TOURISM HOLDINGS LIMITED

99 annual report

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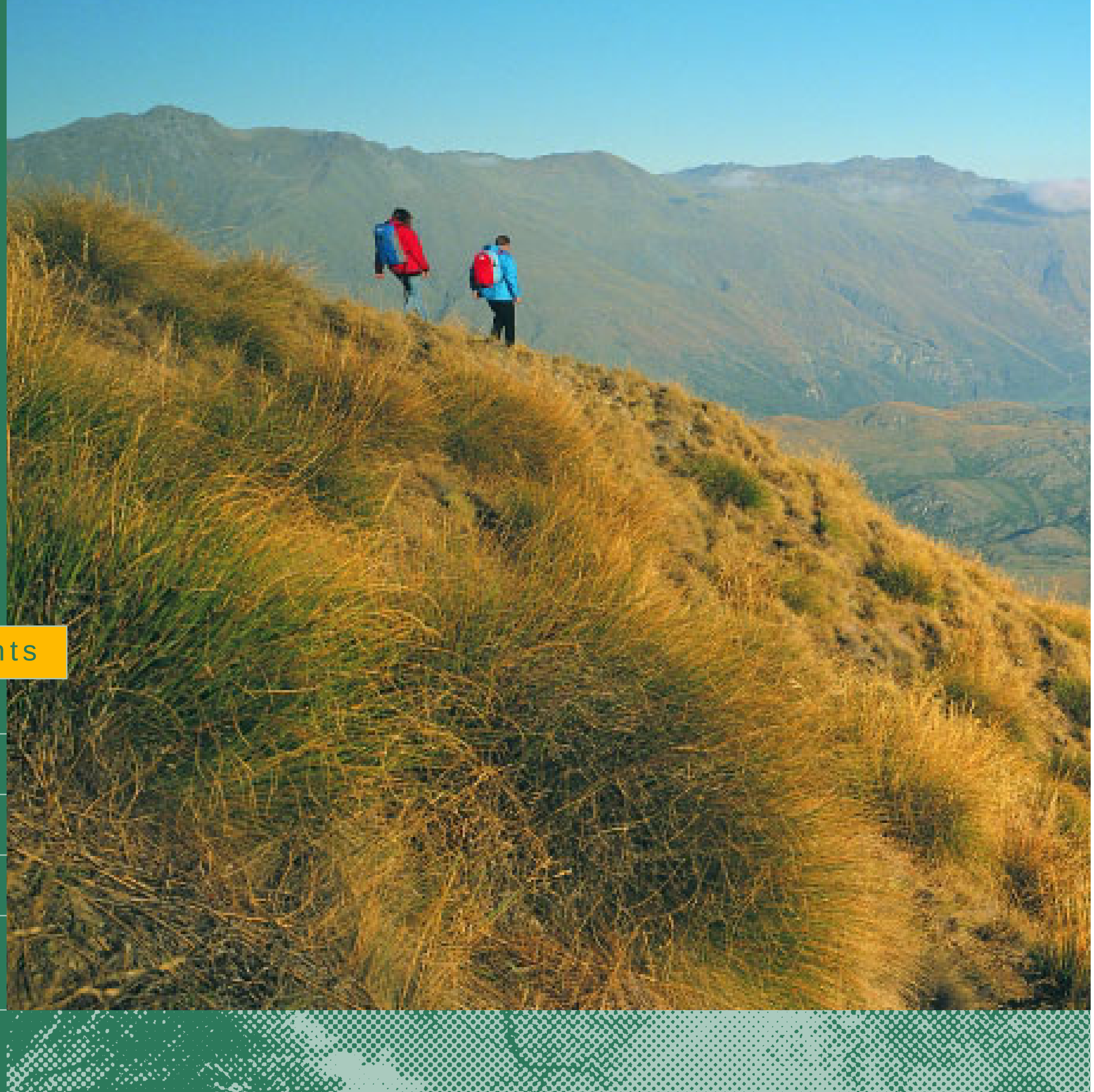

TOURISM HOLDINGS LIMITED

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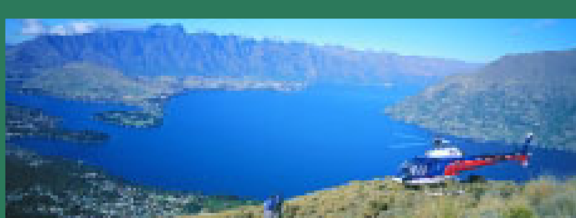

The Helicopter Line

Maui Motorhomes

FINANCIAL CALENDAR

Results announced

Interim: *9 March 1999*
Annual: *1 September 1999*

Annual Meeting

15 November 1999
at 2.30pm in Auckland

Notice of Annual Meeting and proxy form to be forwarded under separate cover.

Record Date for payment of dividend

8 October 1999

Payment Date for dividend

26 October 1999

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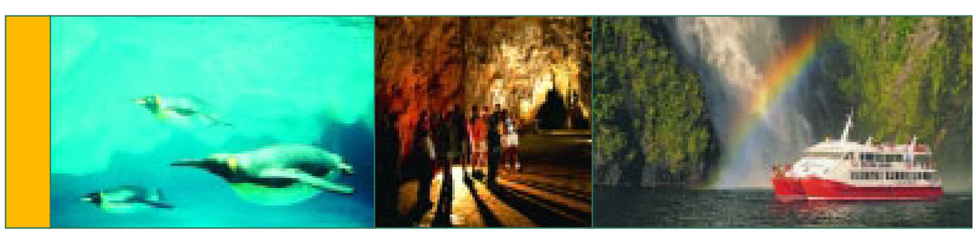
highlights of 1999

in a year of achievement;

- Turnover up 33% to $167 million.
- Net profit after tax up from $0.8 million to $6.7 million.
- Dividend of 5 cents per share reintroduced after 2 years.
- Disposed of 21 non core assets and businesses for $32 million.
- Balance Sheet strengthened as Debt reduced by $50 million to $40 million.
- Committed to expansion of Maui's operations with an increase in the motorhome fleet, a new depot in Queenstown and the acquisition of the Sixt Rental Car Franchise.



Kelly Tarlton's Antarctic Encounter & Underwater World *Waitomo Caves* *Milford Sound Red Boat Cruises*

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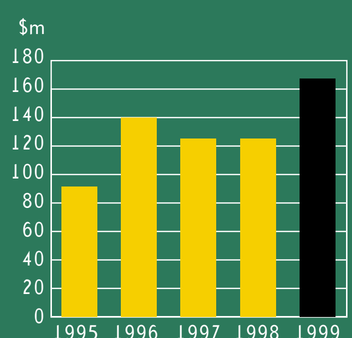
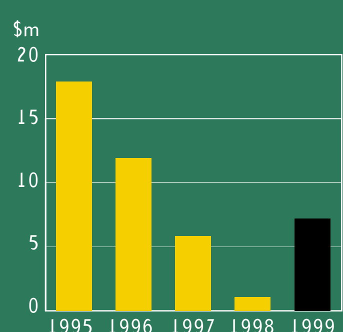
FINANCIAL SUMMARY

	June 30 1999 $million	June 30 1998 $million	June 30 1997 $million	June 30 1996 $million	June 30 1995 $million
Financial Performance					
Turnover	167	125	125	140	91
Earnings before depreciation, amortisation, interest & taxation	37	27	34	41	35
Earnings before interest & taxation	18	11	19	28	27
Surplus attributable to shareholders	7	1	6	12	18
Financial Position					
Paid in capital	48	48	39	39	39
Total equity	93	95	87	84	73
Interest bearing debt	43	94	87	75	28
Total funds employed	173	218	190	188	125
Capital expenditure	19	58	33	70	28
Statistics					
Return on average equity	7.1%	0.8%	7.1%	15.5%	26.0%
Earnings before depreciation, amortisation, interest & taxation (EBITDA) to average total funds	18.9%	13.3%	18.1%	26.1%	29.1%
Earnings before interest & taxation (EBIT) to average total funds	9.2%	5.3%	10.0%	17.6%	22.3%
Earnings per share	11.8c	1.7c	13.9c	27.7c	40.3c
Dividends per share	5.0c	–	7.0c	15.0c	15.0c
Cash flow from operating per share	45.0c	56.1c	35.9c	60.3c	47.6c
Net asset backing (incl. intangibles) per share	164c	169c	197c	191c	167c
Equity as percentage of:					
– Total funds	54%	44%	46%	45%	59%
– Interest bearing debt	216%	102%	100%	112%	258%

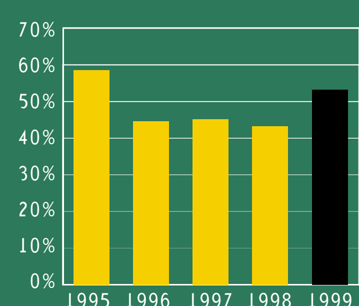
TURNOVER



NET PROFIT AFTER TAX



EQUITY TO TOTAL ASSETS



(1) Earnings statistics are based on Surplus attributable to shareholders (except EBIT and EBITDA ratios).
(2) Earnings and cash flow per share calculations are based on the weighted average number of shares on issue during the year.
(3) Cash flow from operating is from the Statement of Cash Flows.
(4) Total funds include non-interest bearing debt.
(5) Capital expenditure includes new asset purchases, business acquisitions and investments.
(6) Calculations involving dividends exclude supplementary dividends.

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Great Sights

Chairman's Review

On 1 September 1999 I announced on behalf of the Directors that the Company had made a net profit after tax of $6.7 million for the Financial Year ended 30 June 1999. The Directors were pleased with that result. It was nearly 9 times the amount of the previous year ($0.8 million). It also exceeded the profit projection of $6 million made at the time the half-year result was announced in March 1999.

When announcing the result for the half year, I indicated that unusual and "one-off" costs would impact the annual result to the extent of about $5.2 million. That indication was accurate. The "pre-unusuals" net profit after tax for the full year amounted to $11.9 million, compared to $3.1 million last year.

Turnover, at $167 million, was 33% ahead of last year; Earnings Before Interest and Tax were up 69%; and Return on Equity increased from 0.8% to 7.1%.

The profit as announced for the full year has enabled the Directors to recommence dividend payments. Accordingly a fully-imputed dividend of 5 cents per share will be paid on 26 October 1999.

The year ended 30 June 1999 was a year of other achievements for THL. Many businesses within the Group benefited from solid growth of 5.5% in inbound tourist arrivals. We also started to see gains occurring from actions that were driven by our new management team.

During the year the Company's relationship with its shareholders, its bankers, and the market improved dramatically. This was due in no small measure to the efforts of the new management team, and the Managing Director Mr. Dennis Pickup in particular. That improved relationship will continue to be encouraged by your Directors, as it is an essential element in the mix that adds shareholder value.

At the time of the Interim Report I noted that we had appointed Mr. Dennis Pickup to be the new Chief Executive Officer of the Company. I also reported that he had developed a strategy for the Group which identified our core businesses and outlined plans for the sale of non-core assets. That strategy also contained a number of proposals to strengthen our financial position and management. The strategy was approved by the Board, unanimously, and was implemented vigorously in the second half of the financial year. A more detailed report is outlined in the Managing Director's Report.

I place on record that in total we have disposed of some twenty-one businesses and non-core assets for total proceeds of approximately $32 million (this includes debt transferred to purchasers of $20 million). We believe that the Company obtained fair market value for all the assets sold.

The proceeds from the sale of businesses and non-core assets, supplemented by strong cash flow from operations, enabled us to strengthen our financial position. Debt was reduced, by approximately $50 million, to $40.5 million, giving a strong Debt to Debt plus Equity Ratio of only 30%.

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This has left us well positioned to grow the core businesses we are retaining – both organically and by acquisition. With regard to organic growth, a number of the initiatives described in this Report are under way.

The major acquisition move is our recently announced proposed purchase of the Britz motorhome business in Australia, New Zealand and Southern Africa. Completion of that purchase, scheduled for 1 November 1999, is subject to a successful Rights Issue, a number of regulatory approvals, and the arranging of suitable Bank Finance. The acquisition will place THL in the pre-eminent position in the motorhome rental business in both Australia and New Zealand.

A considerable amount of further information on both the Britz businesses and the transaction was provided to shareholders in the papers supporting the Notice of Special Meeting of 23 September 1999. There is also substantial information in the Investment Statement for the Rights Issue, which is enclosed with these Annual Accounts. The Directors support the acquisition unanimously. We are of the view that it will be a major factor in the growth of the Company.

Directors

There were no alterations to the composition of the Board during the Financial Year under review. There are, however, a number of matters that have occurred since Balance Date or will occur in the near future and which should be recorded in this Report. Those matters are as follows:-

1. Mr. Murray Valentine, Director and former CEO and Chairman, resigned with effect from 11 August 1999.

2. The Board then appointed Mr. Dennis Pickup as a Director from that date.
As a Director, Mr. Pickup's title altered from CEO to Managing Director.

3. Mr. Graham Gosney, former Executive Director and former Managing Director, resigned from his executive position. The provisions of our Constitution deem that in those circumstances he resigns automatically as a Director. The Board then appointed Mr. Gosney as a Director until the Annual Meeting. He does not offer himself for re-election.

4. Mr. Chris Alpe, Executive Director, Mr. Don Spary, Director, and Mr. Graham Sinclair, Chairman, resign by rotation at the Annual meeting and, being eligible, offer themselves for re-election.

5. The Company's contract in relation to the Britz transaction calls for Mr. Gunther Gschwenter to be appointed to the Board at the time of settlement of the purchase. If that settlement takes place prior to the Annual Meeting Mr. Gschwenter will become a Director of the Company immediately following the settlement. He will then resign at the Annual Meeting, pursuant to our Constitution, and face re-election at that Meeting. If the purchase has not been settled by the date of the Annual Meeting Mr. Gschwenter will be appointed as a Director when the transaction settles, and will come to the then next Annual Meeting for re-election.

5. With the above matters in place, the Directors intend to continue to strengthen the Board as appropriate.

The Helicopter Line

Treble Cone

Maui Motorhomes

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Directors' fees

On the assumption the Britz transaction proceeds, the Notice for the Annual Meeting will include a proposal for an increase in the amount of the Directors' fees payable by the Company, which will reflect the increased size of the Company and the Board. The Notice will be explicit as to what new limits are sought, and will set out the reasons for the proposed increase.

Share Purchase Option Scheme

This Report is written more than two months in advance of the Annual Meeting date. At the time of writing the Board is considering details for a proposed Share Purchase Option Scheme. The intention of the proposed Scheme is to ensure the interests of shareholders and employees are harmonised. This will be achieved by providing key personnel with a scheme that promotes their share ownership in the company on a basis that rewards the achievement of targeted results.

If that Scheme is to proceed, full details of the final proposal will be placed before shareholders in the Notice of Meeting – with the intent that shareholders consider and approve it, if thought fit at the Annual Meeting to be held in November 1999.

Outlook

The Directors' view on the outlook for the Company for the future is expressed elsewhere in the Report. The Directors believe that Tourism has an excellent future in both New Zealand and Australia, and will be the subject of a sterling growth pattern.

THL is now in a superb position to capture that growth, and convert it into increased shareholder value.

With the Company so positioned there will now follow an unstinting thrust to manage THL's opportunities in the best possible way.

Acknowledgments and thanks

The financial year to 30 June 1999 has been a key year for THL. There have been a number of Key Person changes, and a substantial re-shaping of the Company and its management structures.

I thank, on behalf of the Board and the shareholders, Mr. Dennis Pickup, formerly CEO and now Managing Director, for his vigorous pursuit of excellence. His leadership has been outstanding, and the results have been most gratifying.

I also thank his Executive Team and all employees of the Company for their special efforts for THL. In many cases employees have been working under the "shadow of impending changes" about which they have been kept fully aware. For them to have remained totally loyal and focussed in that environment speaks highly of their individual work ethic and their loyalty to the Company.

Finally I thank my fellow Directors for their loyalty, support, and sheer hard work.

Graham Sinclair

Chairman

24 September 1999

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managing director's report

As the Chairman has noted, 1999 was a 'year of achievement' both strategically and operationally for THL.

Strategic

Strategically we defined our Mission as becoming 'New Zealand's leading tourist plant and leisure operator utilising THL's unique attractions with strategically compatible overseas investments'.

To achieve this we introduced our Redesign Plan aimed at:

* disposal of non core activities

* improving our core businesses

* expanding our core businesses

Our core businesses have been defined as:

Transport

These include Rental motorhomes, rental cars, Coaching and motorhome manufacture.

Leisure and Attractions

Our Leisure and Attractions divisions are sizeable and have a New Zealand uniqueness about them viz. Kelly Tarlton's Antarctic Encounter and Underwater World, Waitomo Glow worm Caves, Milford Sound Red Boats and aviation interests in the South Island. Small-scale tourist operations are best owned and operated by smaller companies and are therefore not part of our core business.

We embarked on a strictly controlled disposal programme. The "Genesis" programme as it was called had two aims. Firstly to maximise the sale price of the assets (no 'fire sales'). Secondly, to develop our relationship with the new owners in order to gain long term benefits for both our ongoing businesses.

Over the twelve months we exited from:

• Accommodation

• The Milford Track

• Tourism wholesaling in the US, Australia and Japan

• Two Information Centres in Queenstown

• Small scale tourist leisure activities in the South Island

• Some small scale aviation related activities

Operational Review

	1999			1998		
	Revenue	Divisional Contribution	Funds Employed	Revenue	Divisional Contribution	Funds Employed
Maui World-wide (incl. C I Munro)	59.9	14.6	58.1	46.0	10.2	70.2
Coaching (inc. 50% Kiwi /Oz Experience)	41.7	6.2	38.3	19.4	2.4	36.1
Leisure/Attractions	56.9	9.9	59.5	54.3	10.0	99.5
Divisional Profit	158.5	30.7	155.9	119.7	22.6	205.8
Corporate/Marketing	8.0	(5.7)	16.7	5.1	(8.4)	12.0
Total (pre Unusual Items)	166.5	25.0	172.6	124.8	14.2	217.8

International tourist arrivals have a key influence on the fortunes of THL. The 1999 fiscal year saw a good recovery in total international arrivals, which increased by 5.5% to 1.54 million visitors. Within that total there were two distinct patterns. Very solid increases from Australia (10%), UK (8%) and North America (7%) which helped our rental transport businesses in particular. While these markets were growing, there were declines of around 5% in Asian and Japanese tourists, which limited the recovery of our Coaching and Leisure businesses.

Maui Division

Maui's divisions in New Zealand and Australia both benefited from the increase in non-Asian tourism. They also benefited from a growth of the "Free Independent Traveller" market to New Zealand and Australia. These travellers seek the ability to organise their own trips and therefore favour the freedom and flexibility granted by renting motorhomes and cars.

The New Zealand business (excluding C I Munro) enjoyed a revenue increase of 14% and an increase in EBIT of 47% over last year. Australia showed a similar revenue increase with an increase of 45% in EBIT over the last year.

the spirit of independence

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Coaching

Coaching had an extremely busy year. This was the first full year of integration of the businesses of the Mt Cook Group since their acquisition in April 1998.

The year saw considerable internal focus as we dealt with relocation of the merged operation into new premises as a unified business operation. We now operate the largest coach fleet in New Zealand with some 160 vehicles of three, four and five star quality.

Earnings at the EBIT level grew strongly – up 158% over last year. This was a function of the addition of the Mt Cook Group and the inclusion in this grouping of our two Coaching operations which cater to the independent backpacker market – Kiwi Experience in New Zealand and Oz Experience in Australia. Their results (previously reported under 'Associates') improved on last year.

Leisure and Attractions

This sector has now been formed to reflect the results of the key leisure/attractions THL has retained under its control.

Kelly Tarlton's enjoyed admissions slightly above last year. This, coupled with tight expense control, enabled EBIT to increase by 13%.

Despite the decline in Asian tourist arrivals who are an important customer base for Waitomo Caves, both revenues and EBIT were virtually unchanged from last year.

This year saw a number of smaller South Island leisure businesses sold and the dismantling of the Tourism Milford joint venture. As part of this dismantling process, THL has acquired 100% of the Milford Sound Red Boat operations.

Aviation

The aviation division continued a process of review and adjustment throughout the year following on from the integration of fixed wing operations purchased from the Mt. Cook Group with that of our own Helicopter operations. As a result, surplus equipment, including aircraft, was disposed of and certain aspects of base operations have been consolidated or removed to ensure focus on core business. This leaves the THL Group with a fleet of eight helicopters and fifteen fixed wing aircraft based at Mt Cook, Queenstown, Milford Sound, Franz Josef Glacier and Fox Glacier.

MAUI™

the spirit of independence



Maui Motorhomes is growing and changing.
It began in New Zealand and also boasts a significant overseas presence.
The Sixt-Maui affiliation now brings a dynamic global brand to the New Zealand Rental Car market.


Brou

Marketing

THL aggressively pursued marketing strategies aimed at positioning our products as leaders in their individual categories.

Key marketing activities launched during the 98/99-year:

The New Zealand's Leading Attractions (NZLA) promotional campaign continued to grow with support from THL's key industry partners including Air New Zealand, Shotover Jet Limited, Tranz Rail and Sky City. The campaign, which targets independent travellers, employs in flight video and print material as well as a free Guide Map and an innovative instant points programme.

The marketing agreement with Air New Zealand, signed when THL purchased various Mount Cook businesses, has resulted in a number of joint marketing campaigns. Various staff offers, Air Points direct marketing and joint ventures on THL ski products have strengthened the relationship between two of the largest tourism organisations in New Zealand.

The ski market was an important contributor in the traditional low season, although the 1997/98 season suffered from a perceived, and in some cases real, lack of snow. Nonetheless THL ski holiday products (under the Ski Express and Skiwi distribution brands) performed well with excellent integration and leverage amongst THL's core businesses.

THL's wholesale brands, in Australia, USA and Japan were sold. Notwithstanding this, a dedicated team of reservations and product staff continued to provide support to these companies in order to ensure ongoing delivery to THL operations.

In line with corporate strategy, the structure of the group marketing division has been altered to better reflect the core products.

Information Technology and Systems

The tourism industry is going through rapid and radical change. New technology, more experienced customers and global economic restructuring are all a part of the challenges facing the industry. The Internet has already added a new dimension to the traditional travel product distribution model.

Internet based E-commerce will take the industry to a new level in the year 2000.

THL is positioning itself to take advantage of these changes in the way in which global travellers gather information and make their purchases. We are seeking to use IT as a major catalyst and facilitator of new and improved distribution mechanisms, while supporting efficient and effective back office operating systems.

A number of key projects have been either completed over the last half of the year or are under action. We see IT strategy incorporating E-commerce and operating systems to be a continually evolving process of development and improvement.

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During the year we also undertook a series of developments in a number of our core businesses to enable them to continue to take advantage of the growth opportunities in our industry. These include:

Maui Rental Division

Opening Queenstown Depot

The commencement of direct flights from several Australian cities to Queenstown is giving even greater stimulus to this area as New Zealand's leading resort destination. To capitalise on this, Maui opened a new depot in Queenstown on 1 July 1999. This new depot enabled Maui to increase its presence in motorhomes and to step up its penetration of the tourism rental car market. Maui is now Queenstown's only motorhome operator and in just two months has become one of Queenstown's largest car rental operators.

Obtaining the Sixt Rental Car Franchise

As another leg in its strategy to expand its rental car operation Maui has secured the Sixt Rental Car franchise. Established in 1951, Sixt is now number one in Germany and the fastest growing rental car franchise in Europe. Sixt has recently linked with Dollar Rentals in the US to become the world's third largest rental car grouping.

Our franchise commenced 1 September 1999 and is already proving beneficial to our marketing arrangements in the Northern Hemisphere.

Britz Acquisition

This exciting development is well described in other material sent to shareholders. The acquisition will see Maui / Britz become the pre-eminent rental motorhome operator in Australia and New Zealand. With this acquisition, the Group's combined fleet of motorhomes and associated vehicles will rise from around 1,500 to 3,800 by early November 1999 (making it the largest fleet of rental leisure vehicles in the world).

Coaching

A new General Manager has been appointed and a range of 41 new initiatives are being put in place to gain further advantages from the market leadership we enjoy due to our fleet size and strong relationships with our tour group customers. We are confident of improving the operating and financial performance to better service customer requirements and to increase the return to shareholders.

Leisure

Planning approvals have been obtained to significantly upgrade our facilities at Waitomo Glow worm Caves. We plan to complete the upgrade by the end of November 1999. Planning is also underway for new interactive facilities at Kelly Tarlton's Antarctic Encounter and Underwater World.

Mount Cook Ski Planes

Treble Cone Ski Area

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PEOPLE

Without doubt our year of achievement could not have been accomplished without dedicated employees. THL's employees have reacted extremely positively to the challenge of getting the group into a position where it could go forward, then producing and implementing the plans to build on our strengths.

I thank them all for the very positive support given to me to enable us to do all this at such speed and quality of execution. At all times during this major restructuring they have given quality service to our customers.

Major progress in strengthening our senior management has been achieved. There has been a combination of four internal promotions and three external appointees as direct reports to the Managing Director. The return of Chris Alpe as CEO Maui worldwide has a major positive impact on the overall performance of Maui. Chris has also been of invaluable assistance to the senior management team and myself with his vast 30 years of industry knowledge.

The organisation structure of THL is very transparent and flat with clear lines of accountabilities and communication. The reduction from 26 joint ventures to five has significantly improved communications, reduced overheads and improved cash flows.

THL has introduced a new Performance Management scheme for the senior managers. This will be progressively implemented throughout the organisation with regular appraisals, performance incentive rewards and career development programmes.

As a management team we are enthusiastic about the prospects for the tourism industry. With the changes we have already made, and the developments we continue to implement, THL is well positioned to build on the success enjoyed this year.

Dennis Pickup

TOURISM HOLDINGS LIMITED

Great Sights

Kelly Tarlton's Antarctic Encounter & Underwater World

Johnston's Coachlines

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financials

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statements of financial performance

For the year ended June 30, 1999

	Notes	Consolidated 1999 $000's	Consolidated 1998 $000's	Parent Company 1999 $000's	Parent Company 1998 $000's
Continuing Activities					
Revenue		140,155	128,650	84,857	80,573
Expenses		(128,923)	(125,496)	(79,518)	(77,037)
Operating Surplus from Continuing Activities		11,232	3,154	5,339	3,536
Discontinued Activities					
Revenue – operating		28,905	–	3,848	–
Expenses – operating		(26,531)	–	(3,505)	–
(Loss)/gain on sale		(1,181)	–	512	–
Operating Surplus from Discontinued Activities		1,193	–	855	–
Surplus Before Taxation	2	12,425	3,154	6,194	3,536
Income Tax Expense	3	(5,119)	(953)	(2,701)	(1,186)
Surplus After Taxation		7,306	2,201	3,493	2,350
Minority interest in surpluses of subsidiaries		(918)	(208)	–	–
		6,388	1,993	3,493	2,350
Share of surpluses/(deficits) of associated entities	4	317	(1,225)	–	–
Surplus Attributed to the Shareholders of the Holding Company		6,705	768	3,493	2,350

statements of movements in equity

For the year ended June 30, 1999

	Notes	Consolidated 1999 $000's	Consolidated 1998 $000's	Parent Company 1999 $000's	Parent Company 1998 $000's
Opening Balance		95,334	86,826	92,368	80,194
Surplus and Revaluations					
Net Surplus for the year		6,705	768	3,493	2,350
Movement in foreign currency translation reserve	7	(60)	246	–	–
Total Recognised Revenues and Expenses for the year		6,645	1,014	3,493	2,350
Other Movements					
Movement in minority interest		(3,963)	(1,306)	–	–
Transfer of negative minority interest guaranteed by the group	8	(2,333)	–	–	–
Increase in paid in capital	6	–	8,800	–	8,800
Transfer upon amalgamation		–	–	(265)	1,024
Distributions to owners					
Ordinary dividends provided	5	(2,829)	–	(2,829)	–
Closing Balance		92,854	95,334	92,767	92,368

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As at June 30, 1999

	Notes	Consolidated		Parent Company	
		1999	1998	1999	1998
		$000's	$000's	$000's	$000's
Equity					
Paid in capital	6	47,838	47,838	47,838	47,838
Foreign currency translation reserve	7	(1,010)	(950)	–	–
Retained earnings	8	46,026	44,483	44,929	44,530
TOTAL SHAREHOLDERS' FUNDS		92,854	91,371	92,767	92,368
Minority interest		–	3,963	–	–
TOTAL EQUITY		92,854	95,334	92,767	92,368
Non Current Liabilities					
Deferred taxation	3	4,079	4,800	1,885	4,247
Term liabilities (Secured)	9	37,352	84,870	14,147	32,272
		41,431	89,670	16,032	36,519
Currrent Liabilities					
Bank overdraft (Secured)	14	504	2,603	348	2,686
Accounts payable	16	32,313	24,062	25,010	16,075
Current portion of term liabilities (Secured)	9	5,530	6,157	9	9
		38,347	32,822	25,367	18,770
Total Funds Employed		172,632	217,826	134,166	147,657
Represented by:					
Non Current Assets					
Fixed assets	10	134,433	170,894	80,308	79,067
Intangible assets	11	67	1,012	–	125
Investments	12	5,507	15,200	16,671	24,268
Advances to subsidiary companies		–	–	16,170	26,991
		140,007	187,106	113,149	130,451
Current Assets					
Bank balances	14	2,913	3,194	505	–
Accounts receivable	15	20,952	16,271	15,299	10,547
Assets held for sale		3,000	–	3,000	–
Inventories		5,139	7,255	2,013	2,659
Investments	12	621	4,000	200	4,000
		32,625	30,720	21,017	17,206
Total Assets		172,632	217,826	134,166	147,657

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For the year ended June 30, 1999

	Notes	Consolidated 1999 $000's	Consolidated 1998 $000's	Parent Company 1999 $000's	Parent Company 1998 $000's
Cash Flows from Operating Activities					
CASH WAS PROVIDED FROM:					
Receipts from customers		213,339	171,545	95,076	81,352
Interest received		323	618	273	265
Dividends received		21	18	692	260
		213,683	172,181	96,041	81,877
CASH WAS APPLIED TO PAY:					
Suppliers and employees		176,386	136,954	80,002	61,319
Interest		6,449	8,701	3,018	3,518
Taxation		5,377	1,856	5,052	1,632
		188,212	147,511	88,072	66,469
Net cash flows from operating activities		25,471	24,670	7,969	15,408
Cash Flows from Investing Activities					
CASH WAS PROVIDED FROM:					
Sale of fixed assets		17,003	20,987	7,506	12,264
Repayment of advances – subsidiaries		–	–	13,800	937
Repayment of advances – associates		5,028	165	3,750	61
Disposal of a subsidiary					
Less cash disposed of with subsidiaries		(131)	–	–	–
Sale of investments		100	–	–	–
Repayment of advances – other		1,897	55	–	55
		23,897	21,207	25,056	13,317
CASH WAS APPLIED TO:					
Purchase of fixed assets		17,722	47,870	10,887	27,824
Purchase of investments & advances made		557	202	837	202
Acquisition of subsidiaries		–	1,425	–	1,113
Less cash acquired with subsidiaries		421	(181)	–	–
Purchase of minority interest share of subsidiary		–	187	–	187
Advances to associates		55	8,548	55	7,959
		18,755	58,051	11,779	37,285
Net cash used in investing activities		5,142	(36,844)	13,277	(23,968)
Cash Flows from Financing Activities					
CASH WAS PROVIDED FROM:					
Term debt		7,112	43,281	–	15,092
Share issue		–	8,800	–	8,800
		7,112	52,081	–	23,892
CASH WAS APPLIED TO:					
Settlement of term debt		35,910	42,596	18,403	18,520
		35,910	42,596	18,403	18,520
Net cash flows from financing activities		(28,798)	9,485	(18,403)	5,372
Net Increase/(Decrease) in Cash Balances		1,815	(2,689)	2,843	(3,188)
Opening Cash Brought Forward		591	2,713	(2,686)	502
Foreign currency translation adjustment		3	567	–	–
Closing Cash Carried Forward	14	2,409	591	157	(2,686)

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reconciliation of surplus after taxation with cash flows from operating activities

	Notes	Consolidated 1999 $000's	Consolidated 1998 $000's	Parent Company 1999 $000's	Parent Company 1998 $000's
Surplus After Taxation Before Minorities		7,306	2,201	3,493	2,350
PLUS (LESS) NON-CASH ITEMS:					
Depreciation		17,509	16,277	8,226	7,510
Amortisation of goodwill		1,155	419	125	68
Movement in deferred taxation		(1,409)	(373)	(2,362)	754
Increase in provision for doubtful debts		79	21	45	18
Unrealised foreign currency losses		1,239	2,006	318	2,608
Provision against investments		1,656	–	1,656	–
Intercompany income (net)		–	–	(2,078)	(944)
Other		358	(477)	624	(1,290)
		20,587	17,873	6,554	8,724
PLUS (LESS) ITEMS CLASSIFIED AS INVESTING ACTIVITIES:					
(Gain)/Loss on sale of fixed assets (net)		(728)	128	(101)	1,486
Loss on sale of investments		378	–	111	–
Loss/(Gain) on sale of subsidiary		296	(78)	108	(2)
		(54)	50	118	1,484
TRADING CASHFLOW		27,839	20,124	10,165	12,558
PLUS (LESS) MOVEMENTS IN WORKING CAPITAL:					
(Decrease)/Increase in accounts payable		(4,722)	7,982	(3,206)	6,605
(Decrease)/Increase in revenue received in advance		(1,206)	4,442	(1,889)	2,844
Increase/(Decrease) in provision for taxation		1,074	(613)	(66)	(149)
Decrease/(Increase) in accounts receivable		1,056	(3,827)	2,319	(5,111)
Decrease/(Increase) in inventories		1,430	(3,438)	646	(1,339)
		(2,368)	4,546	(2,196)	2,850
Net Cash Flows from Operating Activities		25,471	24,670	7,969	15,408

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1. STATEMENT OF ACCOUNTING POLICIES

The financial statements for the Parent are for Tourism Holdings Limited, as a separate entity. The Consolidated financial statements for the Group include all subsidiaries and associates. The financial statements are presented in accordance with the Companies Act 1993 and prepared in accordance with the Financial Reporting Act 1993.

A. MEASUREMENT BASE

The financial statements have been prepared on the historical cost method.

B. PARTICULAR ACCOUNTING POLICIES

The following particular accounting policies which materially affect the measurement of financial performance, financial position and cash flows have been applied.

(i) REVENUE

Revenue shown in the Statement of Financial Performance is net of goods & services tax and comprises the amounts received and receivable by the Group from campervan and car rentals, coach charter, flying, skiing, commission on holiday packages and other related services supplied to customers in the ordinary course of business, dividends, interest and sundry income. Revenue for the travel companies comprises the margin earned on the gross turnover and is reported in the period of travel.

(ii) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements have been prepared on the basis of the "Purchase Method" and include the results of all subsidiaries. All significant inter-company transactions and balances have been eliminated.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of financial performance from the date of acquisition or up to the date of disposal.

(iii) EQUITY ACCOUNTING

The results of associate companies have been accounted for by using the equity method. The equity method has been used for those associate entities in which the Group has a significant but not a controlling interest. The results of associates acquired or disposed of during the year are included in the consolidated statement of financial performance from the date of acquisition or up to the date of disposal.

(iv) FIXED ASSETS AND DEPRECIATION

(a) Leasehold land assets relating to the purchase of licences are depreciated over the initial term of the particular licence.

(b) Other fixed assets are included at their purchase price plus additions at cost. Depreciation is charged on the straight line method with useful lives of the assets estimated at:

Buildings	40 years
Ski Lifts	20 years
Plant & Equipment	4–5 years
Coaches	8–15 years
Vessels	8–25 years
Motor vehicles	4–5 years
Motorhomes	5–7 years

(v) INVESTMENTS

Dividend income is accounted for on a cash basis. Interest is accounted for on an accrual basis. Investments are stated at the lower of cost or net realisable value. Investments in associate companies are stated at the fair value of the net tangible assets at acquisition plus the share of post-acquisition reserves.

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(vi) INTANGIBLE ASSETS

Intangible assets relating to the purchase of other businesses are amortised over the initial term of the particular agreement or over the period during which the benefit is expected to accrue.

(vii) INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Inventories include supplies predominantly for the Group's own use.

(viii) FOREIGN CURRENCIES

(a) Transactions – Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction, except when forward currency contracts have been taken out to cover short term forward currency commitments. When short-term forward currency contracts have been taken out, the transaction is translated at the rate contained in the contract.

Monetary assets and liabilities arising from trading transactions or overseas borrowing are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the statement of financial performance, except where monetary liabilities are identified as a hedge against an independent foreign operation.

(b) Foreign Operations – Revenue and expenses of independent foreign operations are translated at the exchange rate in effect at the date of the transaction, or rates approximating them. Assets and liabilities are converted to New Zealand dollars at the exchange rates ruling at balance date. Exchange differences arising from the translation of independent foreign operations are recognised in the foreign currency translation reserve, together with unrealised gains and losses on foreign currency monetary liabilities that are identified as hedges against these operations.

(ix) TAXATION

The taxation charge against the surplus for the year is the estimated liability in respect of that surplus after allowance for permanent differences and timing differences not expected to reverse in the foreseeable future. The Group follows the liability method, (partial basis), of accounting for deferred taxation. Future tax benefits attributable to timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences or losses will be utilised by the Group.

(x) DEBTORS

Debtors are stated at estimated realisable value after providing against debts where collection is doubtful.

(xi) FINANCIAL INSTRUMENTS

(a) Financial instruments are entered into with the primary purpose of reducing the Group's exposure to fluctuations in foreign currency and interest rates. The instruments are subject to the risk that market rates may change but such changes would be offset by the opposite effect on the underlying position. Financial instruments entered into as hedges of underlying positions are accounted for on the same basis as the underlying positions.

(b) The net differential paid or received on interest swaps is recognised as a component of interest expense over the period of the agreement.

(c) Premium paid on interest rate options, and net settlement on maturity of forward rate agreements are amortised to the statement of financial performance over the period of the underlying asset or liability.

(d) Forward exchange contracts entered into as hedges of foreign exchange assets and liabilities are valued at exchange rates prevailing at the year end. Any unrealised gains or losses are offset against foreign exchange gains and losses on the related asset or liability. Premiums paid on currency options are amortised over the period to maturity.

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(xii) STATEMENT OF CASH FLOWS

The following are the definitions of the terms used in the Statement of Cash Flows:

(a) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

(b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.

(c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

(d) Operating activities include the gross value of all transactions and other events that are not investing or financing activities.

C. CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the year.

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	Consolidated		Parent Company	
	1999	1998	1999	1998
	$000's	$000's	$000's	$000's

2. OPERATING SURPLUS BEFORE TAXATION IS STATED

After charging:				
Audit fees – PricewaterhouseCoopers	239	144	152	132
– Grant Thornton	–	55	–	–
– KPMG Peat Marwick	1	7	–	–
– Deloitte Touche Tohmatsu	23	34	–	–
Other services – PricewaterhouseCoopers	101	22	87	11
Bad debts written off	156	105	129	97
Increase in estimated doubtful debts	79	21	45	18
Depreciation of fixed assets	17,509	16,277	8,226	7,510
Donations	10	10	10	10
Amortisation of goodwill and licenses	664	419	68	68
Additional goodwill amortisation	491	–	57	–
Directors' fees	172	120	172	120
Net foreign currency losses/(gains) – unrealised	1,239	2,006	318	2,608
– realised	1,464	264	1,425	255
Interest: – debentures and fixed loans	4,520	7,191	1,739	3,162
– capitalised lease obligations	1,701	1,203	–	–
– subsidiaries	–	–	1,089	537
– other	158	202	2	185
Loss/(Gain) on sale of investment	378	111	(78)	(8)
Loss on sale of subsidiary	396	–	108	–
Rental and operating lease costs	16,955	10,156	10,939	9,290
Provision against property investment	856	91	856	91
Provision against investment in associate company	800	–	800	–
Loss/(Gain) on disposal of discontinued activities	1,181	–	(512)	–
Fixed asset write off	1,009	–	1,009	–
Restructuring provision	897	–	897	–
After crediting:				
Trading revenue	166,549	124,812	84,911	72,358
Interest received from external parties	239	503	113	203
Interest received from subsidiary companies	–	–	591	1,073
Interest received from associate companies	261	479	261	182
Dividends received from external parties	21	18	21	260
Dividends received from subsidiary companies	–	–	2,073	3,381
Dividends received from associate companies	–	63	–	63
Gain/(loss) on sale of fixed assets (net)	728	(128)	101	(1,486)
Decrease/(increase) in provision against advance to associate company	1,195	(1,195)	–	–

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	Consolidated 1999 $000's	Consolidated 1998 $000's	Parent Company 1999 $000's	Parent Company 1998 $000's

3. TAXATION

3.1 The charge for taxation for the year has been estimated as follows:

Surplus before taxation	12,425	3,154	6,194	3,536
Prima facie taxation (@ 33%)	4,100	1,041	2,044	1,167
Permanent differences	1,465	(153)	549	2
Tax losses on which no profit benefit taken in prior years	(403)	–	–	–
	5,162	888	2,593	1,169
(Over)/Under provision in previous year	(43)	65	108	17
	5,119	953	2,701	1,186
The taxation charge is represented by:				
Tax payable in respect of the current year	6,577	1,393	5,063	450
Deferred taxation movement	(1,458)	(440)	(2,362)	736
	5,119	953	2,701	1,186

3.2 Group companies have not recognised deferred taxation liabilities on timing differences which (calculated at the appropriate tax rates) amount to $2.0 million (1998 $2.4 million) and which are not expected to reverse in the foreseeable future.

3.3 **Deferred Taxation**

Opening balance	4,800	5,173	4,247	3,493
Provision in Statement of Financial Performance	(1,458)	(440)	(2,362)	736
Transferred to subsidiary companies	–	–	–	18
Net exchange gains	55	67	–	–
Closing balance of companies sold	682	–	–	–
Closing balance	4,079	4,800	1,885	4,247

3.4 **Imputation Credit Account**

Opening balance	13,851	11,683	11,262	10,172
Plus: Income tax paid	4,904	2,133	4,272	1,802
Credits attached to dividends received	10	38	701	1,104
Acquired on purchase of subsidiaries	–	64	–	–
Transfer from subsidiaries	–	–	3	188
Transfer upon amalgamation of subsidiaries	–	–	721	–
	18,765	13,918	16,959	13,266
Less: Credits attached to dividends paid				
Refunds received	4	–	–	–
Transfer to subsidiaries	–	–	–	2,004
Other	52	67	6	–
Closing balance	18,709	13,851	16,953	11,262

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	Consolidated 1999 $000's	Consolidated 1998 $000's	Parent Company 1999 $000's	Parent Company 1998 $000's
4. EQUITY RESULTS				
Share of surplus/(deficit) of associated entities before taxation	504	(1,212)		
Share of income tax expense	187	13		
of associated entities	317	(1,225)		

5. ORDINARY DIVIDENDS

	Cents per share 1999	Cents per share 1998	Total Amount 1999	Total Amount 1998
Interim paid	–	–	–	–
Final Proposed	5.0	–	2,829	–
Total	5.0	–	2,829	–

Full imputation credits will be attached to this dividend. Non-resident shareholders will receive an additional amount under the Foreign Investor Tax Credit ("FITC") Regime in lieu of imputation credits, for which the Group will receive a FITC entitlement.

6. SHARE CAPITAL

	Parent Company 1999 $000's	Parent Company 1998 $000's
Paid in capital – fully paid ordinary shares		
Opening balance	47,838	39,038
Plus cash issue	–	8,800
Closing balance	47,838	47,838

As at 30 June 1999 there were 56,571,429 shares issued and fully paid. All shares rank equally.

On the 19th June 1998 Tourism Holdings Limited issued 12,571,429 new ordinary shares, on the basis of 2:7, at an issue price of $0.70 cash.

7. FOREIGN CURRENCY TRANSLATION RESERVE

	Consolidated 1999 $000's	Consolidated 1998 $000's
Opening balance	(950)	(1,196)
Movements during the year	(60)	246
Closing balance	(1,010)	(950)

8. RETAINED EARNINGS

	Consolidated 1999 $000's	Consolidated 1998 $000's	Parent Company 1999 $000's	Parent Company 1998 $000's
Opening balance	44,483	43,715	44,530	41,156
Net Surplus for the year	6,705	768	3,493	2,350
Transfer upon amalgamation	–	–	(265)	1,024
Dividends provided	(2,829)	–	(2,829)	–
Transfer of negative minority interest guaranteed by the group	(2,333)	–	–	–
Closing balance	46,026	44,483	44,929	44,530

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	Consolidated		Parent Company	
	1999	1998	1999	1998
	$000's	$000's	$000's	$000's
9. TERM LIABILITIES				
Bank Term Loans – New Zealand:				
– raised in NZ currency	14,306	51,085	8,263	15,369
– raised in foreign currency	6,862	16,912	5,893	16,912
	21,168	67,997	14,156	32,281
Commercial Hire Purchase – Australia				
Capitalised Lease Obligations				
Principal portions payable after balance date:				
– Within one year	5,394	6,048	–	–
– One to two years	5,417	4,063	–	–
– Two to five years	10,903	12,919	–	–
	21,714	23,030	–	–
Total Term liabilities	42,882	91,027	14,156	32,281
Less Current Portion (due within 12 months)				
Bank Term Loans	136	109	9	9
Capitalised Lease Obligations	5,394	6,048	–	–
Total Current Portion	5,530	6,157	9	9
Total Term Liabilities net of Current Portion	37,352	84,870	14,147	32,272

Interest rates applicable at June 30, 1999 ranged from 5.10% to 8.85% p.a. The weighted average interest rate on group term loans, as amended by interest rate swaps, is 6.05%. The weighted average interest rate on capitalised lease obligations is 8%.

Bank Term Loans – New Zealand

Subsequent to balance date, the Group has entered into negotiations to refinance its bank facilities as part of the Britz acquisition.

The Group is a party to a Security Sharing Deed with the Bank of New Zealand and Westpac Banking Corporation, and has provided a composite first ranking debenture over the assets and undertakings of the Group, excluding the Group's Australian subsidiaries.

Commercial Hire Purchase – Australia

An Australian subsidiary raises commercial hire purchase loans secured over its campervan fleet. Such loans are amortised between one and four year periods.

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10. FIXED ASSETS

10.1 CONSOLIDATED:

	1999 Cost $000's	1999 Accum Depn $000's	1999 Book Value $000's	1998 Cost or Valuation $000's	1998 Accum Depn $000's	1998 Book Value $000's
Motorhomes	66,555	18,907	47,648	62,834	18,907	43,927
Coaches and motor vehicles	39,255	8,689	30,566	40,721	4,633	36,088
Vessels	4,627	53	4,574	13,139	4,453	8,686
Leasehold land	20,869	2,379	18,490	31,925	3,449	28,476
Buildings at cost	27,904	8,849	19,055	42,384	10,478	31,906
Helicopters	–	–	–	847	5	842
Fixed wing aircraft	3,149	237	2,912	3,727	155	3,572
Skifield improvements	1,602	119	1,483	1,593	80	1,513
Other equipment	19,070	9,365	9,705	29,703	13,819	15,884
	183,031	48,598	134,433	226,873	55,979	170,894

10.2 PARENT COMPANY:

	1999 Cost $000's	1999 Accum Depn $000's	1999 Book Value $000's	1998 Cost or Valuation $000's	1998 Accum Depn $000's	1998 Book Value $000's
Motorhomes	32,664	9,953	22,711	30,308	9,728	20,580
Coaches and motor vehicles	35,009	6,318	28,691	34,658	4,590	30,068
Vessels	4,538	3	4,535	–	–	–
Leasehold land	2,297	–	2,297	1,508	459	1,049
Buildings at cost	23,406	8,179	15,227	25,542	7,350	18,192
Helicopters	–	–	–	847	5	842
Fixed wing aircraft	3,149	237	2,912	3,727	155	3,572
Other equipment	8,940	5,005	3,935	10,284	5,520	4,764
	110,003	29,695	80,308	106,874	27,807	79,067

Other equipment includes ski field plant, ski hire equipment and marine life.

The value of fixed assets subject to finance leases is cost of $28,023,000 (1998: $27,278,000) and accumulated depreciation of $6,190,000 (1998: $5,132,000). All fixed assets subject to finance leases are motorhomes.

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For the year ended June 30, 1999

	Consolidated		Parent Company	
	1999	1998	1999	1998
	$000's	$000's	$000's	$000's

11. INTANGIBLE ASSETS

GOODWILL				
Cost to date	2,808	5,837	290	290
Amortised in Statement of Financial Performance to date:	(2,741)	(4,825)	(290)	(165)
	67	1,012	–	125

12. INVESTMENTS

12.1 Non Current:

Investments in:				
Subsidiary companies shares	–	–	11,396	16,117
Associate companies:				
– shares	460	4,860	460	1,010
– advances	4,563	9,396	4,563	5,613
– equity earnings	224	(1,909)	–	–
Property	–	400	–	400
Other investments	260	2,453	252	1,128
	5,507	15,200	16,671	24,268

12.2 Current:

Associate companies:				
– shares	561	–	200	–
– advances	–	4,000	–	4,000
– equity earnings	60	–	–	–
	621	4,000	200	4,000

13. SUBSIDIARY AND ASSOCIATE COMPANIES

The principal activities of the parent company and trading subsidiaries are transport and leisure attractions.

13.1 Material subsidiary companies included in the consolidated financial statements at June 30, 1999 are:

(100% owned and 30 June balance dates unless otherwise stated):

Caravans International Munro Limited
Global Nomads Limited (50%)
Global Transport Limited (50%)
Newmans Holidays (UK) Limited
Tourism Holdings Australia Pty Limited
Tourist Transport (Fiji) Limited
Treble Cone (Wanaka) Ski Field Limited
Waitomo Caves Limited

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13.2 Material associate companies included in the consolidated financial statements at June 30, 1999 are:

(50% owned, June 30 balance dates and unaudited):

Global Sanctuaries Limited
Heli Pilots Limited
Maui Camper Hire SA Pty Limited (audited)
Southern World Vacations Japan Limited
Southern World Vacations Japan (Pty) Limited
Tourism Flightseeing Aircraft Limited
Tourism Flightseeing Limited
Tourism Flightseeing Maintenance Limited

13.3 Summary of the effect of the acquisition of subsidiaries

	Consolidated	
	1999	1998
	$000's	$000's
Net assets acquired:		
Bank balances	(421)	181
Net current assets	(136)	178
Intangibles	211	250
Fixed assets	1,546	1,753
Term liabilities	(1,295)	(70)
Other advances	(4,815)	(391)
	(4,910)	1,901
Goodwill on acquisition	–	927
Less Discount of acquisition	(18)	–
Less Minority interest	2,464	–
	(2,464)	2,828
Total cash paid prior year	(200)	(315)
Advances	–	(630)
Foreign exchange translation reserve	114	–
Equity earnings	2,550	(458)
Total cash paid current year	–	1,425

On 1 July 1998 the accounting treatment for two 50% owned companies, Global Nomads and Global Transport Limited, changed from that of an associate to a subsidiary. The above reflects the assets and liabilities consolidated into the group accounts as a result of this change.

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For the year ended June 30, 1999

	Consolidated		Parent Company	
	1999	1998	1999	1998
	$000's	$000's	$000's	$000's
13.4 Summary of the effect of the disposal of subsidiaries				
Assets and liabilities disposed of:				
Bank balances	131			
Net current assets	(296)			
Future income tax benefit	682			
Investments	2,862			
Fixed assets	29,335			
Term liabilities	(22,179)			
Net assets	10,535			
Less minority interest	(4,639)			
Share of net assets	5,896			
Consideration receivable at balance date	5,600			
Loss on disposal	296			

On 30th June 1999 the group disposed of its interest in the Tourism Milford Limited Group of Companies and Alpine Guides Limited. The disposal of these subsidiaries gave rise to a $296,000 loss to the group. The consideration of $5.6 million was received in cash after balance date.

	Consolidated		Parent Company	
	1999	1998	1999	1998
	$000's	$000's	$000's	$000's

14. BANK BALANCES

Cash on hand, deposits and bank balances in funds	2,913	3,194	505	–
Bank overdrafts – not subject to set off	(504)	(2,603)	(348)	(2,686)
	2,409	591	157	(2,686)

The Group has established a legal right of set-off with the Bank of New Zealand.

15. ACCOUNTS RECEIVABLE

Receivables	12,453	12,540	7,335	8,093
Receivables due from subsidiary companies	–	–	482	488
Receivables due from associate companies	563	342	563	302
Receivable for the sale of a subsidiary	5,600	–	5,600	–
Prepayments	1,683	2,510	879	1,290
Tax refund due	653	879	440	374
	20,952	16,271	15,299	10,547

16. ACCOUNTS PAYABLE

Creditors	13,579	14,107	9,242	8,961
Creditors owing to subsidiary companies	–	–	329	187
Creditors owing to associate companies	12	–	–	–
Amount owing for the purchase of Red Boats	10,000	–	10,000	–
Employee entitlements	1,407	1,528	1,046	1,044
Income received in advance	4,286	5,930	1,507	3,396
Dividends payable to parent shareholders	2,829	–	2,829	–
GST	200	2,497	57	2,487
	32,313	24,062	25,010	16,075

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17. RELATED PARTY TRANSACTIONS

Directors who have an interest in businesses which provided services to the Group on an arms length commercial basis during the year are as follows:

M G Valentine is a partner in W R Jackson Valentine & Co. W R Jackson Valentine & Co. supplied accounting services, financial advice and sublease of premises totalling $452,588 (1998: $456,580) including nil (1998: $64,519) outstanding at year end.

M G Valentine is a director of Aoraki Corporation Limited. Aoraki Corporation Limited supplied software development services to the Group totalling $87,875. (1998: $276,065) The contract to supply this software was cancelled during the year with expenditure of $604,000 previously recognised as an asset having no future benefit, therefore this was written off to the statement of financial performance during the year.

As part of the group's disposal of non core assets, the Mechanics Bay property was sold for $1.7 million. This was sold to the tenants in the property including a company of which the son of G B Gosney is a director. The sale took place on normal commercial terms, with the assistance of an independent Real Estate firm.

The Parent Company entered into certain transactions during the year and had intercompany balances at year end with its subsidiaries and associate companies. Details are disclosed in the Financial Statements.

	Consolidated		Parent Company	
	1999	1998	1999	1998
	$000's	$000's	$000's	$000's
18. CAPITAL COMMITMENTS				
Commitments for capital expenditure				
at balance date	18,830	16,655	10,282	10,295
19. CONTINGENT LIABILITIES				
Guarantees given to bankers of associate companies				
in respect of borrowings	1,802	19,223	1,802	18,473
Performance and Guarantee bonds	2,390	1,261	2,341	1,261
Litigation Claims	–	148	–	148
Unrealised losses on forward exchange contracts	–	4,536	–	4,536
	4,192	25,168	4,143	24,418

Guarantees given in relation to associate companies are substantially backed by underlying assets.

20. OPERATING LEASE OBLIGATIONS

	Consolidated 1999	Consolidated 1998	Parent 1999	Parent 1998
Obligations payable after balance date on				
non-cancellable operating leases are:				
– Within one year	8,880	6,602	5,882	5,503
– One to two years	4,306	2,278	2,440	1,301
– Two to five years	4,672	3,656	4,251	2,931
– Beyond five years	4,241	373	3,966	373
	22,099	12,909	16,539	10,108

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21. SEGMENTAL INFORMATION

Industry Segments

	Transport		Leisure Attractions		Unallocated		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Turnover	101,559	65,369	56,925	59,772	8,065	5,125	166,549	124,812
Segment result	20,788	12,626	9,945	10,077	(3,614)	(5,246)	27,119	17,457
Intersegment dividends	–	–	–	–	(2,073)	(3,133)	(2,073)	(3,133)
Consolidated	–	–	–	–	(5,687)	(8,379)	25,046	14,324
– Loss on sale of discontinued activities	–	–	(1,181)	–	–	–	(1,181)	–
– Unusual Items	–	–	(405)	–	(2,453)	(1,286)	(2,858)	(1,286)
– Foreign currency gains (losses)	–	–	–	–	(2,703)	(2,270)	(2,703)	(2,270)
– Net interest revenue (expense)	–	–	–	–	(5,879)	(7,614)	(5,879)	(7,614)
Net segment result before taxation	20,788	12,626	8,359	10,077	(16,722)	(19,549)	12,425	3,154
Fixed Assets at 30 June	80,913	82,036	52,967	87,416	553	1,442	134,433	170,894

Notes

The Group is engaged predominantly in the tourism segment within New Zealand in the operations of transport and leisure attractions.

1998 comparatives have been restated to more accurately reflect operations

Geographic Segments

	New Zealand		Australia		Other Countries		Unallocated		Total	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Turnover	132,282	101,901	28,682	17,445	5,585	5,466	–	–	166,549	124,812
Segment result	19,024	12,763	4,412	1,654	1,610	(93)	–	–	25,046	14,324
– Loss on sale of discontinued activities	(1,181)	–	–	–	–	–	–	–	(1,181)	–
– Unusual Items	(2,858)	(1,286)	–	–	–	–	–	–	(2,858)	(1,28)
– Foreign currency gains (losses)	–	–	–	–	–	–	(2,703)	(2,270)	(2,703)	(2,270)
– Net interest revenue (expense)	–	–	–	–	–	–	(5,879)	(7,614)	(5,879)	(7,614)
Net segment result before taxation	14,985	11,477	4,412	1,654	1,610	(93)	(8,582)	(9,884)	12,425	3,154
Fixed Assets at 30 June	107,574	143,644	25,736	25,925	1,123	1,325	–	–	134,433	170,894

Notes

1998 comparatives have been restated to more accurately reflect operations

Other countries include: UK, USA and Fiji

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22. FINANCIAL INSTRUMENTS

(a) Off-balance Sheet Risk

The Group has entered into foreign currency forward exchange contracts, interest rate options and interest rate swaps to manage its exposure to fluctuations in foreign currency exchange rates and domestic interest rates.

The notional principal or contract amounts outstanding as at balance date were as follows:

	Consolidated		Parent Company	
	1999	1998	1999	1998
	$000's	$000's	$000's	$000's
Forward exchange contracts	–	15,751	–	15,751
Interest rate swaps	7,500	15,000	–	–
Interest rate options	20,000	–	10,000	–

(b) Currency Risk

The Group holds foreign denominated loans which are a designated hedge against overseas investment.

(c) Interest Rate Risk

It is Group policy to manage its interest rate exposure by the use of a mix of interest rate options and swaps, domestic and overseas currency denominated debt and maturity dates.

(d) Credit Risk

In the normal course of its business the Group incurs credit risk from tourist industry trade debtors and trading banks. The Group has a credit policy which is used to manage this exposure to credit risk. The Group has no significant concentrations of credit risk. The counterparties used for banking and finance activities are financial institutions with high credit ratings. The Group does not require any collateral or security to support financial instruments.

(e) Fair Values

The estimated fair values of the Group's financial assets and liabilities are the same as set out in the Statement of Financial Position with the following exceptions:

	Consolidated				Parent Company			
	1999 Carrying Amount $000's	1999 Fair Value $000's	1998 Carrying Amount $000's	1998 Fair Value $000's	1999 Carrying Amount $000's	1999 Fair Value $000's	1998 Carrying Amount $000's	1998 Fair Value $000's
Forward exchange contracts	–	–	–	(4,536)	–	–	–	(4,536)
Interest rate swaps	(31)	(255)	–	186	–	–	–	–
Interest rate options	–	–	–	–	–	–	–	–

The following methods were used to estimate the fair values for each class of assets, liabilities and financial instruments.

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Bank balances, accounts receivable, accounts payable, term liabilities

The carrying amount of these items is equivalent to the market value.

Forward exchange contracts, interest rate swaps and interest rate options

The fair value of these instruments is estimated based on their quoted market price at balance date.

Investments

It is not practical to estimate fair values of unlisted investments as there are no quoted market prices for these or similar investments. Unlisted investments are carried at net asset backing or at historical cost.

23. EVENTS OCCURRING AFTER BALANCE DATE

On 1 September 1999 Tourism Holdings Limited announcedt its intention to purchase the Britz motorhome businesses in New Zealand, Australia and Southern Africa.
The contract is conditional on obtaining regulatory approvals, shareholder approval and the necessary finance which will be sought from a rights issue to shareholders and the renegotiation of bank facilities. The acquisition price is $62 million, plus the assumption of $104 million liabilities.

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The group operates under a set of corporate governance principles designed to ensure the Group is effectively managed.

Board of Directors

The board carries out its responsibilities according to the following mandate:

– The board should comprise at least four directors

– The board should be made up of a majority of non-executive directors

– The Chairman of the board should be a non-executive director

– The directors should possess a broad range of skills, qualifications and experience

– The board should meet on a monthly basis

– All available information in connection with items to be discussed at a meeting of the board shall be provided to each director prior to that meeting

– The board and the individual directors should be subjected to regular evaluation

The board of directors consists of:

Graham Sinclair	Chairman, Non Executive Director
Dennis Pickup	Managing Director (appointed 11 August 1999)
Chris Alpe	Executive Director, CEO Maui
Rick Christie	Non Executive Director
Graham Gosney	Non Executive Director, former Executive Director
Keith Smith	Non Executive Director
Don Spary	Non Executive Director

Graham Sinclair, Chris Alpe and Don Spary retire by rotation and, being eligible, will offer themselves for re-election at the Annual Meeting scheduled to be held 15 November 1999, in Auckland.

Murray Valentine, Director and former CEO and Chairman, resigned with effect from 11 August 1999.

Graham Gosney has announced his intention to retire at the Annual Meeting and will not be seeking re-election.

The Board will appoint Mr. Gunther Gschwenter in the event the Britz acquisition takes place. He will then resign and stand for re-election at the next Annual Meeting.

The primary responsibilities of the board include:

– The approval of the annual and half-year financial statements

– The establishment of the long term goals of the company and strategic plans to achieve those goals

– The review and adoption of annual budgets for the financial performance of the company and monitoring the results on a monthly basis

– Ensuring that the company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities

Independent Professional Advice

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

Audit Committee

The Audit Committee reviews the Group's financial statements and announcements. It also liaises with the external and internal auditors and reviews internal controls which are relevant to financial reporting and related matters. The current members of the committee are: Rick Christie (Chairman), Graham Gosney, Graham Sinclair, Keith Smith and Don Spary. Also in attendance by invitation are Dennis Pickup (Managing Director) and Ian Lewington (Chief Financial Officer).

Finance and Remuneration Committee

The function of the Finance and Remuneration Committee is to make recommendations to the Board concerning financial management and executive directors' and executive officers' remuneration. Current members of the committee are: Keith Smith (Chairman), Rick Christie and Graham Sinclair.

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As at August 31, 1999

The ordinary shares of Tourism Holdings Limited are listed on the New Zealand Stock Exchange.
As at 31 August 1999, the total number of voting securities on issue was 56,571,429

SPREAD OF SHAREHOLDERS

Size of holdings	Number of Holders	Number of shares held	% of total issued shares
1 to 1,000	1,064	646,195	1.14
1,001 to 5,000	2,453	6,335,859	11.20
5,001 to 10,000	578	4,252,884	7.52
10,001 to 100,000	321	7,458,694	13.18
100,001 and over	57	37,877,797	66.96
	4,473	56,571,429	100.00

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

SUBSTANTIAL SECURITY HOLDERS

	Number of shares in which a relevant interest was held.
AMP Asset Management	5,138,641
Ivy Mackenzie Investments	4,156,179
(included in the interests held by National Nominees Limited and ANZ Nominees Limited)	
National Mutual Holdings Ltd	4,030,194
G B Gosney	5,267,000
(included in the interests held by Newton & Sykes Limited and the G B Gosney Family Trust)	
Royal & Sun Alliance	4,213,147

Current holding reflects the notices received, and adjusted for known changes since.

DIRECTORS' SHAREHOLDINGS (AT JUNE 30, 1999)

	Beneficially Owned				*Non Beneficially (as Trustee)	
	*Held Solely or as a joint holder		*Held by associated persons (including family interests)			
	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998
C C Alpe	663,805	663,805	485	485	–	–
G B Gosney	–	2,553,194	5,366,378	325,678	–	–
R G Sinclair	93,578	93,578	434,879	434,879	1,019,752	1,019,752
R D Spary	1,055,576	1,055,576	110,522	110,522	127,174	127,174
M G Valentine	172,194	172,194	389,665	389,665	607,111	607,111

*Particular shareholdings can appear in more than one classification

TWENTY LARGEST SHAREHOLDERS

		Shares	%			Shares	%
1	AMP	5,138,641	9.1%	11	Accident Compensation Comm	923,000	1.6%
2	Newton & Sykes	5,000,000	8.8%	12	New Zealand Guardian Trust	761,089	1.3%
3	Royal and Sun Alliance	4,213,147	7.4%	13	C C Alpe	663,805	1.2%
4	National Mutual Holdings Ltd	4,030,194	7.1%	14	C S First Boston	502,157	0.9%
5	National Nominees Limited	3,718,709	6.6%	15	Cavill White Securities Ltd	319,168	0.6%
6	Portfolio Custodian Limited	2,498,871	4.4%	16	D K Mitchell	314,129	0.6%
7	Armstrong Jones	2,211,795	3.9%	17	Forsyth Barr Limited	313,480	0.6%
8	Ngai Tahu Investments Ltd	1,613,159	2.9%	18	New Scotland Nominees Ltd	304,000	0.5%
9	ANZ Nominees Limited	1,072,941	1.9%	19	G B Gosney Family Trust	267,000	0.5%
10	R D Spary	1,055,576	1.9%	20	Hendry Nominees Limited	253,701	0.4%
						35,174,562	62.2%

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

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

Director	Beneficial Owner	No of Shares Acquired (Disposed of)	Consideration per Share or Right	Date
G B Gosney	G B Gosney	(2,553,194)	0.70	September–98
	Newton & Sykes Limited	2,553,194	0.70	September–98
	Newton & Sykes Limited	3,590,742	0.70	September–98
	Newton & Sykes Limited	(486,793)	1.12	November–98
	Newton & Sykes Limited	(657,143)	1.85	March–99
R G Sinclair,	Alpine Deer Group Ltd	(81,000)	1.09	November–98
M G Valentine	Alpine Deer Group Ltd	(755,784)	1.18	December–98
and R D Spary	Alpine Deer Group Ltd	(3,000,000)	1.68	March–99

General Notice of Directors' Interests

R G M Christie

Chief Executive of:
Rangatira Limited
Director of:
Foundation for Research Science and Technology Limited
Gallagher Group Limited
Trustee of:
Victoria University Foundation

K R Smith

Chairman of:
Calan Health Capital Partnership Limited
The Warehouse Group Limited
Director of:
Cooper Henderson Motors (1993) Limited
Enterprise Motor Group Limited and its subsidiaries
Genesis Power Limited
James Raymond Holdings Limited
Lowe Corporation Limited
New Zealand Flower and Garden Show Limited
TV3 Network Holdings Limited

R G Sinclair

Director of:
Alpine Deer Group Limited and its subsidiaries
Alpine Energy Limited
Ngai Tahu Holdings Corporation Limited and its subsidiaries
Ngai Tahu Property Group Limited
Borage Group Investments Limited

R D Spary

Director of:
Alpine Deer Group Limited and its subsidiaries

M G Valentine

Director of:
Alpine Deer Group Limited and its subsidiaries

G B Gosney

Director of:
Newton & Sykes Limited

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statutory information

As at August 31, 1999

Directors' Loans

There were no loans by the Group to Directors.

Directors' Insurance

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

Directors' Remuneration

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

	1999		1998	
	Director's Fees	Other Remuneration	Director's Fees	Other Remuneration
Directors of Tourism Holdings Limited				
C C Alpe	–	295,212	20,000	132,415
R G M Christie	30,000	10,050	10,000	5,000
G B Gosney	5,000	265,667	20,000	144,000
R G Sinclair	53,333	99,726	40,000	–
K R Smith	30,000	20,600	10,000	5,000
R D Spary	26,667	10,900	20,000	10,000
M G Valentine	26,667	268,714	–	170,000
Directors of Subsidiary Company				
G King	–	126,148		
M H Warren	–	97,536		
N J Geddes	–	171,051		

Employee Remuneration

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

	Consolidated		Parent Company	
	1999	1998	1999	1998
$000				
100 – 109	4	3	4	2
110 – 119	1	2	1	2
120 – 129	1	2	–	–
130 – 139	2	2	–	1
140 – 149	2	1	1	–
180 – 189	1	–	1	–
240 – 249	1	–	1	–
250 – 259	1	–	1	–

Auditors

In accordance with S196 of the Companies Act 1993, PricewaterhouseCoopers are appointed as our auditors.

Auditors' remuneration is detailed in Note 2 of the financial statements.

On behalf of the Board,

R G Sinclair
Chairman
16 September 1999

R G M Christie
Director

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PRICEWATERHOUSECOOPERS

To the Shareholders of Tourism Holdings Limited

We have audited the financial statements on pages 12 to 30. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 1999 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 16 to 18.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 1999 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis Of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies used and described on pages 16 to 18 are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and tax advisers.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 12 to 30:

  (i) comply with generally accepted accounting practice; and

  (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 1999 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 16 September 1999 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants — Auckland

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directory

Directors:	R G Sinclair	– Chairman
	D L Pickup	– Managing Director (Appointed 11 August 1999)
	C C Alpe	– Executive Director
	R G M Christie	
	G B Gosney	
	K R Smith	
	R D Spary	
	M G Valentine	(Resigned 11 August 1999)

Solicitors: Gallaway Haggitt Sinclair

Auditors: PricewaterhouseCoopers

Bankers: Bank of New Zealand
WestpacTrust

Share Registrars: B K Registries,
P O Box 314, Ashburton

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