

Tourism Holdings Limited

Interim consolidated financial statements for the six months ended 31 December 2021

For and on behalf of the Board:

Rob Campbell



Chair of the Board

Rob Hamilton



Chair of the Audit Committee

25th February 2022

Consolidated income statement

For the six months ended 31 December 2021 (Unaudited)

	Notes	Unaudited 6 months to Dec 2021 \$000's	Unaudited 6 months to Dec 2020 \$000's	Audited 12 months to Jun 2021 \$000's
Sales of services		50,301	68,831	130,033
Sales of goods		124,573	136,997	229,140
Total revenue		174,874	205,828	359,173
Cost of sales		(84,910)	(116,890)	(186,033)
Gross profit		89,964	88,938	173,140
Administration expenses		(22,931)	(18,030)	(37,861)
Operating expenses		(69,219)	(75,659)	(150,000)
Other income	2	1,058	6,582	6,460
Operating (loss)/profit before financing costs*		(1,128)	1,831	(8,261)
Finance income		4	18	41
Finance expenses		(4,947)	(5,732)	(10,888)
Net finance costs		(4,943)	(5,714)	(10,847)
Share of profit from associates	8	1,171	750	718
Share of profit from joint ventures		-	210	18
Loss before tax		(4,900)	(2,923)	(18,372)
Income tax benefit	3	536	1,155	3,858
Loss for the period		(4,364)	(1,768)	(14,514)
Loss for the period is attributable to:				
Equity holders of the Company		(4,044)	(1,433)	(13,675)
Non-controlling interest		(320)	(335)	(839)
		(4,364)	(1,768)	(14,514)
Earnings per share from profit attributable to the equity holders of the Company during the period				
Basic loss per share (in cents)		(2.7)	(1.0)	(9.2)
Diluted loss per share (in cents)		(2.7)	(1.0)	(9.1)

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

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

Consolidated statement of comprehensive income

For the six months ended 31 December 2021 (Unaudited)

	Notes	Unaudited 6 months to Dec 2021 \$000's	Unaudited 6 months to Dec 2020 \$000's	Audited 12 months to Jun 2021 \$000's
Loss for the period		(4,364)	(1,768)	(14,514)
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation reserve movement (net of tax)	14	1,933	(12,581)	(8,929)
Cash flow hedge reserve movement (net of tax)		1,592	1,699	3,078
Other comprehensive income/(loss) for the period net of tax		3,525	(10,882)	(5,851)
Total comprehensive loss for the period attributable to equity holders of the Company		(839)	(12,650)	(20,365)
Total comprehensive loss for the period is attributable to:				
Equity holders of the Company		(530)	(12,315)	(19,526)
Non-controlling interests		(309)	(335)	(839)
Total comprehensive loss for the period		(839)	(12,650)	(20,365)

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

Consolidated statement of changes in equity

For the six months ended 31 December 2021 (Unaudited)

	Share capital \$000's	Retained earnings \$000's	Cash flow hedge reserve \$000's	Other reserves \$000's	Non- controlling interests \$000's	Total equity \$000's
Notes						
Opening balance as at 1 July 2021	277,792	42,313	(3,617)	(1,030)	(2,859)	312,599
Comprehensive income/(loss)						
Net loss for the six months ended 31 December 2021	-	(4,044)	-	-	(320)	(4,364)
Other comprehensive income						
Cash flow hedge reserve movement (net of tax)	-	-	1,592	-	-	1,592
Foreign currency translation reserve movement (net of tax)	14	(6)	-	1,928	11	1,933
Total comprehensive income/(loss)	-	(4,050)	1,592	1,928	(309)	(839)
Issue of ordinary shares (net of issue costs)	9	-	-	-	-	113
Transfer from employee share scheme reserve	1,022	134	-	(994)	-	162
Employee share scheme reserve	-	-	-	1,394	-	1,394
Total transactions with owners	1,135	134	-	400	-	1,669
Closing balance as at 31 December 2021	278,927	38,397	(2,025)	1,298	(3,168)	313,429

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

Consolidated statement of changes in equity (continued)

For the six months ended 31 December 2020 (Unaudited)

	Share capital \$000's	Retained earnings \$000's	Cash flow hedge reserve \$000's	Other reserves \$000's	Non- controlling interests \$000's	Total equity \$000's
Notes						
Opening balance as at 1 July 2020	269,988	55,815	(6,695)	5,991	-	325,099
Comprehensive income						
Net loss for the six months ended 31 December 2020	-	(1,433)	-	-	(335)	(1,768)
Other comprehensive income/(loss)						
Cash flow hedge reserve movement (net of tax)	-	-	1,699	-	-	1,699
Foreign currency translation reserve movement (net of tax)	14	-	-	(12,581)	-	(12,581)
Total comprehensive income/(loss)	-	(1,433)	1,699	(12,581)	(335)	(12,650)
Transactions with owners						
Issue of ordinary shares (net of issue costs)	9	78	-	-	-	78
Non-controlling interests arising on a business combination	-	-	-	-	(2,020)	(2,020)
Transfer from employee share scheme reserve	-	147	-	(147)	-	-
Employee share scheme reserve	-	-	-	1,039	-	1,039
Total transactions with owners	78	147	-	892	(2,020)	(903)
Closing balance as at 31 December 2020	270,066	54,529	(4,996)	(5,698)	(2,355)	311,546

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

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2021 (Audited)

		Share capital \$000's	Retained earnings \$000's	Cash flow hedge reserve \$000's	Other reserves \$000's	Non- controlling interests \$000's	Total equity \$000's
	Notes						
Opening balance as at 1 July 2020		269,988	55,815	(6,695)	5,991	-	325,099
Comprehensive income							
Net loss for the year ended 30 June 2021		-	(13,675)	-	-	(839)	(14,514)
Other comprehensive income/(loss)							
Cash flow hedge reserve movement (net of tax)		-	-	3,078	-	-	3,078
Foreign currency translation reserve movement (net of tax)	14	-	-	-	(8,929)	-	(8,929)
Total comprehensive income/(loss)		-	(13,675)	3,078	(8,929)	(839)	(20,365)
Transactions with owners							
Issue of ordinary shares (net of issue costs)	9	7,773	-	-	-	-	7,773
Non-controlling interests arising on a business combination		-	-	-	-	(2,020)	(2,020)
Transfer from employee share scheme reserve		31	173	-	(204)	-	-
Employee share scheme reserve		-	-	-	2,112	-	2,112
Total transactions with owners		7,804	173	-	1,908	(2,020)	7,865
Closing balance as at 30 June 2021		277,792	42,313	(3,617)	(1,030)	(2,859)	312,599

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

Consolidated statement of financial position

As at 31 December 2021 (Unaudited)

		Unaudited Dec 2021	Unaudited Dec 2020	Audited Jun 2021
	Notes	\$000's	\$000's	\$000's
Assets				
Non-current assets				
Property, plant and equipment	5	235,098	266,966	273,072
Right-of-use assets	6	70,143	59,159	62,339
Intangible assets		52,271	45,931	51,121
Derivative financial instruments	12	22,043	19,566	20,835
Investments in joint ventures		-	10,434	-
Investments in associates	8	6,097	4,747	4,936
Deferred tax assets		-	-	957
Total non-current assets		385,652	406,803	413,260
Current assets				
Cash and cash equivalents		33,019	51,266	38,087
Trade and other receivables		24,701	22,086	28,681
Inventories		61,378	33,860	57,455
Advance to joint ventures		-	401	-
Current tax receivables		1,871	3,009	581
Total current assets		120,969	110,622	124,804
Total assets		506,621	517,425	538,064
Equity				
Share capital	9	278,927	270,066	277,792
Other reserves		1,298	(5,698)	(1,030)
Cash flow hedge reserve		(2,025)	(4,996)	(3,617)
Retained earnings		38,397	54,529	42,313
Non-controlling interests		(3,168)	(2,355)	(2,859)
Total equity		313,429	311,546	312,599
Liabilities				
Non-current liabilities				
Interest bearing loans and borrowings	10	51,733	50,433	86,659
Derivative financial instruments	12	2,699	7,181	5,124
Lease liabilities	6	73,598	62,373	64,479
Deferred income tax liability		11,774	11,465	9,989
Total non-current liabilities		139,804	131,452	166,251
Current liabilities				
Interest bearing loans and borrowings	10	-	22,850	125
Trade and other payables		23,958	23,443	25,263
Revenue in advance		12,816	11,750	13,087
Employee benefits		8,253	6,450	8,017
Provisions		554	-	413
Derivative financial instruments	12	255	135	148
Lease liabilities	6	7,552	7,184	8,787
Current tax liabilities		-	2,615	3,374
Total current liabilities		53,388	74,427	59,214
Total liabilities		193,192	205,879	225,465
Total equity and liabilities		506,621	517,425	538,064

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

Consolidated statement of cash flows

For the six months ended 31 December 2021 (Unaudited)

		Unaudited 6 months to Dec 2021 \$000's	Unaudited 6 months to Dec 2020 \$000's	Audited 12 months to Jun 2021 \$000's
	Notes			
Cash flows from operating activities				
Receipts from customers		49,773	83,616	150,534
Proceeds from sale of goods		131,522	133,242	222,265
Interest received		4	18	41
Payments to suppliers and employees		(71,179)	(74,369)	(159,783)
Purchase of rental assets		(68,061)	(32,171)	(119,922)
Interest paid		(4,885)	(5,555)	(10,878)
Taxation (paid)/received		(356)	(64)	2,024
Dividend received		-	-	869
Proceeds from insurance recoveries		133	717	1,826
Net cash flows from operating activities		36,951	105,434	86,976
Cash flows from investing activities				
Sale of property, plant and equipment	5	80	110	110
Receipts from joint ventures		-	254	353
Purchase of property, plant and equipment	5	(819)	(246)	(1,199)
Purchase of intangibles		(1,391)	(2,261)	(4,113)
Net cash paid as part of the step acquisition of Outdoria		-	(373)	(374)
Net cash received as part of the step acquisition of AMLP		-	-	4,631
Net cash from/(used in) investing activities		(2,130)	(2,516)	(592)
Cash flows from financing activities				
Payment for lease liability principal	6	(4,702)	(3,643)	(7,732)
Proceeds from borrowings	10	6,241	12,251	61,853
Repayments of borrowings	10	(41,939)	(92,519)	(136,420)
Proceeds from share issue	9	193	-	304
Net cash flows used in financing activities		(40,207)	(83,911)	(81,995)
Net (decrease)/increase in cash and cash equivalents		(5,386)	19,007	4,389
Opening cash and cash equivalents		38,087	35,514	35,514
Exchange (losses)/gains on cash and cash equivalents		318	(3,255)	(1,816)
Closing cash and cash equivalents		33,019	51,266	38,087

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

Index to notes to the consolidated financial statements

About this report	9
Section A - Financial performance	10
1. Segment note	10
2. Other operating income/(expenses)	12
3. Income tax expense	12
4. Dividends	12
Section B - Assets used to generate profit	13
5. Property, plant and equipment acquired and sold during the six month period	13
6. Leases	14
7. Capital commitment	14
Section C - Investments	15
8. Investments in associate	15
Section D - Managing funding and risk	16
9. Share capital	16
10. Borrowings	16
11. Seasonality of business	17
12. Financial risk management	17
Section E - Other	18
13. Related party transactions	18
14. Foreign currency translation reserve	19
15. Contingencies	20
16. Other Events	20
17. Events after the reporting period	20

Notes to the consolidated financial statements

About this report

Basis of preparation

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

The interim consolidated financial statements of the Group have been prepared:

- in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with NZ IAS 34 Interim Financial Reporting and consequently do not include all the information required for full financial statements. These condensed Group interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2021;
- in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules;
- under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies; and
- in New Zealand dollars with values rounded to thousands (\$000's) unless otherwise stated.

These condensed interim financial statements were approved for issue on 25 February 2022.

These condensed interim financial statements have not been audited.

Critical accounting estimates and judgement

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The estimates used in the preparation of these interim financial statements are consistent with those used in the 30 June 2021 annual financial statements.

Covid-19 Pandemic

The global impact of COVID-19 is ongoing and continues to have a financial impact on the Group. There have been varying degrees of border restrictions and lock-down requirements in each of the jurisdictions that the Group operates in, particularly with the spread of the COVID-19 Omicron variant in the United States, Australia and, most recently, in New Zealand. While the short term operating environment remains impacted by COVID-19, the assumptions from the year-end impairment assessments remain valid, with no indications of impairment.

Changes in accounting policies

The accounting policies used in the preparation of these interim financial statements are consistent with those used in the 30 June 2021 annual financial statements.

Notes to the consolidated financial statements

Section A - Financial Performance

In this section:

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

1. Segment note

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

- New Zealand Rentals - Rental of maui, Britz and Mighty motorhomes, and the sale of motorhomes;
- Action Manufacturing - Manufacturer and the sale of motorhomes and other speciality vehicles (not included in the six month period to 31 December 2020 as **thl**'s 50% interest in the AMPL joint venture was accounted for under the equity method of accounting in accordance with NZ IAS 28 Investments in Associates and Joint Ventures);
- Tourism Group - Kiwi Experience and the Discover Waitomo Caves Group experiences;
- Australia Rentals - Rental of maui, Britz and Mighty motorhomes and 4WD vehicles, and the sale of motorhomes;
- United States Rentals - Rental and sale of Road Bear, Britz, Mighty and El Monte RVs;
- Other - includes Group Support Services, group elimination entries and **thl** digital. **thl** digital includes Highway, SHAREaCAMPER, Cosmos and Outdoria. The associate Justgo is also included in this category.

For the Six months to 31 December 2021

	NZ Rentals	Action Manufacturing	Tourism Group	Australia Rentals	United States Rentals	Other	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Sales of services	6,151	-	846	15,675	26,903	726	50,301
Sales of goods	41,840	13,468	-	16,218	52,966	81	124,573
Revenue from external customers	47,991	13,468	846	31,893	79,869	807	174,874
Depreciation	(6,633)	(1,221)	(752)	(6,423)	(6,750)	(350)	(22,129)
Amortisation	(8)	(2)	(328)	(14)	(52)	(540)	(944)
Other costs	(48,327)	(11,120)	(2,202)	(26,416)	(61,857)	(3,007)	(152,929)
Operating profit/(loss) before interest and tax	(6,977)	1,125	(2,436)	(960)	11,210	(3,090)	(1,128)
Interest income	-	-	-	-	-	4	4
Interest expense	(291)	(150)	(32)	(572)	(1,485)	(2,417)	(4,947)
Share of profit/(loss) from joint ventures and associates	-	-	-	-	-	1,171	1,171
Operating profit/(loss) before tax	(7,268)	975	(2,468)	(1,532)	9,725	(4,332)	(4,900)
Taxation	2,034	-	622	459	(2,640)	61	536
Operating profit/(loss) after interest and tax	(5,234)	975	(1,846)	(1,073)	(7,085)	(4,271)	(4,364)
Capital expenditure	4,136	370	139	23,000	44,761	2,601	75,007
Total non-current assets	76,500	11,543	18,111	97,386	140,049	42,083	385,672
Total assets	105,413	38,962	18,991	117,276	178,795	47,184	506,621
Net funds employed	78,294	24,421	16,784	63,603	104,660	44,382	332,144

Notes to the consolidated financial statements

1. Segment note (continued)

For the Six months to 31 December 2020	NZ Rentals	Tourism Group	Australia Rentals	United States Rentals	Other	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Sales of services	14,626	2,620	14,001	36,238	1,346	68,831
Sales of goods	55,565	-	15,874	65,558	-	136,997
Revenue from external customers	70,191	2,620	29,875	101,796	1,346	205,828
Depreciation	(10,099)	(813)	(7,631)	(6,132)	(400)	(25,075)
Asset impairment	-	(46)	-	-	-	(46)
Amortisation	(4)	(335)	(22)	(55)	(20)	(436)
Other costs	(69,316)	(1,923)	(24,840)	(79,032)	(3,329)	(178,440)
Operating profit/(loss) before interest and tax	(9,228)	(497)	(2,618)	16,577	(2,403)	1,831
Interest income	-	-	1	-	17	18
Interest expense	(383)	(40)	(578)	(1,597)	(3,134)	(5,732)
Share of profit/(loss) from joint ventures and associates	-	-	-	-	960	960
Operating profit/(loss) before tax	(9,611)	(537)	(3,195)	14,980	(4,560)	(2,923)
Taxation	2,691	68	958	(3,770)	1,208	1,155
Operating profit/(loss) - after interest and tax	(6,920)	(469)	(2,237)	11,210	(3,352)	(1,768)
Capital expenditure	2,297	65	6,276	469	2,154	11,261
Total non-current assets	134,332	20,328	88,142	114,465	49,536	406,803
Total assets	165,823	21,404	111,902	162,172	56,124	517,425
Net funds employed	124,103	16,583	55,397	71,884	65,595	333,562

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

Operating profit/(loss) before interest and tax is the main financial measure used by the CODM to review the Group's performance. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the CODM.

Inter-segment transactions such as Group Support Services recharges are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. All revenue is reported to the executive team on a basis consistent with that used in the income statement.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. The investments and derivatives designated as hedges of borrowings are allocated to 'Other segment'. Net funds employed are total assets less segment non-interest-bearing liabilities and cash on hand.

Notes to the consolidated financial statements

2. Other operating income, net

	6 months to 31 Dec 2021	6 months to 31 Dec 2020	12 months to 30 Jun 2021
	\$000's	\$000's	\$000's
Fair value movements on financial assets recognised at fair value through profit or loss	703	561	1,178
Dividend Income	430	444	869
Write-off of fleet items	(402)	(1,114)	(1,883)
Proceeds from insurance recoveries	88	2,474	3,112
Gain/(loss) on disposal of non fleet assets	12	(602)	(824)
Gain on exiting Mangere branch lease	-	1,621	1,621
US Paycheck Protection Program ("PPP") loan forgiveness	-	1,476	1,457
Loss on acquisition of remaining shareholding in AMLP	-	-	(1,406)
Other	226	1,722	2,335
	<u>1,058</u>	<u>6,582</u>	<u>6,460</u>

3. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

4. Dividends

During the six months ended 31 December 2021, the Group paid no dividends. There were no 2021 interim and final dividends.

Notes to the consolidated financial statements

Section B - Assets used to generate profit

In this section:

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

- **Property, plant and equipment**

The most significant component is the motorhome fleet. Premises in general are leased, however significant buildings are the Waitomo Caves Visitor Centre and the Waitomo Caves Homestead.

- **Leased assets**

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

5. Property, plant and equipment acquired and sold during the six month period

	Motorhomes \$000's	Other plant & equipment \$000's	Capital work in progress \$000's	Total \$000's
Six months ended 31 December 2021				
Opening net book amount as at 1 July 2021	274,052	20,361	14,619	309,032
Additions and transfers from work in progress (net)	62,581	723	10,941	74,245
Disposals	(88,063)	(810)	(1,829)	(90,702)
Transfer to assets held for sale	-	-	(8)	(8)
Exchange differences	(3,720)	(17)	-	(3,737)
Depreciation charge	(17,818)	(1,916)	-	(19,734)
Closing net book amount	227,032	18,341	23,723	269,096
As at 31 December 2021				
Cost	300,850	62,646	23,723	387,219
Accumulated depreciation	(73,818)	(44,305)	-	(118,123)
Net book amount	227,032	18,341	23,723	269,096
Less reclassification of motorhomes to inventory at balance date				
Cost	48,642	-	-	48,642
Accumulated depreciation	(14,644)	-	-	(14,644)
Net book amount	33,998	-	-	33,998
Closing net book amount post reclassification	193,034	18,341	23,723	235,098
Six months ended 31 December 2020				
Opening net book amount as at 1 July 2020	376,848	20,439	16,000	413,287
Additions and transfers from work in progress (net)	20,541	464	(9,744)	11,261
Disposals	(95,516)	(684)	-	(96,200)
Exchange differences	(17,621)	(183)	(2)	(17,806)
Depreciation charge	(19,427)	(1,751)	-	(21,178)
Closing net book amount	264,825	18,285	6,254	289,364
As at 31 December 2020				
Cost	359,454	50,590	6,254	416,298
Accumulated depreciation	(94,629)	(32,305)	-	(126,934)
Net book amount	264,825	18,285	6,254	289,364
Less reclassification of motorhomes to inventory at balance date				
Cost	31,172	-	-	31,172
Accumulated depreciation	(8,774)	-	-	(8,774)
Net book amount	22,398	-	-	22,398
Closing net book amount post reclassification	242,427	18,285	6,254	266,966

Notes to the consolidated financial statements

6. Leases

During the six months ended 31 December 2021, the Group had leased asset additions of \$10.1M and modifications of \$2.3M, and the Group has disposed or reduced the right-of-use asset by \$0.4M.

7. Capital commitment

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

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

	<u>Dec 2021</u>	<u>Dec 2020</u>	<u>Jun 2021</u>
	<u>\$000's</u>	<u>\$000's</u>	<u>\$000's</u>
Property, plant and equipment	186,495	139,473	131,108

Notes to the consolidated financial statements

Section C - Investments

In this section:

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

- a) Accounting policies, judgements and estimates that are relevant for measuring the investments; and
- b) Analysis of *thl's* associate and joint ventures.

thl's investment include a 49% interest in Just go, a motorhome rental operation in the United Kingdom.

Acquisition of Action Manufacturing LP (AMPL)

On 28 February 2021 *thl* purchased the remaining 50% shareholding in Action Manufacturing Group GP (AMPL) from its joint venture partner, Alpine Bird Manufacturing Limited. Prior to the acquisition, *thl's* 50% interest in the AMLP joint venture was accounted for under the equity method of accounting in accordance with NZ IAS 28 Investments in Associates and Joint Ventures. After 28 February 2021, AMLP is a 100% owned subsidiary of *thl* and is consolidated in *thl's* group financial statements under NZ IFRS 10 Consolidated Financial Statements.

8. Investments in associate

The Group owns a shareholding of 49.0% in Skewbald Limited (trading as Just go). The investment has been accounted for as an investment in associate and the Group's share of associates profits have been recognised with the Group's investment.

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

	6 months to Dec 2021 \$000's	6 months to Dec 2020 \$000's	12 months to Jun 2021 \$000's
Just go	1,171	791	759
Outdoria (up to 31 July 2020)	-	(41)	(41)
Total	1,171	750	718

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

	Dec 2021 \$000's	Dec 2020 \$000's	Jun 2021 \$000's
Just go	6,097	4,747	4,936
Total	6,097	4,747	4,936

Notes to the consolidated financial statements

Section D - Managing Funding and Risk

This section summarises *thl's* funding sources and financial risks.

9. Share capital

	Dec 2021 \$000's	Dec 2020 \$000's	Jun 2021 \$000's
Ordinary shares			
Opening balance	277,792	269,988	269,988
Issue of ordinary shares – redeemable ordinary shares converted	-	-	273
Transfer from employee share scheme reserve for redeemable shares	-	-	31
Issue of ordinary shares – in lieu of directors' fees	85	57	142
Ordinary shares to be issued – in lieu of directors' fees	28	21	21
Ordinary shares issued as part consideration for AMLP	-	-	7,337
Ordinary shares Issued – options and rights offer	1,022	-	-
Closing balance	278,927	270,066	277,792

The total authorised number of ordinary shares is 152,040,427 (Dec 2020, 148,040,927; Jun 2021, 151,489,050) and these are classified as equity. The shares have no par value. All ordinary share are issued and fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary shares.

For the six months ended 31 Dec 2021, the group has issued 35,169 shares to directors in lieu of director's fees, and 516,208 shares to employees as share options and share rights conversion. Cash proceeds from employees' share options exercise is \$192,564.

10. Borrowings

	Dec 2021 \$000's	Dec 2020 \$000's	Jun 2021 \$000's
Non-current			
Bank borrowings	49,560	48,337	84,460
Other borrowings	2,173	2,096	2,199
	51,733	50,433	86,659
Current			
Bank borrowings	-	22,850	125
	-	22,850	125
Total borrowings	51,733	73,283	86,784
	Dec 2021 \$000's	Dec 2020 \$000's	Jun 2021 \$000's
The Group has the following undrawn borrowing facilities:			
Expiring within one year	-	20,173	-
Expiring beyond one year	201,957	105,248	116,298
	201,957	125,421	116,298

The Group has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investment in rental motorhomes. The Group has met all banking covenant requirements in the current period.

Notes to the consolidated financial statements

11. Seasonality of business

The tourism industry is subject to seasonal fluctuations with peak demand for tourism attractions and transportation over the summer months. The operating revenue and profits of the Group's segments are disclosed in note 1. New Zealand and Australia's profits are typically generated over the southern hemisphere summer months and the United States of America's profits are typically generated over the northern hemisphere summer months. Due to the seasonal nature of the businesses the risk profile at 31 December 2021 is not representative of all risks faced during the year.

12. Financial risk management

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

- Derivative financial instruments are carried at fair value as discussed below.
 - Receivables and payables are short term in nature and therefore approximate fair value.
 - Interest bearing liabilities re-price at least every 90 days and therefore approximate fair value.
- Financial instruments of the Group that are measured in the statement of financial position at fair value are classified by level under the following fair value measurement hierarchy:

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

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

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

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

Recurring fair value measurements

The following financial instruments are subject to recurring fair value measurements:

	Dec 2021		Dec 2020		Jun 2021	
	Assets \$000's	Liabilities \$000's	Assets \$000's	Liabilities \$000's	Assets \$000's	Liabilities \$000's
Derivative financial instruments (Level 2)	-	2,954	-	7,316	-	5,272
Retained interest in Togo Group (Level 3)	22,043	-	19,566	-	20,835	-

Notes to the consolidated financial statements

Section E - Other

In this section:

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

13. Related party transactions

Key management compensation

	6 months to Dec 2021 \$000's	6 months to Dec 2020 \$000's	12 months to Jun 2021 \$000's
Salaries and other short term employee benefits	2,211	1,837	3,940
Share based payments benefits	637	525	1,341

Total positions included in the executive team are 13 (31 December 2020:15; 30 June 2021:12).

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

Directors' fees (shares issued in lieu of cash)

At the 2013 annual meeting of shareholders, shareholder approval was obtained for *thl* to issue shares in whole or in part payment of directors' remuneration. To 30 September 2021, Rob Campbell and Rob Hamilton elected to receive 50% of their director fees in shares, and Debbie Birch elected to receive 33% of her director fees in shares. From 01 October 2021, Rob Hamilton elected to receive 25% of his director fees in shares and Debbie Birch has opted out of receiving any shares in part payment of her director fees. Shares issued in lieu of directors' fees are as follows:

	Dec 2021	Dec 2020	Jun 2021
No. of shares issued in lieu of cash (000's)	35	26	63
Value of shares issued in lieu of cash (\$000's)	85	57	142
Accrued value of shares yet to be issued in lieu of cash (\$000's)	28	42	42

Grant Brady (Director of Action Manufacturing LP)

Grant Brady, Director of Action Manufacturing, is a minority shareholder and director of Bush Road Enterprises Limited. *thl* leases a property in Bush Road which is owned by Bush Road Enterprises Limited. The amount of the lease payments are set out in the table below:

	6 months to Dec 2021 \$000's	6 months to Dec 2020 \$000's	12 months to Jun 2021 \$000's
Total lease payments	323	222	545

Notes to the consolidated financial statements

13. Related party transactions (continued)

Action Manufacturing LP

Grant Brady is a shareholder in another entity, Alpine Bird Manufacturing Limited which previously owned 50% of Action Manufacturing Limited Partnership ("AMLP") until 28 February 2021. AMLP manufactures the motorhomes and campervans used by Rentals New Zealand, manufactures motorhomes and parts for Rentals Australia, and manufactures specialty vehicles for external customers. Pricing is based on the cost of manufacture plus an agreed margin set out in the Limited Partnership Agreement. AMLP also leases part of the Bush Road property described above. The transactions between AMLP and *thl* are set out in the table below:

	6 months to Dec 2021	6 months to Dec 2020	12 months to Jun 2021
	\$000's	\$000's	\$000's
Purchase of motorhomes by the Group from the joint venture	-	10,023	12,706
Sales of vehicles by the Group to the joint venture	-	478	534
Interest charged to the joint venture	-	10	37
Management of Highway vehicles	-	7	10

Justgo

During the period ended 31 December 2021, the Group had no commitment to purchase motorhomes from Just go (2021: \$nil).

Schork Family

As part of the consideration for the acquisition of El Monte Rents Inc in January 2017, the Group issued 3,384,266 ordinary shares to entities associated with the Schork family. An entity associated with the Schork family provides warranties to customers of El Monte Rents Inc, the total amount paid by customers during the six months ended 31 December 2021 was \$169k (six months ended 31 December 2020: \$305k; year ended June 2021: \$443k). At the time of the acquisition, the Group entered into a number of property lease agreements with entities associated with the Schork family. The leases are in relation to branches used by El Monte RV. The cost of the leases are set out in the table below:

	6 months to Dec 2021	6 months to Dec 2020	12 months to Jun 2021
	\$000's	\$000's	\$000's
Total lease payments	1,566	1,557	3,034

14. Foreign currency translation reserve

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

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

	Dec 2021	Dec 2020	Jun 2021
NZD/AUD	0.9421	0.9384	0.9310
NZD/USD	0.6832	0.7227	0.6998
NZD/GBP	0.5061	0.5297	0.5050

Notes to the consolidated financial statements

15. Contingencies

As at 31 December 2021, other than bank guarantees, which are predominantly in lieu of bonds paid relating to leased assets, the Group has no material contingent liabilities.

16. Other Events

Sale of Mighway and SHAREaCAPMER

On 25 October 2021, the Company entered into an agreement to sell the business and assets of Mighway and SHAREaCAPMER to Camplify Holdings Limited for a purchase price of A\$7.4M, subject to closing adjustments.

The purchase price is to be satisfied by Camplify issuing new fully paid ordinary shares to **thl**. Based on the purchase price, the sale is expected to represent a gain on sale of the businesses of approximately NZ\$6.3M, subject to closing adjustments. The transaction is conditional on Camplify obtaining approval from the New Zealand Commerce Commission.

Merger with Apollo

On 10 December 2021, the Company announced that it entered into a conditional Scheme Implementation Deed with Apollo Tourism & Leisure Limited (Apollo, ATL), to merge through an Australian Scheme of Arrangement, whereby **thl** will acquire all outstanding shares in ATL.

Apollo shareholders will receive 1 fully paid ordinary share in **thl** for every ~3.68 fully paid ordinary shares in Apollo held as at the Scheme record date. Apollo shareholders will together own approximately 25% of **thl** Shares on issue upon completion of the Proposed Transaction.

The scheme is conditional upon **thl** receiving approval to list on the Australian Securities Exchange (ASX) and subject to approval of Apollo shareholders and finalisation of appropriate funding arrangements for the merged entity. In addition, there are various court and regulatory approvals in Australia and New Zealand, including Australian and New Zealand competition regulatory clearance and other conditions specified in the Scheme Implementation Deed which was released to the ASX and NZX on 10 December 2021 and the Scheme Booklet dated 21 February 2022. Apollo shareholder approval will be sought at a special meeting of shareholders scheduled to be held on 20 April 2022.

Transaction costs in relation to the Apollo merger of \$2.1M have been incurred to 31 December 2021 and expensed through the income statement.

17. Events After Reporting Period

MaxiTRANS acquisition

On 25 January 2022, Action Manufacturing entered into a conditional agreement to purchase the business and assets of MaxiTRANS in New Zealand for approximately \$5.7M, reflecting the net asset value of the business. The purchase price will therefore be adjusted to reflect net asset value on completion.

MaxiTRANS is a well-established business operating in the heavy transport manufacturing industry under the brands of Maxi-CUBE and Freighter. The transaction is subject to approval from the New Zealand Commerce Commission.

Roadpass Digital (previously known as Togo group)

The Company has recently received an indication from Thor Industries that they are open to discussing an early buyout of the **thl** preference shares in Roadpass Digital at a discount to the buyout value of those shares. **thl** is considering its position and is likely to enter into negotiations over the coming weeks. There is no certainty that a transaction will occur.