

TOURISM HOLDINGS LIMITED

MINUTES OF ANNUAL MEETING OF SHAREHOLDERS

**Held at the Crowne Plaza Hotel, Auckland
on Tuesday 15 November 2005 at 3.30 p.m., pursuant to a Notice of Meeting previously
circulated to all shareholders**

PRESENT:

Directors:

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

THL Executive Staff:

C Rusden	S Parcell (Secretary)
I Lewington	S Murray
T Cantlon	G Webster
S Sullivan	P Heberd
K Nixon	L Hatton

Shareholders and Other Attendees:

123 people

APOLOGIES:

Don and Jan Spary
Graham and Lyn Gosney
Graham and Helen Sinclair

MEETING OPENING:

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

INTRODUCTION

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

NOTICE OF MEETING

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

Moved by: Keith Smith
Seconded by: Noel Smith

CARRIED

MINUTES OF PREVIOUS ANNUAL MEETING

The Chairman advised that the minutes of the previous Annual General Meeting (held on 16 November 2004, were approved by the Directors at their first meeting following that Annual Meeting. He advised that the minutes were available for review with the Board Secretary after the meeting if any shareholder so desired.

CHAIRMAN'S ADDRESS

Following is the text of the address made by the Chairman to the Annual Meeting.
Welcome Ladies & Gentlemen to Tourism Holdings nineteenth Annual Meeting.
In this address I will cover seven specific areas:

1. THL's Financial Performance over the past year.
2. The Tourism Environment in which the company operates.
3. THL's forward business outlook.
4. Dividends.
5. New Zealand International Financial Reporting Standards.
6. Directors.
7. Succession Planning.

1. THL's 2005 FINANCIAL PERFORMANCE

As reported Tourism Holdings earned a Net Profit After Tax of \$10.6m in the year ended 30 June 2005, which compares to last year's profit of \$11.2m.

The trading year was negatively impacted by the continued strength of the NZ dollar against the currencies of our major trading partners and unseasonable weather in New Zealand in December / January which discouraged late booking tourists.

Our Australian Rentals business performed exceptionally well with a pleasing 71% increase in profit. The benefits from the major restructuring of Rentals Australia undertaken during the year continue to flow through to increased revenue with a much reduced cost structure. We experienced and continue to enjoy a solid recovery into Australia from our European markets. The Australian domestic market now accounts for 23% of our revenue with Australians traveling around their own country as well as New Zealand. The market rationalisation within the Australian motorhome sector with the demise of two of our major competitors has assisted this recovery.

New Zealand Rentals also had a good year with a 12% increase in profit. They enjoyed a particularly high yielding summer season despite some late cancellations due to the poor December / January weather. The successful integration of the Cruise NZ fleet prior to the high season together with the Lions Rugby Tour also helped to drive revenues. The high New Zealand currency however continues to discourage the backpacker and budget conscious end of the market for both motorhomes and cars.

The NZ motorhome market remains popular internationally with Trans-Tasman demand remaining high supported by competitive airline pricing.

Our Attractions Division had a mixed trading year also impacted by poor weather and the high NZ dollar particularly in the price sensitive markets of Japan and Asia. The Attractions businesses did not benefit significantly from the big lift in Australian arrivals stimulated by low airfares across the Tasman.

Coaching's continuing businesses were less profitable during the year and each business unit has been the subject of a major review by the recently appointed General Manager Coaching, Tim Cantlon.

Increasing fuel costs also seriously impacted the operating costs of our coaching and cruising businesses. The 50% increase in fuel costs were not able to be fully recovered by price increases. We have now adjusted prices for the 2005/06 high season although in this highly competitive industry there is still reluctance by some competitors to recover genuine and highly visible costs such as fuel.

The Balance Sheet remains strong with operating cash flows of \$41m and a 52% Equity Ratio, (excluding intangible assets).

Capital Expenditure of \$92m was up due to the acquisition of Fullers Bay of Islands and new attractions developments. During the year we opened both the new Waitomo Ruakuri Cave attraction and Kelly Tarlton's Stingray Bay. Fleet and asset disposals realised \$28m in the year, however with an increased asset base net debt increased from \$52m to \$83m with the Debt to Debt plus Equity Ratio increasing from 27% to 39%.

Dividends paid for the last financial year totaled 10 cents per share. This compares favorably to the previous year's 12 cents per share which included a special one off dividend of 4 cents per share.

2. TOURISM ENVIRONMENT

Tourism continues to grow despite terrorism threats. Whilst this growth is reducing after recent years of high growth the principal driver of international tourism, airline capacity, is continuing to increase. Larger aircraft, increased flight frequency and number of competitors continue to encourage international travel into the South Pacific. (For example Emirates is currently negotiating to double their daily flights into Australia to 170 per week).

The massive increase in fuel prices and implementation of airline fuel surcharges has not so far deterred travelers. However there is evidence that the continuing high New Zealand and Australian currencies are slowing growth in the price sensitive markets of Japan and Asia and the Backpackers market segment.

We are however pleased to see that Australia's international and the highly important domestic tourism markets are growing after five years of sluggish performances.

Both the New Zealand and Australian Government Tourism Research and Forecasting Councils are indicating solid visitor number growth over the next five years. Through to 2011 New Zealand is forecasted to grow at an average annual rate of 5% whilst Australia should grow at 6%. Fiji, where THL has a small but important investment, is enjoying exceptionally high growth. With four new major hotels being completed together with the other new accommodation meeting market demands, Fiji's future in Tourism remains positive.

3. THL'S FORWARD BUSINESS OUTLOOK

3.1 Trading

The September quarter low season in New Zealand has been below our budget expectations with negative visitor growth from key Japanese and Asian markets, however Rentals New Zealand and Johnston's Coachlines did enjoy good support in the last three weeks of the Lions Rugby Tour in July.

3.2 Australian Rentals

Our Australian Rentals operation has had a good start to the year with strong volumes in the Northern Territories high season. They have experienced increasing tourist numbers particularly from Europe. With the demise of two major competitors and the withdrawal of a specialised 4 Wheel drive rental operator the immediate and long term outlook for our Australian motorhome business is positive. We have modified the Branch Business model with six of our lower volume locations now under Agency Owner Operator Models. The remaining five are the major international gateway centres. Mackay, our newest agency, which is the gateway to the highly popular Whitsundays opened in July 2005.

Australian Rentals' trading profit for the six months is therefore expected to be ahead of last year, even after allowing for last years one off GST refund of \$1.2m.

3.3 New Zealand Rentals

The New Zealand Rentals motorhome fleet is currently nearly 300 units higher than at the same period last year due to the Cruise NZ acquisition and maintaining fleet for the Lions Tour.

This has increased fleet holding costs relative to the prior year. Disposals are tracking to plan. The New Zealand car rental market remains highly competitive and is significantly oversupplied. Our revenue for cars is well down on last year as a result.

Overall first quarter trading whilst at planned levels is below last year due to these factors. We expect this result to carry through to the December half year position.

However bookings for the key high season summer months of January through March 2006 are well ahead of last year and at this stage we expect to recover this shortfall in the second six months to produce a trading profit ahead of last year.

This movement of bookings and activity from the first six months of the financial year into the second half is impacting both Rentals New Zealand and a number of our other New Zealand businesses and from industry feedback reflects the more settled weather in the January through April period.

The outcome of this is THL's traditional split of profitability in New Zealand between the two halves of the financial year is shifting much more into the second half.

The THL-BP Charitable Trust, which is funded by fuel rebates from New Zealand Rentals vehicle customers, was established during the year. Two initial projects have been established. The environment fund will build predator fencing in Waitomo's Ruakuri Reserve to allow kiwis and other native species to be released into the area under DoC supervision. THL has four cave attractions in Waitomo of which two operate in the Ruakuri reserve. The second beneficiary of the THL-BP Charitable Trust is the Mangere High School. Two of our major Auckland businesses, New Zealand Rentals and the coaching operations of Johnston's, Great Sight and Airbus are located in Mangere. Through THL's Vision and Values programme our staff have as their highest social priority the education of teenagers in lower socio economic areas. After these two initial projects we will extend the funding of the THL-BP Charitable Trust to other Environmental and High School Education programmes in the various areas in which we operate.

3.4 CI Munro

CI Munro has completed their build for Rentals New Zealand and other motorhome operators for the summer season, albeit at lower volumes than previous years. In the New Year they will be relatively busy in building for Rentals Australia for their Northern Territories high season beginning July as well as continuing assembling motorhomes and caravans for non THL customers. With the lower build volumes, trading profit for the six months will be down on last year.

3.5 Attractions

Eco Tourism in New Zealand continues to develop and is a major attraction for international travellers to New Zealand. Similarly Kiwis are appreciating the beauty of our landscapes and account for 55% of the \$17.2b expenditure on New Zealand tourism.

THL is fortunate to have in New Zealand four truly iconic attractions with Fullers in the Bay of Islands, Kelly Tarlton's Underwater World, our Waitomo Cave attractions and Milford Sound Red Boats.

With the slowdown in Japanese and Asian visitor arrivals, trading profit for the six months is expected to be slightly down on last year.

The key challenges and focus of our Attractions businesses is to establish and manage successful relationships with DoC, Iwi and local Councils. Tourism has so much to offer regional New Zealand through the economic growth it offers. This also addresses social issues of high regional unemployment.

Grant Webster the newly appointed Chief Operating Officer of our attraction's businesses has completed his review and reported to the Board on the potential and future strategic direction of each of these attraction businesses. These focus on initiatives to further grow and develop these iconic businesses.

3.6 Coaching

Coaching continues to be highly competitive in a difficult market. Tour Coaching (ie prescheduled) represents the travel mode of 16% of international tourists and the market has remained static in recent years. The strong growth in semi and free independent travellers has declined due to the high NZ currency. The Backpackers as well as the Japan and Asian markets have gone elsewhere principally for price reasons. This has impacted Johnston's, Great Sights and Kiwi Experience which traded below last years levels in the first quarter.

Fuel and other operating cost increases of up to 50% has necessitated price increases in a flat and in some cases declining market environment. We therefore expect a challenging first six months in our Coaching division.

We are continuing to monitor trends in the coaching businesses and will be implementing initiatives to increase yields at every opportunity.

3.7 Fuel Prices

As I mentioned previously over the past year there has been a 50% increase in fuel prices. This has also led to major increases in other fuel related costs.

THL is fortunate that with upwards of 4,000 rental vehicles this cost is borne by the hirers. However with our coaching and cruising operations it has been impossible to recover the full impact of increased fuel costs.

3.8 Forecast Trading Results for the Six Months & Year End

Based on current trading and future bookings the Company should achieve a trading net profit after tax in the range of \$5.5m to \$6m for the six months to 31 December 2005 compared to last year's reported \$4.9m.

However under New Zealand International Financial Reporting Standards (NZIFRS) we no longer amortise goodwill (\$2.5m) and last years result also included a \$1.0m after tax loss by Oz Experience which has been since sold; so on a like for like basis last year's half year net profit after tax was \$8.4m.

When we announce the half yearly results in February 2006 your Directors will have a reasonable assessment of how the high season is trading and will be in a better position to give an indication of the year end result. Based on information available to us we are currently forecasting an operating net profit after tax of \$17m. Adjusting last years profit for goodwill amortisation under NZIFRS reporting and adding back the losses from the discontinued business of Oz Experience the comparable net profit after tax for the 2005 financial year would have been \$18.3m.

I would reiterate that it is early in the current financial year and before the New Zealand high summer season and this year end forecast is just that – a forecast based on current indicators.

Overall there is no doubt that we will have a softening in visitor arrivals in the second quarter of this current financial year. In addition without the high volume, lower yielding (for THL) numbers out of Australia into New Zealand overall visitor arrivals will be in negative territory. Further the drop in average spend by visitors and a slight drop in visitor days in recent months could well remain a trend for the rest of the year. Most notable within our expectation for the year is very soft trading with low volume movements out of Japan and other Asian markets. Our Coaching and Attractions operations will be impacted the most by this.

3.9 Capital Expenditure

Last year's net capital expenditure of \$64m was an abnormal year due to the acquisition of Fullers Bay of Islands and the major Attraction expenditure at Waitomo's Ruakuri Cave and Kelly Tarlton's Stingray Bay. Apart from normal plant replacements there is no major expenditure planned for this year. Overall capital expenditure for the 2006 year is therefore expected to be in the range of \$43m to \$48m . Disposal of fleet is anticipated to be in the range of \$20m to \$24m, thus net capital expenditure will be in the order of \$20m to \$25m compared to a net expenditure last year of \$64m.

4. **DIVIDENDS**

Your Directors have a dividend payout policy guideline of 60% of operating net profit after taxation before the amortisation of Goodwill. With the adoption of NZIFRS from the start of this financial year Goodwill is no longer amortised so the dividend payout policy guideline ongoing under NZIFRS is 60% of operating net profit after tax. The actual level of dividend payments set will continue to be based on profitability and capital expenditure requirements.

A dividend of 6 cents per share was paid to shareholders on the 21st October 2005 which compares to 5 cents per share last October. Based on the forecasted 2006 profit and capital expenditure it is expected that a dividend of at least 5 cents per share will be paid in April 2006. This means a total dividend in the financial year of 11 cents per share compared to last year's 10 cents per share. All THL dividends carry full imputation credits.

Your Directors are confident that Shareholders will receive a stable dividend payment that will increase over time with profit growth as well as retaining funds to enhance the company's financial strength.

5. NEW ZEALAND INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZIFRS)

THL has adopted NZ IFRS from the 1st July 2005. As already foreshadowed, this will result in a number of accounting changes in the way our results are reported.

The major change is that intangible assets with indefinite useful lives will cease to be amortised. Last year amortisation of Goodwill was \$5.2m. This would have meant that the year end profit of \$10.6m would have been reported as \$15.8 under NZIFRS reporting requirements.

The other significant change identified to date is a reclassification of our fixed term Waitomo Cave licenses from Fixed Assets to Fixed term Intangibles Assets (Goodwill). This is a balance sheet entry that does not impact reported net profit after tax.

6. DIRECTORS

6.1 Re-Election of Directors

Two Directors in accordance with the constitution have resigned and offer themselves for re-election at this Annual Meeting. To assist shareholders in their deliberations I would like to comment individually on the two Directors and their contribution to the company. Each of the Directors up for re-election will also speak briefly prior to that item on the agenda.

(a) Graeme Bowker

Graeme Bowker was appointed as a Non-Executive Director in February 2003. Graeme, resident in Melbourne, has over the past twelve years undertaken a number of Non-Executive Director positions. He was also formerly, Victorian, and prior this, country Managing Partner in New Zealand for accounting firm Deloitte. It has been very beneficial for the Group to have an Australian resident Director given the significant market and asset base we have there.

(b) Mr Harry Price

Harry Price was appointed to the Board in November 2000 as a Non-Executive Director. Now based in Queenstown Harry was prior to his retirement the CEO of Westpac here in New Zealand. Harry enjoyed a highly successful 43 year career with Westpac here and in Australia.

6.2 Retirement of Directors

During the past year three Directors resigned for varying reasons.

Don Spary

As advised at the Annual Meeting last year Don Spary a founder Director of the Helicopter Line (THL's predecessor) resigned after 20 years of valued service as a Director.

Gunther Gschwenter

On the sale of his family's 13.6% shareholding in THL in March this year Mr Gschwenter chose to resign from the Board. Gunther was appointed in November 1999 on the acquisition of Britz Motorhome Rentals and had played a very active role on the Board, with his experience as the founder of Britz in 1982 being invaluable to THL.

Joan Withers

Joan resigned as a Director upon her appointment in June 2005 as Chief Executive Officer of Fairfax Publishing New Zealand. Since her appointment in 2001 Joan has been an extremely diligent and energetic Director whose contribution has been greatly appreciated.

Number of Directors

There is no current intention to increase the number of Directors from the current level of six of which five are Non-Executive Directors.

However this will be reviewed when the new CEO is appointed to ensure that the requirements, demands and skill sets of the Board are matched to the company needs.

7. SUCCESSION PLANNING

As advised to the NZ Stock Exchange on the 5th October 2005 the current Chief Executive Officer and Managing Director, Dennis Pickup has indicated his desire to retire with effect from the 31st March 2006.

After seven years as CEO Dennis has expressed a desire to move on to other business and personal life challenges.

During Dennis's time leading this company he has overseen a major restructure including the rationalisation of the business into three mainstream products – motorhome and car rentals in Australia and New Zealand, attractions in New Zealand and coaching operations in New Zealand and Fiji. Our core business has grown and we have added to our iconic brands either by acquisition or further development.

Dennis will leave the company with a strong balance sheet, and high cash flows, enabling us to continue investments in other iconic tourism brands in New Zealand and Australia as opportunities arise.

As this will be the last time Dennis will attend an annual meeting in his capacity as CEO, I would ask you to join me in thanking him for his leadership and wish him the very best in the various challenges he takes on in the future.

The Board is well into the process of securing Dennis's replacement and remain confident that the successful person will be in place prior to the 31st March 2006.

8. CONCLUSION

In concluding this presentation, I would like to say that the year under review was characterised by the acquisition of three businesses of which Fullers Bay of Islands will play a major role in THL's future. The disposal of Oz Experience, although costly, was appropriate in a radically changed Australian Backpacker Transport environment.

The highlight of 2005 calendar year has been the vast improvement in our Australian Rentals business. After years of underperformance the successful review and restructuring are returning to shareholders increasing benefits albeit later than planned.

Our New Zealand businesses have their own individual challenges but their ongoing Business Plans address these issues and target improved economic returns.

To meet the increasing demands on THL, five key management appointments were made to strengthen the already experienced Senior Management Team. Most of the new team are here today and will be introduced to you by the Managing Director at the conclusion of this meeting.

THL depends on its staff across all of its operations to consistently perform at high levels in managing the businesses and delivering to customers and tourists a "Superior Experience Every Time".

Throughout New Zealand, Australia and Fiji THL is fortunate to have dedicated, committed and passionate staff.

I look forward to reporting further positive progress for the Group at the half year announcement next February.

GENERAL BUSINESS

The Chairman stated that THL had received 35,854,516 valid proxies representing 36.5% of the votes able to be cast.

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

The Chairman moved that the financial statements together with the Annual Directors Report and Auditors report for the year ended 30 June 2005 be received by the meeting.

Moved by: Keith Smith
Seconded by: Peter O'Toole

CARRIED

The Chairman asked for any questions on the reports and financial statements.

A shareholder asked for clarification of the difference between the Group and the Parent in the financial statements. Mr Lewington advised the financial statements for the "Parent" are for Tourism Holdings Limited as a separate legal entity which shareholders hold their shares in. The consolidated financial statements for the "Group" are for the Parent and its subsidiaries.

Tony Sullivan noted that the tourism numbers into NZ have been steadily rising between 2000 – 2005 and average spending per tourist has increased by 4.5%. He asked for comment as to why THL's turnover during that period has been dropping and the profit flat. Mr Pickup replied that a large influence on the inbound tourism numbers is from arrivals from Australia. Of that a large portion are here either for business, to visit family and friends or New Zealanders returning to NZ. These are not THL's target tourists. Mr Pickup said the big growth in arrivals has been from the emerging markets of China and Korea who price their trips so low that they are not in THL's Attractions and Coaching target markets.

Tony Sullivan replied that the past 4 years performance of the Board did not stack up, as the dollars are not growing whereas the market is. Tony Sullivan asked the Board to give an indication for what the Board is going to do in the future to grow the business. Mr Smith replied that the Board have sold and rationalised underperforming businesses. Over the last couple of years the struggle has been with turning Australia around. He said the Board is very conscious of driving revenue and cutting costs where appropriate to ensure a growth in returns.

Brian Gaynor noted that the Board were predicting profit would be down on last year for the first half year but up in the second half. He said he does not know of any other company that so consistently misses their company forecasts, indicating that something is wrong at the Board level. He said that the Board has not given any indication of their vision for the company.

Brian Gaynor noted that Gwent Holdings of which Mr Smith is a shareholder has recently sold 25,000 shares in Tourism Holdings. He said this was not a good message for the Chairman to be selling his shares, and queried the company procedures for the disposal of shares. Mr Smith replied he was a non beneficial trustee for an old client and that the Trust holds shares in Gwent Holdings. It was a non related party client that sold the shares without the prior knowledge of Mr Smith. Mr Smith said he filed the appropriate notice with NZX as soon as he was aware of the transaction. Mr Smith advised he was resigning from such positions as it put him in an embarrassing situation, but due to the clients serious health issues this has taken longer than he would like.

Noel Smith queried whether THL had considered running the Airbus service to Hamilton and other provincial Centres. Mr Pickup replied that in reality THL was in tourism transport not urban transport and there was no intention to change that. The Airbus service was originally

to provide pick up and drop off for Maui and then it was extended. On route it promotes THL products on video and has THL's brochures to promote THL and other tourism product. Peter O'Toole noted there is already a very good private bus service that takes passengers to Hamilton. He congratulated the Board on the development of the sustainable charitable trust. He said it is good to see a company in NZ trying to do something for the good of the Country to conserve what we have.

b. **Election of Directors**

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

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

Re-election of: Graeme Bowker
Moved: Keith Smith **Seconded:** John Wilson **CARRIED**

Re-election of: Mr. Harry Price
Moved: Keith Smith **Seconded:** A shareholder **CARRIED**

Tony Sullivan said that although he has nothing against Mr Price, he will vote against his re-election as he would against any Director who has been on the Board during a buoyant market and produced a declined profit.

c. **Auditors**

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

Moved by: Keith Smith
Seconded by John Gosney **CARRIED**

Peter O'Toole queried why PricewaterhouseCoopers had been paid for tax consultancy when it was against Audit and Risk Committee policy per page 36 in the Annual Report. Mr Smith replied it was carry over for a particular piece of work prior to the policy being implemented. He confirmed that PWC do the External Audit, Ernst Young the Internal Audit and Deloitte do the Tax work.

f. **Questions from Shareholders**

Mr Wilson said the Board needs to emphasise the need for return to exceed the cost of capital invested. He asked if there could be an analysis by business included in the Annual Report on the basis of return against capital invested. Mr Smith replied there is a major emphasis from the Board on return on capital.

Mr Wilson queried if businesses are being sold that are not returning the cost of capital. Mr Smith replied that was done for Oz Experience as it was not performing, but before a business is sold it must be ascertained that it is a permanent trend and not cyclical.

A shareholder queried why the business was going further into debt by buying new businesses yet not increasing the bottom line profit. Mr Smith replied that all capex is assessed for profit growth potential before a decision is made to ensure the spending is right.

Noel Smith thanked the Board for the voucher of a visit to Ruakuri Cave. He asked whether the Caves were receiving the number of visitors expected. Mr Pickup advised that at this stage the numbers were not as expected, but the delay in the cave opening had meant the last high

season had been missed, and the product had not been able to be internationally brochured. He noted it was a 30 year investments and THL are in for the long term benefits. There were no further questions from the Shareholders.

Mr Pickup thanked the Chairman and the Shareholders for the kind words and support he has received. He said he felt it was the right time to move on and a new CEO to join THL, but he would be sad to move on as it has been an exciting, stimulating, often stressful but fun time. He said he has worked with a number of Boards and that THL's was extremely competent and under outstanding Chairmanship. He said the staff and Board work hard and professionally to endeavour to increase shareholder wealth. Mr Pickup introduced the Senior Management Team to the meeting.

There being no further business the meeting closed at 4.40 p.m.

MINUTES of the Annual Meeting of Shareholders of **Tourism Holdings Limited** were confirmed this ____ day of _____ 2005.

Chairman