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NZX RELEASE

**TOURISM HOLDINGS LIMITED
RESULTS FOR YEAR ENDED 30 JUNE 2010**

This report has been prepared in a manner that complies with generally accepted accounting practice, gives a true and fair view of the matters to which the report relates and is based on audited accounts.

The amounts as presented have been prepared in accordance with New Zealand equivalents of International Financial Reporting Standards (NZIFRS).

Current Year NZ\$m; Up/down %; Previous corresponding year NZ\$m

Total Operating Revenue \$182.3m; Up 8%; \$169.3m

Operating profit from continuing operations before tax \$6.0m; Up 288%, \$(3.2)m

Less tax on operating profit \$1.0m; Up 156%; \$(1.8)m

Operating profit after tax from continuing operations \$5.0m; Up 457%; \$(1.4)m

Loss from discontinued operations after tax \$0.4m; Down 109%; \$4.3m

Surplus after tax attributable to members of the listed issuer; \$4.6m; Up 59%; \$2.9m

Earnings per share from continuing operations 5.1cps; Up 464%; (1.4)cps

Final dividend : 2cps

Record date : 22nd October 2010

Payment date : 29th October 2010

Maui
Britz
Backpacker
Explore More
Ci Munro
Maui Vehicle Sales
Kiwi Experience
Feejee Experience
TTF – Fiji
Black Water Rafting
Waitomo Glowworm Caves
Ruakuri Cave



KEY POINTS

- A positive result with significant growth in profitability, balance sheet strength and dividend distribution
- Net Profit **Before** Tax from continuing businesses up 288% at \$6.0m, from a prior year loss of -\$3.2m
- Revenue increase of \$13m or 8%
- Group EBIT improvement of \$8.8m or 800%
- Debt position at \$37m (reduced from \$58m), with gearing down to 21%
- Dividend declared at 2 cps, bringing the total for the year to 4 cps, up from a nil dividend last year

SUMMARY OF RESULTS

thl achieved a significant improvement in earnings from its continuing businesses, with Net Profit **Before** Tax (NPBT) increasing to \$6.0m from a loss of -\$3.2m in the previous year – an increase of 288%.

As the taxation expense includes a number of one-off charges and credits, pre-tax figures (NPBT or business unit Earnings Before Interest and Tax (EBIT)) are used for the purpose of this commentary and prior corresponding period (pcp) comparisons.

\$ Millions	Full Year to June 10	Full Year to June 09	% Chg	6 months to June 10	6 months to June 09	% Chg
Trading Revenue	141.6	138.9	2%	71.7	74.3	-3%
Total Revenue	182.3	169.3	8%	91.6	89.3	3%
EBITDA continuing businesses	48.5	39.7	22%	25.7	27.6	-7%
EBIT continuing businesses	9.9	1.1	800%	6.8	5.5	24%
NPBT continuing businesses	6.0	-3.2	288%	5.0	3.5	43%
Net Debt	36.5	57.8	-37%			
Equity Ratio %	62%	57%				
Net Tangible Assets \$ per Share	1.40	1.38				

Revenue for the group was up by 8% to \$182m. When fleet sales and sales by the Ci Munro manufacturing business are excluded, revenue was up by 2% to \$142m.

EBIT improved from \$1.1m to \$9.9m, with growth in all established business units other than Rentals New Zealand.



The tax charges and credits affecting the tax expense are detailed below:

Reconciliation of Reported NPAT			
	2010	2009	%
	\$'000	\$'000	Change
Reported Net Profit Before Tax	6.0	(3.2)	288%
Taxation at standard rates	(1.8)	1.0	
NPAT from Trading	4.2	(2.2)	291%
Other one off tax adjustments			
Deferred Tax on buildings under IAS 12	(0.9)	-	
Rate Change from 30% to 28%	0.4	-	
Tax Incentives re AU fleet build	1.3	1.0	
Other	-	(0.2)	
Reported NPAT from Continuing Businesses	5.0	(1.4)	457%
Discontinued Businesses NPAT	(0.4)	4.3	
Reported Net Profit After Tax	4.6	2.9	59%

The *thl* directors and management note that the result does represent a pleasing gain in profitability and a focus on business fundamentals. Moving forward, the business is still below long-term expectations given the funds employed.

thl's balance sheet is strong, with debt levels down from \$58m to \$37m at year-end, providing an equity ratio of 62% and a debt-to-debt-plus-equity ratio of 21%.

The second half NPBT result of \$5.0m was an increase of \$1.5m, or 43%, on the pcp. Whilst growth in NPBT was lower than in the first half of the year, the result was as forecast given global trading conditions.

DIVIDEND DECLARATION

A fully imputed dividend of 2c per share (cps) has been declared, with a record date of 22nd October 2010 and a payment date of 29th October 2010. This brings the full year dividend to 4cps, fully imputed.

The dividend represents 80% of the year's continuing businesses Net Profit After Tax (NPAT). Company policy is for dividends to equate to 60% of NPAT, but the directors have declared the dividend considering the operating cashflow for the year and the strong equity position of the company.



OUTLOOK

thl is subject to global trends and events, and closely watches key indicators in both local and international markets. Consumer confidence, exchange rates, airline activity and airline pricing are all key indicators monitored.

Current performance and booking trends see a softening of the backpacker and UK markets in particular.

The strength of the New Zealand and Australian dollars internationally is also contributing to lower on-the-ground spend once visitors arrive.

A return to more traditional lead time and channel patterns has been evident over the past six months. Customers are booking earlier again. Online channel growth is continuing, although the volcanic ash incident earlier this year in Europe appears to have been one factor encouraging customers to return to traditional retail and wholesale agents in their countries of origin.

The 2011 financial year is expected to show minimal growth from a rental revenue and visitation perspective.

The period to the 31st October 2010 is a key booking period for our rentals operations. We are not in a position to provide appropriate guidance for the year. An update on the first six months will be provided at the Annual Meeting in November.

OPERATIONAL COMMENTARY

Rentals

Revenue for the Rentals business, excluding fleet sales, was up by \$3m or 3% to \$118m for the year. Revenue dipped in the second half by 5%, reflecting a trend in both the New Zealand and Australian businesses.

Rentals EBIT was down by 1% to \$9.3m, but this included a new recharge of \$2.7m in information technology costs from Group Support Services (Corporate *thl*) to the operating businesses.

Depreciation costs for the year have remained steady at \$36m. Vehicle production and chassis costs have been increasing in excess of inflation over the past five years. New vehicle designs have been implemented to assist in the reduction of build costs, which will flow through to lower depreciation per vehicle in coming years. Targeted build costs for the 2010 built product have been achieved.



Fleet sales for the year were 778, up from 654 in the previous period and in line with our projections.

Over the past 18 months vehicle related repairs including accident damage and write-offs have continued to grow with little explanation. We have increased our focus on pre delivery driver education and the last quarter trend has seen an improvement in these costs.

New Zealand

Rentals New Zealand EBIT was down 58% to \$1.9m. Total operating costs for the New Zealand business increased by \$1.6m or 3.6% whilst revenue decreased by \$1.1m, excluding revenue and gains from the sale of fleet. A number of steps were taken to improve performance, including the implementation of new front-of-house processes across all branches and the commencement of a review of back-of-house operations. Procurement and property reviews have continued across the business, with two property leases cancelled or subleased. The Explore More business continued its fleet sale programme according to plan, but input costs, repairs and maintenance continued to increase.

There was a welcome increase in Australian arrivals to New Zealand. Unfortunately, these visitors have a shorter length of stay than other markets. The decrease in hire duration translated to increased costs.

Sale margins on vehicles have been maintained.

Australia

EBIT for Rentals Australia grew by 51% to \$7.4m for the year. The business continued to improve in the second half, with an EBIT increase of \$0.9m on the pcp.

Within Australia a highlight has been the ongoing success in fleet sales, with more than 500 vehicles sold for the year, contributing revenue of \$20m – an increase of \$8m over the prior year. Vehicle sales are expected to remain at these levels over the coming year.

The Australia assembly factory also performed well, preparing more than 600 vehicles for rental operation.



thl Manufacturing

The year-end EBIT result for Ci Munro, a loss of \$1.9m, was an improvement from the loss of \$3.6m in the prior year and was in line with expectations

The second half loss of \$0.4m was acceptable given the introduction of three new vehicle types into production. Productivity has reached the desired standards for the new products very quickly.

Operationally, the business has performed exceedingly well. The launch of the new Maui Platinum motorhome range was on time and to budget.

The improvement in results was in line with expectations and the business remains on track to deliver positive earnings in the 2011 financial year.

Action Motor Bodies continues to deliver to the Dental Health Board contract and has received more orders extending the contract beyond the initial three-year term. The business is tendering for a number of contracts over the next quarter which will assist in building a stable platform of work after completion of the DHB units in 2012/2013.

Tourism Businesses

The tourism businesses, with EBIT of \$6.1m, delivered an increase of \$2.2m on the prior year.

We are particularly pleased with the operational and strategic alignment of the Waitomo and Kiwi Experience businesses.

The Fiji business is more remote, but has operated very effectively and had a record profit year in Fiji dollar terms.

Waitomo Group

The new Visitor Centre at the Waitomo Glowworm Caves is now substantially complete. Results from the new retail facilities have exceeded expectations and business case requirements. The new restaurant facility, meeting spaces and short film will be open to the public in October, enabling a public launch of the full facility.

Results from the Waitomo group of businesses again exceeded those for the prior year despite a challenging visitor market.

In the year ahead the Waitomo business is expected to continue double digit growth in EBIT. Medium term expectations remain very positive for this business.



Kiwi Experience

Earnings for Kiwi Experience were pleasing, although heavy discounting in the sector is an area of concern that will be monitored closely over the coming year.

The Kiwi Experience business celebrated its 20th anniversary during the year.

The business moved its retail and support centre to Beach Road, Auckland, next to the **thl** main offices, in January, enabling greater operating synergies.

Fiji

During the past financial year the Fiji business improved its results significantly.

The Fiji environment remains challenging from a trading and operating perspective, and the crew in Fiji should be acknowledged for their efforts and commitment.

FINANCIAL POSITION / CAPITAL EXPENDITURE

thl has again lowered net debt over the past six months. The year-end position of \$37m in net debt is pleasing and is a direct result of significant focus by management.

Net capital expenditure (i.e. expenditure net of income from fleet sales) for the 2010-2011 financial year is expected to be in the order of \$60m - \$65m. This represents \$85m - \$90m in new fleet build and \$25m in fleet sales.

GENERAL

Whilst demonstrating positive momentum the group requires a higher return on the capital invested in the business. The path to desired profit levels will be based on three key strategies:

- Transforming the current customer offer
- Creating new opportunities for growth to leverage the fixed cost base
- Adapting the business model to improve the margins of the Rentals business.



As part of this programme, during the past six months the business has been pleased to finalise the Waitomo building and new Maui Platinum two-berth, four-berth and six-berth vehicles; establish a new Maui proposition; deliver self-check-in options for customers and deliver new website technology.

CONCLUSION

thl has focused successfully on addressing key operational issues within the company over the past 18 months, to align the business model to the visitor environment we are now working in. The balance sheet is strong and the company is well positioned to continue its focus on the customer.

Authorised by:

A handwritten signature in blue ink, appearing to read 'Keith Smith', is positioned above the printed name.

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