers are appointed as the Group's auditors. Auditors' remuneration is detailed in the notes to the financial statements.

Corporate governance (continued)

For the year ended 30 June 2020

Subsidiary companies

During the financial year ending 30 June 2020, the Directors of ***thl***'s subsidiary companies are as follows:

THL Motorhomes Limited	Grant Webster
THL Motorhomes UK Limited	Grant Webster and Daniel Schneider
Waitomo Caves Limited	Grant Webster
Waitomo Caves Holdings Limited	Grant Webster
GeoZone Limited	Grant Webster
THL Corporate Trustee Limited	Rob Campbell and Kay Howe (ceased to be a Director in October 2019)
Road Bear NZ Limited	Grant Webster
TH2connect GP Limited	Grant Webster and Jennifer Bunbury
Maui Rentals Pty Limited	Grant Webster and Catherine Meldrum
The Green Bus Company Pty Limited	Grant Webster and Catherine Meldrum
THL Oz Pty Limited	Grant Webster and Catherine Meldrum
Tourism Holdings Rental Vehicles Pty Limited	Grant Webster and Catherine Meldrum
World Travel Headquarters Pty Limited	Grant Webster and Catherine Meldrum
Tourism Holdings Australia Pty Limited	Rob Campbell, Grant Webster and Catherine Meldrum
THL Group (Australia) Pty Limited	Grant Webster and Catherine Meldrum
El Monte Rents Inc	Grant Webster, Gordon Hewston (ceased as Director in December 2019) and Hannes Rosskopf (ceased as Director in July 2019)
JJ Motorcars Inc	Grant Webster, Gordon Hewston (ceased as Director in December 2019) and Hannes Rosskopf (ceased as Director in July 2019)
Tourism Holdings USA Inc	Grant Webster

Board of Directors

Rob Campbell (Auckland) Chair

Independent Director appointed in May 2013. Rob Chairs the ***thl*** Board (appointed August 2013) and the Market Disclosure Committee (appointed April 2014), and serves on all of ***thl***'s Board Subcommittees. Rob has over 30 years' experience in investment management and corporate governance. Rob is currently Chair of SkyCity Entertainment Group Limited, Summerset Group Holdings Limited (NZ) and WEL Networks, and is a Director of Precinct Properties. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

Debbie Birch (Wellington)

Independent Director appointed in September 2016. Debbie Chairs the Marketing & Customer Experience Committee (appointed November 2019) and serves on the Audit Committee and Sustainability & Risk Committee. Debbie has held various Director and trustee positions for the last 8 years and is currently Chair of Taupo Moana Investments Limited. Debbie is a board member of NZ Venture Investment Fund Limited, White Island Tours Limited, Ngati Awa Group Holdings Limited, Raukawa ki te Tonga AHC Limited, LGNZ Independent Assessment Board, Te Pūia Tāpapa GP Limited and a Trustee of Wellington Free Ambulance and a Member of the Sustainable Finance Forum Leaders Group. Debbie has significant financial, commercial and strategic experience gained in Asia, Australia and New Zealand with more than 30 years' working in global capital markets.

Rob Hamilton (Auckland)

Independent Director appointed in February 2019. Rob Chairs the Audit Committee (appointed November 2019) and serves on the Remuneration & Nomination Committee and Market Disclosure Committee. Rob is currently Chief Financial Officer at SkyCity Entertainment Group Limited and also oversees SkyCity's International Business division and ICT function. Prior to his role at SkyCity, Rob served as a Managing Director and the Head of Investment Banking at Jarden (formerly First NZ Capital). Rob is a respected member of the finance community, with more than 20 years' experience in senior finance roles. Rob is also a Board of Trustees member for Auckland Grammar School and has previously been a Board member on the New Zealand Olympic Committee.

Guorong Qian (China)

Non-Independent Director appointed in July 2019. Guorong serves on the Remuneration & Nomination Committee. Guorong is currently Vice Chair of CITIC Capital Holdings Limited, a global investment management and advisory firm which employs over 320 staff through 7 offices in China, Japan and the United States. Guorong has been with CITIC Capital in various roles since its founding. He previously worked in various brokerage, asset management and investment roles.

Cathy Quinn (Auckland)

Independent Director appointed in September 2017. Cathy Chairs the Sustainability & Risk Committee (appointed May 2019) and serves on the Audit Committee, Marketing & Customer Experience Committee and Market Disclosure Committee. Cathy is a former senior corporate partner at MinterEllisonRuddWatts. She served as the firm's Chair for eight years and was also a member of the Australasian MinterEllison Legal Group Executive Board for the period she Chaired the firm. Cathy is a Director of Fletcher Building Limited, Rangatira Limited and Chairs Fertility Associates. Cathy is a member of the NZ Treasury Board, Chairs its Audit & Risk Committee and is a member of the Auckland University Council. Cathy is a former member of the NZ Securities Commission and Capital Markets Development Taskforce. Cathy was made an Officer of the NZ Order of Merit in 2016 for services to law and women.

Gráinne Troute (Auckland)

Independent Director appointed in February 2015. Gráinne Chairs the Remuneration & Nomination Committee (appointed February 2015) and serves on the Audit Committee, Sustainability & Risk Committee and Marketing & Customer Experience Committee. Gráinne is a Chartered Member of the Institute of Directors and is also a Director of Summerset Group Holdings Limited and Investore Property, and is Chair of Tourism Industry Aotearoa. Gráinne is a professional Director with many years' experience in senior executive roles. Gráinne was General Manager, Corporate Services at SkyCity Entertainment Group and Managing Director of McDonald's Restaurants (NZ). Gráinne also held senior management roles with Coopers and Lybrand (now PwC) and HR Consultancy Right Management. She has also spent many years as a trustee and Chair in the not-for-profit sector, including having been the Chair of Ronald McDonald House Charities New Zealand for five years.

Corporate information

Directors

Rob Campbell
Debbie Birch
Rob Hamilton
Guorong Qian
Cathy Quinn
Gráinne Troute

Executives

Grant Webster – Chief Executive Officer
Nick Judd – Chief Financial Officer

Registered office

Level 1
83 Beach Road
Auckland 1010
New Zealand

Share register

Tourism Holdings Limited shares are listed on the New Zealand Stock Exchange (NZX)

Share registrar

Link Market Services Limited
PO Box 91976
Auckland
Tel: +64 9 375 5998
Email: enquiries@linkmarketservices.co.nz

Auditors

PricewaterhouseCoopers
Auckland, New Zealand

Solicitors

MinterEllisonRuddWatts
Auckland, New Zealand

Bankers

ANZ Bank New Zealand Limited
Australia and New Zealand Banking Group Limited
Westpac New Zealand Limited
Westpac Banking Corporation
The Hongkong and Shanghai Banking Corporation Limited

Notes

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