

SOUTHERN TRAVEL HOLDINGS LIMITED

COMPANY DIRECTORY

AS AT 31 DECEMBER 2008

DIRECTORS	Rodney Walshe (Chairman) Kiyomi Gunji (Deputy Chairman) Richard Fyers Terry Nicholas
REGISTERED OFFICE	Level 9, 175 Queen Street Auckland Telephone: +64 9 304 0215
POSTAL ADDRESS	Box 3719 Auckland
AUDITORS	Hayes Knight Audit
BANKERS	ASB Bank Limited
SOLICITORS	Fyers Joyce Lawyers
NZX SPONSOR	Bancorp New Zealand Limited
SHARE REGISTRAR	Link Market Services P O Box 384, Ashburton New Zealand Telephone : +64 3 308 8887 Facsimile : +64 3 308 1311
BUSINESS LOCATIONS	New Zealand Australia Japan Hong Kong Singapore
CORPORATE WEBSITE	www.southerntravel.co.nz

SOUTHERN TRAVEL HOLDINGS LIMITED

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (Unaudited)

	Note	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)
Revenues		13,763	15,760	29,943
Cost of Sales		(8,122)	(10,334)	(18,990)
Gross profit		5,641	5,426	10,953
Other operating Income		119	138	345
Administrative Expenses		(4,245)	(3,888)	(7,738)
Other operating expenses		(765)	(1,212)	(2,710)
Profit before tax		750	464	850
Taxation		(247)	(186)	(234)
Net surplus		503	278	616
Attributable to:				
Equity holders of the company		488	273	605
Minority interest		15	5	11
		503	278	616
Earnings per Share:				
Basic Earnings per Share (cents)		2.7	1.5	3.4
Diluted Earnings per Share (cents)		2.7	1.5	3.4

The accompanying notes form part of these financial statements.

SOUTHERN TRAVEL HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (Unaudited)

Note	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)
Equity at beginning of the year	7,352	4,435	4,449
Net surplus attributable to:			
Parent interest	488	273	605
Minority Interest	15	5	11
Movement in foreign currency translation reserve	(267)	(81)	262
Total recognised revenues and expenses for the year	236	197	878
Issue of ordinary shares	-	2,025	2,025
Distributions to owners:		-	-
Dividends	(178)		-
Equity at end of year	7,410	6,657	7,352
Comprising:			
Parent interest	7,384	6,652	7,341
Minority interest	26	5	11
	7,410	6,657	7,352

The accompanying notes form part of these financial statements.

SOUTHERN TRAVEL HOLDINGS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008 (Unaudited)

	Note	As at 31 Dec 2008 (\$000)	As at 31 Dec 2007 (\$000)	As at 30 Jun 2008 (\$000)
Current assets				
Cash and cash equivalents		6,878	7,385	5,302
Trade and other receivables		3,797	4,898	3,117
Current tax asset		-	-	21
Total Current Assets		10,675	12,283	8,440
Non-current assets				
Property, plant and equipment		1,079	405	513
Deferred tax assets		387	307	369
Intangible assets		3,078	2,647	2,647
Total non-current assets		4,544	3,359	3,529
Total assets		15,219	15,642	11,969
Current liabilities				
Trade and other payables		7,074	8,437	4,020
Provisions		404	472	569
Current tax liabilities		202	32	-
Total Current Liabilities		7,680	8,941	4,589
Non-current liabilities				
Employee benefits		101	15	-
Lease inducement payment		28	29	28
Total non-current liabilities		129	44	28
Total liabilities		7,809	8,985	4,617
Net assets		7,410	6,657	7,352
Equity				
Issued capital		5,563	5,563	5,563
Retained Earnings		1,856	1,170	1,546
Reserves		(35)	(81)	232
Total equity attributable to equity holders of the parent		7,384	6,652	7,341
Minority Interest		26	5	11
Total equity		7,410	6,657	7,352
Net tangible assets per share (cents)		24.3	22.5	26.4

For and on behalf of the Board:



Director



Director

SOUTHERN TRAVEL HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (Unaudited)

	Note	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers (excl GST)		22,177	21,748	46,098
Other		-	261	398
		22,177	22,009	46,496
<i>Cash was disbursed to:</i>				
Payments to suppliers and employees		(19,590)	(20,530)	(46,995)
Interest paid		-	-	-
Taxation paid		(44)	(72)	(284)
Other		(203)	-	-
		(19,837)	(20,602)	(47,279)
Net cash flows from operating activities	3	2,340	1,407	(783)
Cash flows from investing activities				
<i>Cash was provided from:</i>				
Interest received		78	122	257
Sales of property, plant and equipment		-	42	26
Acquisition of Subsidiary		-	1,639	1,639
		78	1,803	1,922
<i>Cash was disbursed to:</i>				
Acquisition of Subsidiary	4	(1,103)	(134)	(134)
Purchase of property, plant and equipment		(94)	(59)	(235)
		(1,197)	(193)	(369)
Net cash flows from investing activities		(1,119)	1,610	1,553

The accompanying notes form part of these financial statements.

SOUTHERN TRAVEL HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (Unaudited)

	Note	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)
Cash flows from financing activities				
<i>Cash was provided from:</i>				
Issue of Shares		-	-	-
<i>Cash was disbursed to:</i>				
Dividends paid	7	(178)	-	-
		(178)	-	-
Net cash flows from financing activities		(178)	-	-
Net increase (decrease) in cash held		1,043	3,017	770
Cash at the beginning of year		5,302	4,267	4,267
Add effect of exchange rate change on foreign currency balances		533	101	265
Cash at the end of year		6,878	7,385	5,302

The accompanying notes form part of these financial statements.

SOUTHERN TRAVEL HOLDINGS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (Unaudited)

1 GENERAL INFORMATION

Southern Travel Holdings Limited (the Company) is an inbound tourism and general sales agent (GSA) and marketing representative for a range of airlines and travel industry principals. The Company is listed on the New Zealand Alternative Stock Exchange (NZAX) and is a profit orientated entity.

The interim consolidated financial statements of the Company for the six months ended 31 December 2008, comprise the Company and its subsidiaries (together the Group).

In September 2008 the subsidiary Experience New Zealand Travel Limited was acquired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and NZ IAS 34 Interim Financial Reporting.

The consolidated interim financial statements do not include all of the information required for full annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for year ended 30 June 2008.

The accounting policies used in the preparation of these interim reports are consistent with those of the previous financial year and corresponding interim reporting period.

Statutory base

Southern Travel Holdings Limited is a limited liability company which is domiciled and incorporated in New Zealand. It is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

SOUTHERN TRAVEL HOLDINGS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (Unaudited)

3 RECONCILIATION OF REPORTED SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)
Reported surplus after taxation and before including share of retained surplus of associate:	503	278	616
<i>Add(less) non-cash items and non-operating items:</i>			
Net loss (gain) on foreign currency balances	(767)	(105)	(3)
Depreciation	205	57	125
Amortisation of Lease Inducement	-	-	28
Interest Received	(78)	(122)	(257)
Movement in deferred taxation	(54)	(114)	(162)
Loss on sale of property, plant and equipment	-	-	5
Change in operating assets and liabilities, net effects from purchase of business assets	-	-	(563)
<i>Movement in working capital:</i>			
Increase (decrease) in accounts payables	2,934	2,971	165
Increase (decrease) in employee entitlements	(18)	7	86
Increase (decrease) in taxation payable	224	130	221
(Increase) decrease in accounts receivables	(609)	(1,695)	(1,044)
Increase(decrease) in inter-company payable	-	-	-
Net cash flows from operating activities	2,340	1,407	(783)

4 INVESTMENTS IN SUBSIDIARIES

On 26 September 2008 Southern Travel Holdings Limited acquired certain business assets of Experience New Zealand Travel Limited. The aggregate purchase consideration was \$1.103m, comprising \$1,029,000 in cash and acquisition costs of \$74,479.

Purchase consideration:

Cash paid	969
Employee entitlement assumed	4
Deduction for pre-acquisition profit	56
Direct costs relating to the acquisition	74
Total purchase consideration	1,103

Assets Acquired :

Property, Plant & Equipment	9
Website Software	664
Intellectual Property	100
International Domain Names	100
Goodwill	230
Total purchase consideration	1,103

SOUTHERN TRAVEL HOLDINGS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (Unaudited)

5 RELATED PARTY TRANSACTIONS

(a) Directors

The names of persons who were directors of the Company at any time during the period are as follows: R Walshe, K Gunji, R Fyers, and T Nicholas.

(b) During the period the following transactions occurred with related parties:

	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)
Services Rendered by businesses associated with directors:			
Fyers and Joyce - legal fees	33	-	12
Nicholas Associates Limited - directors fees	10	3	13
Nicholas Associates Limited - consulting fees	25	-	7
	68	3	32

There were no loans to directors or associated persons as at 31 December 2008.

6 SUBSEQUENT EVENTS

There were no subsequent events after balance date.

7 DIVIDENDS PAID

On 1 December 2008 Southern Travel Holdings paid a final dividend in respect of the year ended 30 June 2008 of \$177,945, being 1.0 cents per share net, fully imputed.

8 SEASONALITY OF BUSINESS

The inbound tourism industry is subject to seasonal fluctuations with peak demand for tour packages to New Zealand and Australia over the summer months. The Walshe Group seasonality demands fluctuate throughout the year with the majority of accounts peaking during the Northern Hemisphere summer months of July and August and the Southern Hemisphere holiday periods of December and January.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is the profit attributable to ordinary shareholders of the parent entity divided by the weighted average number of shares outstanding during the period.

(b) Diluted Earnings per Share

Diluted Earnings per Share is Basic Earnings per share adjusted for the effects of all dilutive potential ordinary shares. There were no adjustments for dilution of Earnings per Share in the current period or comparative periods.

SOUTHERN TRAVEL HOLDINGS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008 (Unaudited)

10 CONTINGENCIES

The New Zealand Inland Revenue have conducted an industry wide investigation into refunds claimed in respect of service fees charged to overseas customers. This commenced on 15th September 2008 when the Inland Revenue Dept (IRD) wrote to the company proposing to adjust for service fees, which had, in their view, been incorrectly zero rated from 1 January 2007. The company in conjunction with the Inbound Tour Operators Council of NZ continues to vigorously defend the zero rating. On the 25 February 2009 the IRD advised in writing to ITOC that the date of application of the new GST treatment is 1 July 2007. In the event that the proposed adjustment, in its current form, is confirmed at the completion of the disputes resolution process, the directors estimate that an amount of approximately \$131,000 will be payable.

SOUTHERN TRAVEL HOLDINGS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

11 SEGMENT INFORMATION

The Group operates predominantly in two business segments being inbound and outbound tourism providing predominantly arrangement of tours and tour related services and GSA services. and in three geographical areas - New Zealand, Australia and Other.

(a) Primary reporting format - Business Segments

	Inbound Tourism			Outbound Tourism			Eliminations/Unallocated			Consolidated		
	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)
Sales to customers outside the Group	9,828	12,171	23,186	3,935	3,589	6,757	-			13,763	15,760	29,943
Interest revenue	39	69	172	24	11	26	15	42	54	78	122	252
Other income	28	46	69	13	-	29	-		-	41	17	93
Total revenue	9,895	12,286	23,427	3,972	3,571	6,807	15	42	54	13,882	15,899	30,288
Segment result (before taxation)	-321	46	585	1251	614	665	(180)	(196)	(400)	750	464	850
Taxation										(247)	(186)	(234)
Group's operating surplus										503	278	616
Depreciation & Amortisation Expense	160	17	40	45	40	85	-	-	-	205	57	125
Segment Assets	8,822	10,710	5,516	4,117	4,215	3,784	2,280	717	2,669	15,219	15,642	11,969
Segment Liabilities	6,855	9,186	4,270	1,757	1,579	1,996	(803)	(1,780)	(1,649)	7,809	8,985	4,617

(b) Secondary reporting format - Geographical Segments

	New Zealand			Australia			All Other			Eliminations			Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)
	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)	Six mths ended 31 Dec 2008 (\$000)	Six mths ended 31 Dec 2007 (\$000)	Year ended 30 Jun 2008 (\$000)
Sales to customers outside the Group	10,847	12,866	24,494	2,594	2,635	4,917	322	259	532	-			13,763	15,760	29,943
Intersegment sales	-	-	-	3,676	5,101	8,148	-		-	(3,676)	(5,101)	(8,148)	-	-	-
Interest revenue	59	111	220	19	10	31	-	1	1	-			78	122	252
Other income	33	28	71	6	-	11	2	-	4	-			41	17	93
										-			-	-	-
Total revenue	10,939	13,005	24,785	6,295	7,735	13,114	324	260	537	(3,676)	(5,101)	(8,148)	13,882	15,899	30,288