GULLIVERS TRAVEL GROUP
LIMITED

TARGET COMPANY STATEMENT

31 July 2006

Prepared pursuant to rule 46 of the takeovers code in relation to a full takeover offer by S 8 NZ Pty Ltd

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SECTION 1

Letter from the Chairman of Gullivers Travel Group Ltd

Dear Shareholder

Takeover Offer by S 8 NZ Pty Limited

On 29 May 2006, S8 Limited (**S8**) announced a proposal to acquire Gullivers Travel Group Limited (**Gullivers**). On 28 June 2006, Gullivers received a formal takeover notice from S 8 NZ Pty Limited (**S8 NZ**), an associate of S8 (**Takeover Notice**). On 28 July 2006, S8 NZ sent to all Gullivers shareholders and option holders a takeover offer for all the ordinary shares and all the options on issue to acquire ordinary shares in Gullivers (**Offer**). S8 NZ is offering $2.35 for each Gullivers ordinary share (**Gullivers Share**) and $0.80 for each Gullivers option (**Gullivers Option**). In addition, all shareholders will be entitled to a special dividend of $0.05 per share. The full terms of the Offer are set out in the S8 NZ offer document dated 28 July 2006 and all holders of Gullivers Shares and Gullivers Options should read that document carefully.

As announced on 29 May 2006, the board of directors of Gullivers formed a committee of independent directors, comprising Jeff Todd, Rick Ellis, Rod McGeoch, Rob McLeod and Paul Norling, to consider and respond to the Offer. The independent committee has been responsible for overseeing the preparation of the target company statement of which this letter forms part. Grant Samuel & Associates Limited (**Grant Samuel**) was appointed by the independent committee to advise on the merits of the Offer in accordance with the requirements of the Takeovers Code. Grant Samuel's full report on the merits of the Offer is attached to the target company statement. The independent committee has also appointed Bancorp New Zealand Limited to provide it with advice in connection with the offer process.

Holders of Gullivers Shares and Gullivers Options should note that under the terms of the Offer, S8 NZ has agreed that unless one of the other conditions to the Offer has not been fulfilled, it will declare the Offer unconditional (other than the condition relating to the payment of the special dividend) once Overseas Investment Office clearance has been obtained and acceptances have been received in respect of more than 50% of the Gullivers Shares on issue. On 28 July 2006, S8 NZ received confirmation from the Overseas Investment Office of its consent to the acquisition of Gullivers. Holders of Gullivers Shares who are intending to accept the Offer may wish to get their forms of acceptance in as early as possible to expedite S8 NZ getting to the 50% acceptance threshold and the offer consideration being paid out thereafter.

Special Dividend

The terms of the Offer contemplate that Gullivers will pay a special dividend of NZ$0.05 for each Gullivers Share (**Special Dividend**) contingent on the Offer being declared unconditional, except as regards the payment of the Special Dividend.

The board of directors of Gullivers has authorised payment of the Special Dividend which authorisation, and any payment of the Special Dividend, is subject to and conditional upon receiving confirmation from S8 NZ (such confirmation to be announced to the market), that all conditions to the Offer, other than the condition relating to the payment of the Special Dividend, have been satisfied or waived. For the avoidance of doubt, if such confirmation is not received from S8 NZ, the dividend will not be paid.

The record date for the Special Dividend will be confirmed by Gullivers on the date the S8 NZ confirmation is announced. The record date is anticipated to be seven business days following such an announcement. The payment date is anticipated to be shortly after the record date and will be notified to the market.

Background to the S8 NZ Offer

On 29 May 2006, Merida Limited (**Merida**) and Merani Limited (**Merani**) (associates of Andrew Bagnall and Gullivers' largest shareholders) entered in to a lock-in agreement in relation to the Offer (**Lock-in Agreement**). Pursuant to that agreement, Merida and Merani agreed, subject to certain conditions consistent with those set out in the Offer, to accept the offer in respect of their holding of Gullivers Shares.

Grant Samuel Report

Grant Samuel has assessed the full underlying value of each Gullivers Share to be in the range of $2.03 to $2.35. This value is based on 100% of Gullivers (and includes a premium for control). The Gullivers Option value of $0.80 incorporates the proposed Special Dividend of $0.05 which will be paid to holders of Gullivers Shares if the Offer becomes unconditional. The offer price for the Gullivers Shares is $2.35 for each share, which gives an intrinsic value for the Gullivers Options of $0.80 for each option. The S8 NZ offer price of $2.35 falls within Grant Samuel's valuation range and Grant Samuel have considered the merits of the Offer in section 6 of their report. All holders of Gullivers Shares are advised to read the Grant Samuel report carefully, including section 2.3 which summarises the factors that Grant Samuel took into consideration when assessing the merits of the Offer.

Recommendation

The independent committee recommends that holders of Gullivers Shares and Gullivers Options accept the Offer. The factors taken into consideration in making the recommendation include:

- the offer price for the Gullivers Shares falls within Grant Samuel's valuation range and is equivalent to the highest value in that range. In addition to the offer price, holders of Gullivers Shares at the relevant record date, as announced to the market, will receive the Special Dividend;
- the holders of Gullivers Options who wish to accept the Offer can choose between two alternatives:
  - they can exercise the option by paying $1.60 for each option and receiving Gullivers Shares which can then be accepted into the Offer; or
  - they can accept the $0.80 per Gullivers Option under the Offer.

  The Gullivers Option value of $0.80 incorporates the proposed Special Dividend of $0.05 that will be paid to holders of Gullivers Shares if the Offer becomes unconditional.
- Merida and Merani, together the largest holders of Gullivers Shares and associates of Andrew Bagnall, the founder of Gullivers, clearly consider the Offer to have been sufficiently attractive to have committed themselves to the Offer through the Lock-in Agreement;
- whilst it is unclear whether S8 NZ will obtain sufficient acceptances to proceed to compulsory acquisition (which it is entitled to do once it reaches the 90% acceptance threshold), and whilst pending compulsory acquisition Gullivers will remain listed on the NZSX and the ASX, and shareholders will continue to have the benefit of the NZSX and ASX Listing Rules, as the majority shareholder, S8 NZ will be able to reconstitute the Board and implement different debt, dividend, acquisition and divestment policies and business strategies and thereby alter the risk profile of Gullivers; and
- the post-offer value of the Gullivers Shares may decrease, should either the Offer not succeed, or if the Offer does succeed but not reach the 90% acceptance threshold.

All the independent directors, or their associates, in addition to Andrew Bagnall, intend to accept the Offer in respect of all the Gullivers Shares to which they have rights.

Concluding Comments

Please read the target company statement carefully, as it contains important information on the Offer. You should make a decision whether to accept the Offer or not, having regard to the information contained in the target company statement, and in light of the recommendation expressed above. Where appropriate, you should consult your own professional adviser.

Acceptance or rejection of the Offer is a matter for individual holders of Gullivers Shares and Gullivers Options, based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. Holders of Gullivers Shares and Gullivers Options will need to consider these consequences.

If you wish to accept the Offer, you should follow the instructions outlined in the offer document. The Offer remains open for acceptance until 10 September 2006 (unless extended by S8 NZ). If you decide not to accept the Offer, you should take no action and disregard the offer document sent to you. However, you need to be aware that if the Offer results in S8 NZ owning 90% or more of Gullivers Shares, then S8 NZ can compulsorily acquire your shares at the S8 NZ offer price pursuant to the Takeovers Code.

If you require any further information, please contact:

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Yours faithfully

Jeff Todd
Chairman
GULLIVERS TRAVEL GROUP LIMITED

SECTION 2

Statutory Information

1. Date

This target company statement (**Statement**) is dated 31 July 2006.

2. Offer

2.1 This Statement has been prepared in connection with the full takeover offer by S 8 NZ Pty Limited (**S8 NZ**) for:

(a) all of the fully paid ordinary shares in Gullivers Travel Group Limited (**Gullivers**) for a purchase price of $2.35 per share (**Gullivers Shares**); and

(b) all of the options to acquire Gullivers Shares for a purchase price of $0.80 per option (**Gullivers Options**),

in each case payable in cash (**Offer**).

2.2 The terms of the Offer are set out in the offer document which was sent to holders of Gullivers Shares and Gullivers Options on 28 July 2006 (**Offer Document**).

3. Target Company

The name of the target company is Gullivers Travel Group Limited.

4. Directors of Gullivers

The directors of Gullivers as at the date of this Statement (**Directors** or **Board**) are:

(a) Jeffrey Garfield Todd;

(b) John Andrew Bagnall;

(c) Warwick James Ellis;

(d) Roderick Hamilton McGeoch;

(e) Robert Arnold McLeod; and

(f) Paul Gustaf Norling.

Together, Messrs Todd, Ellis, McGeoch, McLeod and Norling form the committee of independent directors established to consider matters relating to the Offer.

5. Ownership of Equity Securities of Gullivers

There are two classes of equity securities in Gullivers: the Gullivers Shares and the Gullivers Options. The tables below set out the number, designation and percentage of Gullivers Shares and Gullivers Options held or controlled by:

(a) each Director or senior officer[1] (**Senior Officer**) of Gullivers and their associates; and

(b) any other person who, to the knowledge of Gullivers, holds or controls more than 5% of any class of equity securities of Gullivers.

Directors				
Name	Number of Gullivers Shares/ Gullivers Options held or controlled	Percentage of total number of Gullivers Shares[2]	Percentage of total number of Gullivers Options[3]	Percentage of total number of Gullivers Shares on a fully diluted basis[4]
Warwick James Ellis	Contingent interest in 400,000 shares held in the GLS Directors' Trust	0.40%	N/A	0.39%
Jeffrey Garfield Todd[5]	117,096 Gullivers Shares	0.12%	N/A	0.12%

Senior Officers				
Name	Number of Gullivers Shares/ Gullivers Options held or controlled	Percentage of total number of Gullivers Shares[2]	Percentage of total number of Gullivers Options[3]	Percentage of total number of Gullivers Shares on a fully diluted basis[4]
Linda Christian	75,000 Gullivers Options	N/A	4.14%	0.07%
Fergus Sinclair Clark	3,000 Gullivers Shares	0.00%	N/A	0.00%
Fergus Sinclair Clark	40,000 Gullivers Options	N/A	2.21%	0.04%
Anthony Ramsey Dick	250,000 Gullivers Options	N/A	13.80%	0.25%
Digby John Lawley	75,000 Gullivers Options	N/A	4.14%	0.07%
Kathleen O'Connor	250,000 Gullivers Options	N/A	13.80%	0.25%
Darryll Noel Park	150,000 Gullivers Options	N/A	8.28%	0.15%
David Vincent Wafer	200,000 Gullivers Options	N/A	11.04%	0.20%

Associates of Directors				
Name	Number of Gullivers Shares/ Gullivers Options held or controlled	Percentage of total number of Gullivers Shares[2]	Percentage of total number of Gullivers Options[3]	Percentage of total number of Gullivers Shares on a fully diluted basis[4]
Hendry Nominees Limited (a/c 4)[6]	105,000 Gullivers Shares	0.11%	N/A	0.10%
Lapauge Limited[7]	50,000 Gullivers Shares	0.05%	N/A	0.05%
Lapauge Limited[7]	Contingent interest in 400,000 shares held in the GLS Directors' Trust	0.40%	N/A	0.39%
McGeoch Holdings Pty Limited[8]	10,000 Gullivers Shares	0.01%	N/A	0.01%
McGeoch Holdings Pty Limited[8]	Contingent interest in 400,000 shares held in the GLS Directors' Trust	0.40%	N/A	0.39%
McLeod Custodian Limited[9]	Contingent interest in 400,000 shares held in the GLS Directors' Trust	0.40%	N/A	0.39%
Merida Limited[10]	18,863,099 Gullivers Shares	18.86%	N/A	18.53%
Merani Limited[11]	9,957,443 Gullivers Shares	9.96%	N/A	9.78%
New Zealand Guardian Trust Limited[12]	Contingent interest in 400,000 shares held in the GLS Directors' Trust	0.40%	N/A	0.39%
RAM Custodian Limited[13]	117,096 Gullivers Shares	0.12%	N/A	0.12%

Associates of Senior Officers				
Name	Number of Gullivers Shares/ Gullivers Options held or controlled	Percentage of total number of Gullivers Shares[2]	Percentage of total number of Gullivers Options[3]	Percentage of total number of Gullivers Shares on a fully diluted basis[4]
Oakhampton Holdings Limited[14]	957,235 Gullivers Shares	0.96%	N/A	0.94%
RAM Custodian Limited[15]	117,096 Gullivers Shares	0.12%	N/A	0.12%
Jeffrey Garfield Todd[15]	117,096 Gullivers Shares	0.12%	N/A	0.12%
Sharryn Waters and Jillian Claire Leech[16]	32,000 Gullivers Shares	0.03%	N/A	0.03%

Holders or controllers of more than 5% of any class of equity securities not already disclosed above[17]				
Name	Number of Gullivers Shares/ Gullivers Options held or controlled	Percentage of total number of Gullivers Shares[2]	Percentage of total number of Gullivers Options[3]	Percentage of total number of Gullivers Shares on a fully diluted basis[4]
AMP Capital Investors (New Zealand) Limited[18]	6,613,762 Gullivers Shares	6.61%	N/A	6.50%
ANZ Nominees Limited[19]	10,782,800 Gullivers Shares	10.78%	N/A	10.59%
HSBC Custody Nominees (Aust) Limited[20]	5,200,000 Gullivers Shares	5.20%	N/A	5.11%
Monterrey Investment Management Limited[21]	12,114,616 Gullivers Shares	12.11%	N/A	11.90%
National Nominees New Zealand Limited[22]	7,208,357 Gullivers Shares	7.21%	N/A	7.08%
New Zealand Central Securities Depository Limited[23]	38,847,018 Gullivers Shares	38.85%	N/A	38.16%
S 8 NZ Pty Limited[24]	29,871,542 Gullivers Shares	29.87%	N/A	29.34%
UBS AG Australia Branch[25]	7,605,038 Gullivers Shares	7.61%	N/A	7.47%
UBS AG London Branch[26]	6,035,048 Gullivers Shares	6.04%	N/A	5.93%
UBS Nominees Pty Limited and its related bodies corporate[27]	13,840,086 Gullivers Shares	13.84%	N/A	13.59%

1 The Senior Officers of Gullivers as at the date of this Statement are Linda Christian, Fergus Clark, Keith Cochius, Bruce Cotterill, Anthony Dick, Digby Lawley, Antony Moffatt, Kathleen O'Connor, Darryll Park, David Wafer and Sharryn Waters.

2 Figures are rounded to two decimal places. The total number of Gullivers Shares on issue at the date of this Statement (used to calculate the percentages in this column) is 100,000,000.

3 The total number of Gullivers Options on issue at the date of this Statement (used to calculate the percentages in this column) is 1,812,000. There are 192 holders of Gullivers Options. A total of 76,000 Gullivers Options have lapsed due to employees ceasing to be employed.

4 Figures are rounded to two decimal places and assumes the exercise of all Gullivers Options and the issue of 1,812,000 Gullivers Shares.

5 As one of two joint trustees of the CEO Share Trust, an associate of Bruce Cotterill, the Chief Executive Officer. Such holding is also disclosed in the table showing the holding of RAM Custodian Limited as an associate of a Director, and in the table showing the holdings of RAM Custodian Limited and Jeffrey Garfield Todd, respectively, as associates of a Senior Officer.

6 Associate of McLeod Custodian Limited as trustee of the Scott Trust, an associate of Robert McLeod, a Director.

7 As trustee for the Argyle Investment Trust, an associate of Paul Norling, a Director.

8 As trustee for the McGeoch Superannuation Fund, an associate of Roderick McGeoch, a Director.

9 As trustee for the Scott Trust, an associate of Robert McLeod, a Director.

10 As trustee for the Merida Trust, an associate of Andrew Bagnall, a Director.

11 As trustee for the Merani Trust, an associate of Andrew Bagnall, a Director. 2,000,000 of the Gullivers Shares held by Merani Limited (2% of the Gullivers Shares on issue) are held subject to the GLS Directors' Trust, in favour of certain Directors.

12 As trustee for the Todcoe Family Trust, an associate of Jeffrey Todd, a Director.

13 As one of two joint trustees of the CEO Share Trust, an associate of Bruce Cotterill, the Chief Executive Officer. Such holding is also disclosed in the table showing the holding of Jeffrey Garfield Todd as a Director, and in the table showing the holdings of RAM Custodian Limited and Jeffrey Garfield Todd, respectively, as associates of a Senior Officer.

14 Associate of Darryl Park, a Senior Officer.

15 As one of two joint trustees of the CEO Share Trust, an associate of Bruce Cotterill, the Chief Executive Officer. Such holding is also disclosed in the table showing the holding of Jeffrey Garfield Todd as a Director and the holding of RAM Custodian Limited as an associate of a Director.

16 As trustees of the Sharryn V Waters Trust, an associate of Sharryn Waters, a Senior Officer.

17 All Directors, their associates, Senior Officers, and their associates who hold more than 5% of a class of equity securities have been disclosed above. These shareholdings are as at 31 July 2006.

18 A substantial security holder notice filed on 19 July 2006 indicated that AMP Capital Investors (New Zealand) Limited has an interest in 6,613,762 Gullivers Shares (6.61%).

19 The Computershare share register of Gullivers Travel Group Limited at 31 July 2006 indicated that ANZ Nominees Limited has an interest in 10,782,800 Gullivers Shares (10.78%) which is incorporated in the holding of New Zealand Central Securities Depository Limited (**NZCSD**) disclosed in the table above.

20 A substantial security holder notice filed on 24 July 2006 indicated that HSBC Custody Nominees (Aust) Ltd holds an interest in 5,200,000 Gullivers Shares (5.20%) which is incorporated in the holding of Monterrey Investment Management Limited disclosed in the table above.

21 A substantial security holder notice filed on 25 July 2006 indicated that Monterrey Investment Management Limited holds an interest in 12,114,616 Gullivers Shares (12.11%).

22 The Computershare share register of Gullivers Travel Group Limited at 31 July 2006 indicated that National Nominees New Zealand Limited has an interest in 7,208,357 Gullivers Shares (7.21%) which is incorporated in the holding of NZCSD disclosed in the table above.

23 NZCSD is the custodian of securities lodged in the Austraclear system. NZCSD acts as a bare trustee and has no discretionary powers in relation to the securities held by it.

24 A substantial security holder notice filed on 31 July 2006 indicated that S 8 NZ Pty Limited holds an interest in 29,871,542 Gullivers Shares (29.87%). This holding includes the interest held by Merida Limited and Merani Limited disclosed above as associates of Andrew Bagnall, a Director.

25 A substantial security holder notice filed on 27 July 2006 indicated that UBS AG Australia Branch holds an interest in 7,605,038 Gullivers Shares (7.61%) which is incorporated in the holding of UBS Nominees Pty Limited and its related bodies corporate disclosed in the table above.

26 A substantial security holder notice filed on 27 July 2006 indicated that UBS AG London Branch holds an interest in 6,035,048 Gullivers Shares (6.04%) which is incorporated in the holding of UBS Nominees Pty Limited and its related bodies corporate disclosed in the table above.

27 A substantial security holder notice filed on 27 July 2006 indicated that UBS Nominees Pty Limited and its related bodies corporate hold an interest in 13,840,086 Gullivers Shares (13.84%).

Except as set out in the table above, no person referred to in either paragraph (a) or (b) above holds or controls equity securities of Gullivers as at the date of this Statement.

All Gullivers Shares held by Directors and Senior Officers (or their associates) were issued contemporaneously with the initial public offering of Gullivers Shares on 14 December 2004, at a price of $1.60. The only exception to this is the 117,096 Gullivers Shares purchased and held for Bruce Cotterill, which were purchased for the consideration of $275,053.60 plus a brokerage fee of $2,755.04 on 30 June 2006. Further information in relation to this purchase is set out in paragraph 12.2 below.

All Gullivers Options held by Senior Officers (or their associates) were issued on 6 May 2005. There was no issue price payable for the Gullivers Options. The options are currently exercisable, and could be sold by a holder to S8 NZ or alternatively converted to ordinary shares and sold to S8 NZ.

The contingent interest in Gullivers Shares held by each Director (other than Andrew Bagnall) was granted by Merani Limited with effect from 14 December 2004. There was no price payable in relation to the contingent interest.

6. Trading in Gullivers Equity Securities

Other than disclosed below, no equity securities of Gullivers were acquired or disposed of by any director or Senior Officer or their associates during the six month period prior to 30 July 2006 (being the last practicable date prior to the date of this Statement (**Reference Date**).

Name	Date	Number of Gullivers Shares traded	Percentage of total number of Gullivers Shares[1]	Consideration	Percentage of total number of Gullivers Shares on a fully diluted basis[2]
Anthony Dick, Vicky Dick, Grant Paitry, and Marcus Stone[3]	7/6/2006	5,000 Gullivers Shares (disposed)	0.01%	$11,900.00	0.00%
Barry Francis Fenton and Murray Joseph Tanner[4]	6/6/2006	3,002,453 Gullivers Shares (disposed)	3.00%	$7,147,639.61	2.95%
Jeffrey Garfield Todd and RAM Custodian[5]	30/6/2006	117,096 Gullivers Shares (acquired)	0.12%	$275,053.60	0.12%

[1] Figures are rounded to two decimal places. The total number of Gullivers Shares on issue at the date of this Statement (used to calculate the percentages in this column) is 100,000,000.

[2] The total number of Gullivers Options on issue as at the date of this Statement (used to calculate the percentages in this column) is 1,812,000. Figures are rounded to two decimal places and assumes the exercise of all Gullivers Options and issue of 1,812,000 Gullivers Shares.

[3] As trustees of the AR & VM Dick Family Trust, an associate of Anthony Dick, a Senior Officer.

[4] As trustees of the Barry F Fenton Trust, an associate of Barry Fenton, a Senior Officer of Gullivers until 30 June 2006.

[5] As trustees of the CEO Share Trust, an associate of Bruce Cotterill, the Chief Executive Officer.

7. Acceptance of Offer

7.1 Pursuant to a Lock-in Agreement between Merida Limited (**Merida**), Merani Limited (**Merani**), Andrew Bagnall and S8 Limited (**S8**), an associate of S8 NZ, entered into on 29 May 2006 (**Lock-in Agreement**):

(a) Merida (an associate of Andrew Bagnall) has undertaken to accept the Offer in respect of its holding of 18,863,099 Gullivers Shares held in the Merida Trust; and

(b) Merani (an associate of Andrew Bagnall) has undertaken to accept the Offer in respect of 7,957,443 of its Gullivers Shares held in the Merani Trust, and agreed to accept the Offer in respect of the 2,000,000 Gullivers Shares held in the GLS Directors' Trust subject to the trust in relation to such shares being cancelled, relinquished or surrendered.

7.2 In addition, the following Directors and Senior Officers and their respective associates intend to accept the Offer:

(a) The eligible directors (being all Directors other than Andrew Bagnall), or their associates, who individually each have a contingent interest in 400,000 Gullivers Shares held in the GLS Directors' Trust (being an aggregate of 2,000,000 Gullivers Shares), have individually instructed the trustee of the GLS Directors' Trust, to accept the Offer in respect of the shares to which they have rights under the GLS Directors' Trust.

(b) Hendry Nominees Limited, an associate of McLeod Custodian Limited (as trustee of the Scott Trust, an associate of Robert McLeod) intends to accept the Offer in respect of its 105,000 Gullivers Shares.

(c) Lapauge Limited (as trustee of the Argyle Investment Trust, an associate of Paul Norling) intends to accept the Offer in respect of its holding of 50,000 Gullivers Shares.

(d) McGeoch Holdings Pty Limited (as trustee of the McGeoch Superannuation Fund, an associate of Rod McGeoch) intends to accept the Offer in respect of its holding of 10,000 Gullivers Shares.

(e) Linda Christian intends to accept the Offer made in respect of her holding of 75,000 Gullivers Options.

(f) Fergus Clark intends to accept the Offer made in respect of his holding of 40,000 Gullivers Options.

(g) Fergus Clark intends to accept the Offer made in respect of his holding of 3,000 Gullivers Shares.

(h) Anthony Dick intends to accept the Offer in respect of his holding of 250,000 Gullivers Options.

(i) Digby Lawley intends to accept the Offer made in respect of his holding of 75,000 Gullivers Options.

(j) Kathleen O'Connor intends to accept the Offer made in respect of her holding of 250,000 Gullivers Options.

(k) Darryll Park intends to accept the Offer made in respect of his holding of 150,000 Gullivers Options.

(l) David Wafer intends to accept the Offer made in respect of his holding of 200,000 Gullivers Options.

(m) Oakhampton Holdings Limited (an associate of Darryll Park) intends to accept the Offer made in respect of its holding of 957,235 Gullivers Shares.

(n) Sharryn Waters and Jillian Leech (as trustees for the Sharryn V Waters Trust, an associate of Sharryn Waters) intend to accept the Offer made in respect of the trust's 32,000 Gullivers Shares.

8. Ownership of Equity Securities of S8 NZ

Neither Gullivers nor any Directors, Senior Officers or their respective associates hold or control any equity securities of S8 NZ or its associates.

9. Trading in Equity Securities of S8 NZ

Neither Gullivers nor any Directors, Senior Officers or their respective associates has acquired or disposed of any equity securities of S8 NZ during the six months prior to the Reference Date.

10. Arrangements between S8 NZ (and S8 NZ's Associates) and Gullivers (and Gullivers' Related Companies)

10.1 The following are the particulars of all agreements and arrangements (whether legally enforceable or not) made, or proposed to be made, between S8 NZ (or any associates of S8 NZ) and Gullivers (or any of Gullivers' related companies), in connection with, in anticipation of, or in response to, the Offer:

(a) Gullivers and S8 entered into a confidentiality deed on 26 May 2006, pursuant to which S8 agreed to keep confidential the information disclosed to it for the purposes of evaluating the Offer (**Confidentiality Deed**). The Confidentiality Deed contains restrictions on S8 contacting certain third parties and non-solicitation provisions in respect of Gullivers employees and has a one year term.

(b) Gullivers and S8 entered into a pre-bid agreement on 29 May 2006 (**Pre-bid Agreement**) pursuant to which Gullivers agreed: (i) not to solicit, initiate or encourage the solicitation of proposals or offers from any party other than S8 in connection with the proposal and to pay a fee to S8 in the event that the conditions (including the minimum acceptance condition of 50%) set out in the Offer are not satisfied as the result of a superior offer for Gullivers being successful (the fee is 1% of the market capitalisation of Gullivers as at Friday, 26 May 2006, plus GST, if any); (ii) to pay a Special Dividend (of $0.05 per Gullivers Share) in the event of the Offer being declared unconditional except as regards the payment of the Special Dividend; and (iii) to use its best endeavours to amend the terms of all the issued options to subscribe for ordinary shares in Gullivers to permit their transfer to S8 NZ and to permit S8 NZ to exercise the options when the Offer is unconditional. S8 agreed pursuant to the Pre-bid Agreement to pay the same fee outlined above to Gullivers if the Offer is: (i) not made by 31 July 2006; (ii) withdrawn with the consent of the Takeovers Panel; or (iii) is not completed by S8, having been made and declared unconditional.

(c) Gullivers provided S8 with a Disclosure Notice, subject to the terms of the Confidentiality Deed entered into between Gullivers and S8, the effect of which was to provide certain disclosures as referred to in, and for the purposes of the Offer terms and conditions.

10.2 Other than as disclosed in paragraph 10.1, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between S8 NZ or any associates of S8 NZ, and Gullivers or any related company of Gullivers, in connection with, in anticipation of, or in response to, the Offer.

11. Relationship between S8 NZ (and S8 NZ's Associates), and Directors or Senior Officers of Gullivers (and Gullivers' Related Companies)

11.1 Merani has confirmed with each of the eligible directors (being all directors other than Andrew Bagnall) that it is instructed on their (or their associate's) respective behalves to accept the Offer in respect of each of their respective 400,000 Gullivers Shares in which each of the eligible directors, or their associates, have rights. The proceeds from accepting the Offer will be payable to the eligible directors, or their associates, after deducting the amount owing by each eligible director, or their associate, to Merani on account of the Gullivers Shares.

11.2 Pursuant to the Lock-in Agreement between Merida, Merani, Andrew Bagnall and S8, an associate of S8 NZ:

(a) Merida (an associate of Andrew Bagnall) has undertaken to accept the Offer in respect of its holding of 18,863,099 Gullivers Shares held in the Merida Trust; and

(b) Merani (an associate of Andrew Bagnall) has undertaken to accept the Offer in respect of 7,957,443 of its Gullivers Shares held in the Merani Trust, and agreed to accept the Offer in respect of the 2,000,000 Gullivers Shares held in the GLS Directors' Trust subject to the trust in relation to such shares being cancelled, relinquished or surrendered.

11.3 None of the Directors or Senior Officers are directors or senior officers of S8 NZ, or any related company of S8 NZ.

11.4 Rule 44(1)(b)(iii) of the Takeovers Code provides that an offer must be on the same terms and conditions as those set out in the takeover notice except for any variations to which the Directors have given their prior written approval. The Directors have given their prior written approval to the change to the minimum acceptance condition in clause 4 of the Offer from that which was set out in the Takeover Notice. The minimum acceptance condition in the Takeover Notice contemplated the aggregation of acceptances received from the holders of Gullivers Options together with acceptances received from the holders of Gullivers Shares in order to meet the minimum acceptance threshold of 50% (calculated on the basis that all Gullivers Options in respect of which S8 NZ has not received acceptances under the Offer by the closing date are exercised and the holders of the resulting Gullivers Shares do not accept this Offer). The revised minimum acceptance condition no longer aggregates acceptances received from holders of Gullivers Options.

11.5 Other than the arrangements disclosed in paragraphs 11.1, 11.2, 11.3 and 11.4, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between S8 NZ or any associates of S8 NZ, and any of the Directors or Senior Officers of Gullivers or any related company of Gullivers, in connection with, in anticipation of, or in response to, the Offer.

12. Agreement between Gullivers (and Gullivers' Related Companies), and Directors or Senior Officers of Gullivers (and Gullivers' Related Companies)

12.1 Certain Senior Officers are employed by Gullivers under employment contracts that provide for varying levels of compensation where those contracts are terminated as a result of a redundancy. None of those employment contracts were entered into in connection with, in anticipation of, or in response to, the Offer.

12.2 The employment contract for Bruce Cotterill, the Chief Executive Officer (**CEO**) of Gullivers, who commenced with Gullivers recently on 1 June 2006, provides for an incentive paid in Gullivers Shares. These shares are held by the CEO Share Scheme Trust (**Trust**) and are to beneficially vest in the CEO upon the occurrence of certain events. To facilitate the CEO Share Scheme, Gullivers granted the trustees of the Trust (being Jeff Todd and RAM Custodian Limited) a cash grant of $277,808.64, being the cost of acquiring 117,096 Gullivers ordinary shares, which the Trust used to purchase those shares on market.

12.3 Other than as described in paragraph 12.1 and 12.2, there are no agreements or arrangements (whether legally enforceable or not) made, or proposed to be made, between Gullivers or any related company of Gullivers, and any of the Directors or Senior Officers or their associates of Gullivers or its related companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

13. Interests of Directors and Officers of Gullivers in Material Contracts of S8 NZ (and S8 NZ's Related Companies)

13.1 Merida and Merani, (which are associates of Andrew Bagnall) together with Andrew Bagnall, are parties to the Lock-in Agreement, details of which are set out in paragraph 7.1 above.

13.2 Other than as described in paragraph 13.1 above, no:

(a) Director or Senior Officer or their associates; or

(b) person who, to the knowledge of the Directors or the Senior Officers, holds or controls more than 5% of any class of equity securities of Gullivers,

has any interest in any material contract to which S8 NZ, or any related company of S8 NZ, is a party.

14. Additional Information

In the opinion of the Directors, no additional information known to Gullivers is required to make the information in S8 NZ's offer document correct or not misleading.

15. Recommendation

15.1 The Directors not associated with S8 NZ (being Messrs Todd, Ellis, McGeoch, McLeod and Norling), recommend that holders of Gullivers Shares and Gullivers Options accept the Offer.

15.2 The factors taken into consideration in making the recommendation include:

(a) the offer price for the Gullivers Shares falls within Grant Samuel's valuation range and is equivalent to the highest value in that range. In addition to the offer price, shareholders will receive the Special Dividend;

(b) the holders of Gullivers Options who wish to accept the Offer can chose between two alternatives:

(i) they can exercise the option by paying $1.60 for each option and receiving Gullivers shares which can then be sold into the Offer; or

(ii) they can accept the $0.80 per Gullivers Option under the Offer.

The Gullivers Option value of $0.80 incorporates the proposed Special Dividend of $0.05 that will be paid to shareholders if the Offer becomes unconditional.

(c) Merida and Merani, together the largest shareholders of Gullivers and associates of Andrew Bagnall, the founder of Gullivers, clearly consider the Offer to have been sufficiently attractive to have committed themselves to the Offer through the Lock-in Agreement;

(d) whilst it is unclear whether S8 NZ will obtain sufficient acceptances to proceed to compulsory acquisition (which it is entitled to do once it reaches the 90% acceptance threshold), and whilst pending compulsory acquisition Gullivers will remain listed on the NZSX and the ASX, and shareholders will continue to have the benefit of the NZSX and ASX Listing Rules, as the majority shareholder, S8 NZ will be able to reconstitute the Board and implement different debt, dividend, acquisition and divestment policies and business strategies and thereby alter the risk profile of Gullivers; and

(e) the post-offer value of the shares may decrease, should either the Offer not succeed, or if the Offer does succeed but not reach the 90% acceptance threshold.

15.3 Andrew Bagnall has signed the Lock-in Agreement. Given this association with S8 NZ, and his associates' (Merani and Merida) interest in respect of the Offer, Andrew Bagnall abstains from making any recommendation in respect of the Offer.

16. Actions of Gullivers

16.1 Gullivers intends to enter into a deed to pay a special dividend of $0.05 per share, payable to all Gullivers shareholders subject to and conditional upon receiving confirmation from S8 NZ (such confirmation to be announced to the market), that all conditions to the Offer, other than the condition relating to the payment of the Special Dividend, have been satisfied or waived, as described in paragraph 23.6 below.

16.2 On 24 July 2006, Gullivers entered into a deed to vary the rules of the Gullivers Options to permit the options to be transferred to S8 NZ if the holder of the Gullivers Options wished to accept the Offer. Additionally, the deed provided that the transferred Gullivers Options may be exercised by S8 NZ at any time during the exercise period for the options once the Offer is declared unconditional.

16.3 Except as disclosed in 16.1 and 16.2 above, neither Gullivers nor its related companies has entered into any material agreement or arrangement (whether legally enforceable or not) as a consequence of, or in response to, or in connection with, the Offer. Nor are there any negotiations underway as a consequence of, in response to, or in connection with, the Offer that relate or could result in:

(a) an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving Gullivers or any of its related companies;

(b) the acquisition or disposition of material assets by Gullivers or any of its related companies;

(c) an acquisition of equity securities by, or of, Gullivers or any related company of Gullivers; or

(d) any material change in the equity securities on issue, or policy relating to distributions, of Gullivers.

17. Equity Securities of Gullivers

17.1 There are currently 100,000,000 Gullivers Shares on issue, each an ordinary share ranking pari passu. These are all fully paid. The rights of holders of the ordinary shares in respect of capital, distributions and voting are as follows:

(a) the right to an equal share with other shareholders in dividends authorised by the Directors;

(b) the right to an equal share with other shareholders in the distribution of surplus assets on liquidation of Gullivers; and

(c) subject to the prohibitions contained in the NZSX Listing Rules, the ASX Listing Rules and Gullivers' constitution, the right to cast one vote on a show of hands or the right to cast one vote for each share held on a poll, in each case at a meeting of shareholders on any resolution, including a resolution:

(i) to appoint or remove a director or auditor;

(ii) to alter Gullivers' constitution;

(iii) to approve a major transaction;

(iv) to approve an amalgamation involving Gullivers (other than an amalgamation of a wholly owned subsidiary); and

(v) to put Gullivers into liquidation.

17.2 Gullivers currently has on issue options to acquire 1,812,000 Gullivers Shares.

The Gullivers Options have an exercise price of $1.60 and can be exercised during the period beginning on the 30th day after Gullivers announces its results for the financial year ending 31 March 2006 (being 26 June 2006), and ending on a day 36 months after that date (**Exercise Period**).

Each Gullivers Option confers the right to acquire one share subject to adjustments relating to matters such as entitlements to bonus issues, rights issues and reconstructions.

Under the terms originally applicable to the Gullivers Options, no Gullivers Option may be transferred. However, Gullivers has entered into a deed allowing for the Gullivers Options to be transferred to S8 NZ. A share allotted on the exercise of a Gullivers Option ranks equally with the Gullivers Shares on issue at the exercise date of the Gullivers Option. Prior to the exercise, the holder of the Gullivers Option is not entitled to any dividends from Gullivers.

The minimum number of Gullivers Options that may be exercised on any one occasion shall be the lesser of 1,000 options or the balance then remaining.

A Gullivers Option not exercised by the end of the Exercise Period shall expire on the expiration of the Exercise Period. The Gullivers Options also lapse if the holder of the Gullivers Option ceases to be an employee for any reason. As described above, Gullivers has entered into a deed which ensures that the Gullivers Options do not lapse if and when transferred to S8 NZ.

Where a person and that person's associates (as defined in the Takeovers Code) holds or controls more than 50% of the total voting rights (as defined in the Takeovers Code) in the Company (**Change in Control**), the Options shall become exercisable immediately upon the occurrence of that Change of Control.

18. Financial Information

18.1 Every person to whom the Offer is made is entitled to obtain from Gullivers a copy of its most recent annual report (being an annual report for the period ended 31 March 2006) by making a written request to:

The Company Secretary
Gullivers Travel Group Limited
PO Box 505
AUCKLAND

A copy of the annual report was mailed to holders of Gullivers Shares on 27 June 2006, and is also available on Gullivers' website.

18.2 There are no known material changes to the financial, or trading position, or prospects, of Gullivers since 31 March 2006, Gullivers' most recent balance date. There is no other information about the assets, liabilities, profitability, and financial affairs of Gullivers that could reasonably be expected to be material to the making of a decision to accept or reject the Offer.

19. Independent Advice on Merits of the Offer

Grant Samuel, as independent adviser, has prepared a report under Rule 21 of the Takeovers Code (**Independent Adviser's Report**). A full copy of the Independent Adviser's Report is attached to this Statement.

20. Asset Valuation

None of the information provided in this Statement refers to a valuation of any asset.

21. Prospective Financial Information

The Independent Adviser's Report contains prospective financial information in relation to Gullivers and the principal assumptions on which the prospective financial information is based are set out in Appendix B to the Independent Adviser's Report.

22. Sales of Unquoted Equity Securities under Offer

22.1 The Gullivers Shares are quoted on the NZSX and the ASX.

22.2 The Gullivers Options are not quoted on the NZSX or the ASX. No Gullivers Options have been disposed of in the 12 months prior to the date of this Statement, being the latest practicable date before the date on which this Statement was sent, other than 76,000 Gullivers Options which have lapsed when employees left the employment of Gullivers. For the avoidance of doubt, the period for exercising the Options commenced prior to the date of this Statement.

23. Market Prices of Quoted Equity Securities under Offer

23.1 The closing price on the NZSX of Gullivers Shares on:

(a) 26 May 2006, being the day before the potential Offer was publicly announced was $1.67, per share;

(b) 31 July 2006, being the date of this Statement and the last practicable working day before the date on which the Statement was sent was $2.36, per share; and

(c) 27 June 2006, being the last day on which the NZSX was open for business before 28 June 2006, (being the date on which Gullivers received the Takeover Notice), was $2.34, per Gullivers Share.

23.2 The highest and lowest closing market prices of Gullivers Shares on the NZSX during the six months prior to 28 June 2006, (being the date on which Gullivers received the Takeover Notice) were:

(a) highest closing market price – $2.39, on 2 June 2006; and

(b) lowest closing market price – $1.19, on 11 January 2006.

23.3 The closing price on the ASX of Gullivers Shares on:

(a) 26 May 2006, being the day before the Offer was publicly announced was $1.41, per share;

(b) 31 July 2006, being the last practicable working day before the date on which the Statement was sent was $1.945, per share; and

(c) 27 June 2006, being the last day on which the ASX was open for business before 28 June 2006, (being the date on which Gullivers received the Takeover Notice), was $1.94, per share.

23.4 The highest and lowest closing market prices of Gullivers Shares on the ASX during the six months prior to 28 June 2006, (being the date on which Gullivers received the Takeover Notice) were:

(a) highest closing market price – $2.02, on 6 June 2006; and

(b) lowest closing market price – $1.09, on 12 January 2006.

23.5 Gullivers announced on 26 May 2006 that it would be paying a final dividend for the financial year to 31 March 2006 of 5.538 cents per share to all shareholders registered at 5.00 pm on 14 June 2006. The payment date for this final dividend was 21 June 2006.

23.6 Gullivers announced on 5 July 2006 that in response to the issuance of the Takeover Notice, the Board has authorised payment of the Special Dividend which authorisation, and any payment of the Special Dividend, is subject to and conditional upon receiving confirmation from S8 NZ (such confirmation to be announced to the market), that all conditions to the Offer, other than the condition relating to the payment of the Special Dividend, have been satisfied or waived. For the avoidance of doubt, if such confirmation is not received from S8 NZ, the dividend will not be paid. The record date for the Special Dividend will be confirmed by Gullivers on the date the S8 NZ confirmation is announced. The record date is anticipated to be seven business days following such an announcement. The payment date is anticipated to be shortly after the record date and will be notified to the market.

24. Other Information

There is no other information that could reasonably be expected to be material to the making of a decision to accept or reject the Offer.

25. Approval of Target Company Statement

The contents of this Statement have been approved by the Board. Given Andrew Bagnall's association with S8 NZ (for the reasons highlighted in paragraph 7.1 above), and his associates' (Merani and Merida) interest in respect of the Offer, Andrew Bagnall has abstained from approving this Statement.

26. Certificate

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Gullivers under the Takeovers Code.

SIGNED BY:

Jeffrey Garfield Todd
Director

Robert Arnold McLeod
Director

Donald Bruce Cotterill
Chief Executive Officer

Anthony Ramsey Dick
Chief Financial Officer

GULLIVERS TRAVEL GROUP
LIMITED

INDEPENDENT ADVISER'S REPORT ON THE FULL TAKEOVER OFFER FROM S8 LIMITED

GRANT SAMUEL

TABLE OF CONTENTS

1 TERMS OF THE TAKEOVER OFFER

1.1 Summary of the Takeover Offer

On 28 June 2006, S8 Limited (**S8**), through its wholly owned subsidiary S8 NZ Pty Limited, issued a notice of intention to make a full takeover offer (the **S8 Offer**) for all of the ordinary shares and options in Gullivers Travel Group Limited (**Gullivers**). The primary terms and conditions of the S8 Offer are as follows:

- a price of $2.35 per share and $0.80 for each option;
- S8 receiving acceptances of more than 50% of the voting rights (on a fully diluted basis) of Gullivers;
- Gullivers not declaring or paying any dividends, bonuses or other distributions or undertaking any buyback, except for a special dividend of 5 cents per share (conditionally declared on 5 July 2006) (the **Special Dividend**);
- approval of the Overseas Investment Office;
- no event occurring that has, or could have, a material adverse effect on Gullivers or the New Zealand outbound travel industry;
- the NZX50 Index and ASX200 Index not declining to a level 12% or more below their respective levels at 5.00 p.m. on 26 May 2006;
- the terms attaching to options to subscribe for ordinary shares in Gullivers being varied to permit:
  - their transfer to S8 by optionholders wishing to accept the S8 Offer; and
  - the exercise of the options by S8 once the S8 Offer is unconditional.
- certain other conditions considered to be standard for a takeover offer of a listed company.

The S8 Offer was opened on 28 July 2006 and will be open for acceptance by Gullivers' shareholders until 10 September 2006 unless the offer period is extended by S8.

1.2 Profile of S8

S8 commenced commercial operations in 1998 as a holiday property management company and in 2001 was listed on the ASX with an initial market capitalisation of A$28.7 million. At the time of listing, S8 was principally involved in the management, maintenance and marketing of large resorts and accommodation complexes in Queensland.

In January 2005, S8 announced a proposal to sell a substantial proportion of its management letting rights and associated property into a property trust, a transaction designed to free up capital for expansion. The resulting trust, S8 Property Trust, was listed on the ASX in July 2005 with property assets, either owned or to be acquired, of A$124 million. Today, S8 is primarily engaged in the management and marketing of holiday accommodation in Queensland and the wholesale and retail of travel products, including airfares, accommodation, tours, holiday packages and rental cars. S8's business model comprises three core activities:

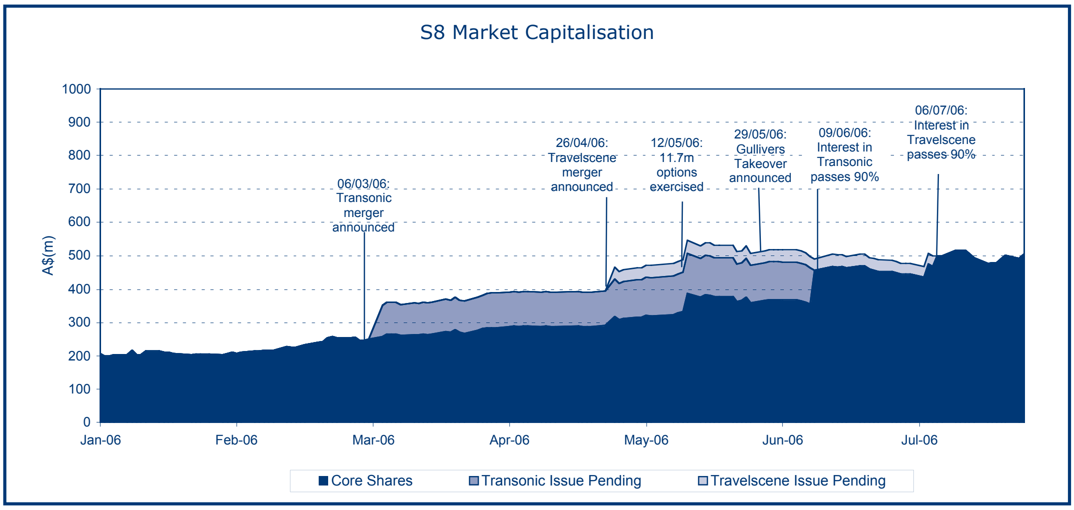
- *accommodation management and supply:* the supply of holiday accommodation products, through the management of holiday resorts and apartments. S8's current portfolio of 48 properties consists of 22 properties under management and 26 under marketing agreements;
- *wholesale of travel products:* the packaging and marketing of its own accommodation products as well as airfares, tours and packages etc, of third party travel product suppliers; and
- *distribution of travel products:* the distribution of travel products through its networks of retail travel agencies, corporate travel management businesses and online travel sites.

In September 2005, S8 announced the acquisition of Harvey World Travel Limited (**Harvey World Travel**) through an on-market cash takeover offer. Harvey World Travel represents a network of more than 500 franchised travel agencies, of which approximately 330 are in Australia, 120 in South Africa, 40 in New Zealand, 25 in the UK and one in each of Egypt and East Timor. The franchisees provide traditional travel agency services including advice, holiday planning, booking services for air and land travel products and travel insurance. The majority of travel products and services provided relate to outbound travel. Approximately 60% of Harvey World Travel's revenue is derived from franchise fees with the remainder earned from the provision of various travel related services.

On 6 March 2006, S8 announced a proposal to acquire 100% of listed Australian travel company Transonic Travel Limited (**Transonic**) for consideration of cash and shares in S8. The acquisition was successfully completed in June 2006. Transonic provides both wholesale and retail travel products and services with a focus on the Asia Pacific region. Through its Air Services Division it provides airfares and ticketing services to travel agents, on-line retail travel services and represents approximately 45 international airlines in the Australian and New Zealand market. The division also provides online retail travel services. Transonic's Leisure Division negotiates and packages holiday products from suppliers such as airlines, hotel operators, transport providers and tourist attractions and sells the packaged holidays through travel agents. The company also markets holiday packages direct to the consumer through brands such as Qantas Vacations, Jetabout, Air New Zealand Holidays and Ski Express.

On 26 April 2006, S8 announced an offer for all of the outstanding shares of Travelscene Limited (**Travelscene**) for a combination of cash and S8 shares. The board of Travelscene unanimously recommended S8's Offer and on 21 July 2006 S8 announced it had received acceptances representing more than 90% of voting securities in the company, and would move to compulsorily acquire the balance. Trading as Travelscene American Express, Travelscene is a leading Australian travel agency operating a network of approximately 600 franchised travel outlets, including over 80 dedicated corporate travel services outlets. Travelscene provides key services to member agencies such as access to preferred supplier contracts and incentives, preferential airfares, foreign exchange services, ticketing services, IT services and access to product databases. It also operates a wholesale business to supply travel products to its franchisee agencies. The company formed an alliance with American Express in 2003, which substantially increased its franchisee network and enhanced its scale and buying power.

The rapid growth of S8's business achieved through travel company acquisitions over the last 6 months is illustrated graphically below. S8's total market capitalisation (adjusted to reflect the acquisition of Travelscene) has increased from around A$280 million at the start January of this year to approximately A$500 million currently.



A summary financial profile of S8 is provided in Appendix A.

2 SCOPE OF THE REPORT

2.1 Requirements of the Takeovers Code

The Takeovers Code came into effect on 1 July 2001, replacing the Companies Amendment Act 1963 and the New Zealand Exchange (**NZX**) Listing Rule requirements governing the conduct of listed company takeover activity in New Zealand. The Takeovers Code seeks to ensure that all shareholders are treated equally and, on the basis of proper disclosure, are able to make an informed decision as t o whether to accept or reject an offer.

The Takeovers Code specifies the responsibilities and obligations for both S8 and Gullivers as "bidder" and "target" respectively. Gullivers' response to the S8 Offer, known as a "target company statement", must contain the information prescribed in the Second Schedule of the Takeovers Code, and is to include or be accompanied by an Independent Adviser's Report (or summary thereof).

2.2 Purpose of the Report

The S8 Offer constitutes a full takeover offer under Rule 8 of the Takeovers Code. Accordingly, the Independent Directors of Gullivers have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare the Independent Adviser's Report required under Rule 21 of the Takeovers Code setting out an assessment of the merits of the S8 Offer to assist Gullivers shareholders in forming an opinion on the S8 Offer. Grant Samuel is independent of Gullivers and S8 and has no involvement with, or interest in, the outcome of the S8 Offer.

Grant Samuel has been approved by the Takeovers Panel to prepare the Independent Adviser's Report. The report is for the benefit of the shareholders and optionholders of Gullivers. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the S8 Offer.

2.3 Basis of Assessment

Rule 21 of the Takeovers Code requires the Independent Adviser to assess "the merits of an offer". The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merits", it suggests that "merits" include both positive and negative aspects of a transaction.

Grant Samuel has assessed the merits of the S8 Offer after taking into consideration the following factors:

- the estimated value range of Gullivers and the consideration of the S8 Offer when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Gullivers shares in the absence of the S8 Offer;
- any advantages or disadvantages for Gullivers shareholders or optionholders of accepting or rejecting the S8 Offer;
- the current trading conditions for Gullivers;
- the timing and circumstances surrounding the S8 Offer;
- the attractions of Gullivers' businesses; and
- the risks of Gullivers' businesses.

Grant Samuel's opinion on the merits of the S8 Offer is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

2.4 Sources of Information

The following information was used and relied upon in preparing this report:

Publicly Available Information

- the Target Company Statement to Gullivers shareholders of which this report forms part;
- annual reports of Gullivers for the years ended 31 March 2005 and 2006;
- the Gullivers November 2004 IPO Prospectus;
- recent press articles, NZX announcements from Gullivers and ASX announcements from S8;
- information from the Gullivers and S8 websites;
- other information on the travel industry and publicly listed companies with operations broadly comparable to Gullivers including annual reports, interim financial results, press reports, industry studies and information regarding the prospective financial performance of such companies;
- the Lock-Up Agreement entered into between Mr Andrew Bagnall and S8; and
- the Pre-Bid Agreement entered into between Gullivers and S8.

Non Public Information

- budgeted earnings, balance sheets and cashflows for Gullivers for the year ending 31 March 2007;
- business agreements between Gullivers and its suppliers, partners, franchisees and customers;
- recent board papers and monthly management accounts for Gullivers; and
- other confidential correspondence, reports and legal advice as provided by Gullivers legal advisers and Independent Directors.

Grant Samuel believes it has obtained all information desirable for the purposes of preparing the report.

3 GLOBAL TRAVEL INDUSTRY

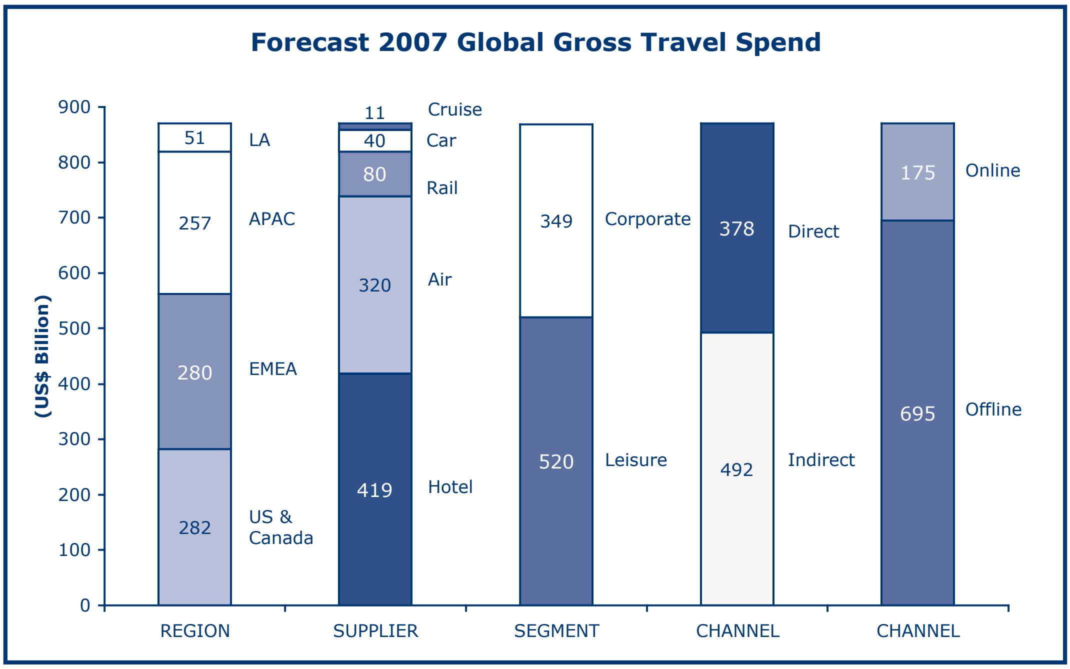
3.1 Industry Overview

At a macro level the global travel industry is characterised as comprising four layers:

- *Product Suppliers*
  The suppliers of core services such as air travel, accommodation, attractions, and other transport (road, rail, ship);
- *Global Distribution*
  The link between the suppliers and the market is provided by companies that operate global distribution systems (**GDS**). These companies are referred to as GDS operators. The primary GDS operators are Amadeus, Galileo, Sabre and Worldspan. Using a selected GDS, a wholesale or retail company can search for and arrange a customer's travel requirements;
- *Wholesale and Ticketing*
  Travel wholesalers and ticket consolidators book product through the GDSs and direct from travel product suppliers to best suit the demands of the retail networks that they support. While a retailer can access a GDS directly, an internal wholesale function becomes both critical and sensible as the size of the retail group it supports increases. Wholesalers take long term views on future demand for travel and accommodation; and
- *Retailers*
  The retail market for travel includes retail stores, corporate travel companies and online distribution channels. Each of these customer interfaces sells product directly to the customer, whether the customer is an individual, business or institution.

There are numerous revenue and commission structures between the core layers of the global travel industry. Product suppliers pay base commissions to the wholesalers for the on-sale of their products – whether it be a flight, an accommodation booking or a ticket to an attraction. In addition there are override commissions payable on achieving volume and revenue targets. The GDS entities charge the product suppliers on a per sector basis for the service of making that information and the booking facility available on their system. Generally, wholesalers add onto the cost of travel products a margin for their business and a margin for the retailer. Within the relationship between the various layers can be incentive payment structures between wholesalers and retailers, between suppliers and wholesalers and between suppliers and retailers. The delineation between the different layers is becoming more blurred with some GDS operators having acquired, and therefore now also providing, wholesale services, and with many wholesalers now also owning or controlling chains of owned, franchised or associated retailers. As with many businesses, volume and margin are key drivers, with scale holding the key to a better negotiating position with suppliers, and the allocation of margins through the various layers of the industry the key to the respective levels of profitability. While each layer may argue the criticality of its core function, the interdependence of the layers is clear. Any fee or commission arrangement that unduly enriches any particular layer is likely to be changed by market forces over time.

The global travel industry in 2007 is forecast by Sabre to be a US$820 billion business comprising:



Source: Presentation made by Chairman and CEO of Sabre, at the June 2005 Bear Stearns Technology Conference.

KEY:	LA	Latin America
	APAC	Asia Pacific
	EMEA	Europe, Middle East and Africa

The key trends impacting the travel industry are considered to be:

Industry Consolidation

The global travel industry is currently going through a consolidation phase characterised by an increasing trend for the intermediaries (or various layers of the industry) to merge vertically. In Australia, S8 has in a short space of time become the largest integrated travel company entirely through acquisition. Internationally, wholesalers such as Carlson Wagonlit and Sabre have recently made substantial acquisitions. In April 2006, Carlson Wagonlit acquired Navigant to form the second largest retail travel company in the world. Sabre, the largest GDS in the world, has been aggressively expanding into on-line retailing, a sector which compliments its existing GDS business. Sabre Travel Network markets services to 53,000 travel agencies providing content from 400 airlines, 249 hotel companies with 60,000 hotel properties, 41 car rental companies, 9 cruise lines, 35 railroads and 220 tour operators. In addition it owns Travelocity, lastminute.com, IgoUgo.com and GetThere.com. Some market commentators are also speculating that Sabre is potentially evaluating the acquisition of another GDS. Gullivers already operates a vertically integrated wholesale/retail model and has been growing by way of acquisition for a number of years. It has formed a strategic alliance with Sabre.

Increase in Supplier direct selling/on-line reservations

Historically the majority of travel products were sold to end-users through retailers.

The advent of the Internet has provided some suppliers (predominantly airlines) the opportunity to sell direct to the consumer in an attempt to reduce distribution costs. This process is known as disintermediation or channel shift. Low cost carriers such as Freedom, Ryannair and Easyjet operate business models that only sell via the Internet. The Internet has resulted in the rapid growth of on-line reservation portals which are able to be accessed directly by the public. They fall into two broad categories:

- *direct* reservation systems operated by the airlines, hotels etc; and
- *indirect* such as Travelocity, Zuji, Expedia. Travelocity, lastminute.com, IgoUgo and Zuji are owned by Sabre and utilise Sabre's GDS.

The growth of on-line reservations is considered both a threat and an opportunity to travel retailers. The growth of direct portals threatens retailers where for example an airline offers cheaper fares for direct purchases. The move by airlines to reduce commissions paid to the wholesalers and retailers is part of a concerted effort to reduce operating costs in the face of rising fuel costs and falling airfares. The International Air Transport Association (**IATA**) has estimated that airlines will lose US$3 billion in total in 2006, slightly below the US$3.2 billion lost in 2005. Despite the move to direct selling, airlines remain heavily reliant on the existing vertical system of GDSs, wholesalers and retailers for selling the majority of their seats. At one extreme some market commentators believe that on-line selling will become the dominant method for booking travel. Air New Zealand has been successful in achieving 70% of all its domestic bookings being made direct, split 50% online and 20% through its own distribution network. At the other extreme there is a view that the airlines have not been able to successfully provide the range of travel packages and service levels required by customers and therefore that there will always be a place for retailers. It is the high street retailers that are at greatest risk from disintermediation.

Air New Zealand's dominant position domestically has allowed it to offer special prices for direct on-line bookings that are not available to travel agents. In more competitive markets such as the US the balance of power favours the GDSs who are entering into long term (5 - 7 year) agreements with the airlines whereby all of the airlines' fares and inventory will be made available to the GDS and its associated travel wholesalers and retailers. It is likely that the Air New Zealand model has been successful in the New Zealand domestic market because it is the dominant player and offers a simple point to point product. Customers do not have to search a multitude of competing suppliers to get the best deal and there is a high level of comfort among New Zealanders to book and pay on-line. Where the travel is more complex, or the customer is looking for a packaged product, the airlines have historically been at a disadvantage. Qantas Holidays, which has for many years been the dominant wholesaler in Australia, is now understood to be losing market share to competing wholesalers who, through a large number of retailers, are able to offer a wider range of products. Air New Zealand has not to date been successful in establishing a range of packaged products that can compete with wholesalers such as Gullivers. Air New Zealand currently charges $10 less for a reservation made on line when compared with a reservation made through a travel agent who receives no commission. As the dominant player Air New Zealand is able to enforce this regime. To overcome the absence of commissions, travel agents are now adding a fee for services for each sector of the journey. Travel agents are typically charging $15 per segment meaning a domestic return trip will cost $50 more if booked through a travel agent. The "fee for service" model is becoming common in other countries. Almost all wholesalers/retailers (such as Gullivers) earn base commissions along with volume and growth incentives. Each airline has a slightly different model. Air New Zealand does not pay any base commissions on domestic and trans-tasman travel. For Air New Zealand this policy appears to have not adversely impacted domestic volumes but the trans-tasman situation is less clear with Air New Zealand understood to be losing market share on some sectors to airlines paying commissions. The incentive commissions that are shared with the retail distribution businesses are very significant and essential for the profitability of most wholesalers/retailers. The ability to shift volume between carriers gives the wholesalers and the GDS increased power to influence the response of airlines in respect of commissions. There appears to be an acceptance in the industry that the next two years will be difficult for both airlines and the distribution chain as the airlines endeavour to reduce distribution costs and wholesalers and retailers seek to maximise their revenues. It is likely, in Grant Samuel's opinion, that wholesale and therefore retail margins will continue to be eroded through reduced airline commissions. The wholesalers and retailers will look to recover the lost revenue by either charging a fee for service or by adding a margin to the airfares they sell.

The rule of thumb for successful travel agency businesses is to generate a 14% gross margin. To achieve this in a lower commission environment the airfares for three airlines serving the same sector may be calculated and quoted to customers along similar lines to the example shown below:

AIRLINE TICKET PRICING – EXAMPLE			
Airline	**A**	**B**	**C**
Airfare	$1,000	$975	$950
Base Commision	7%	11%	10%
Net price to travel agent	$930	$868	$855
Add Agents Commision (14%)	$1,081	$1,009	$994
Total Agent income	**151**	**141**	**139**

The table shows that while the cost to the retailer of the three airfares differs by only $50, once commissions are deducted and margin added the price to the customer can differ by a much greater amount (up to $87 in the example). Travel agencies are progressively changing from being "commission" agents to retailers adding a margin to the cost of goods sold. The result will be higher airfares than the "published" rates and will, in Grant Samuel's opinion, result in an increased focus on the relative price of tickets between competing service providers. In the example above the highest price ticket is 8.75% more expensive than the lowest.

Low Cost Carriers (LCC)

The growth of low cost carriers has had a major impact on airline travel. New Zealand's small market and the dominant position of Air New Zealand with only token competition from Qantas has made it uneconomic for LCC's to establish any presence in the domestic market and only a limited foothold on the trans-tasman market. Internationally, most LCC's are only utilising direct to customer distribution channels to keep their distribution costs down. This is the model adopted by Air New Zealand for Freedom Air and is clearly behind its strategy of offering a discount for on-line bookings for its domestic airfares. LCC's have become an established part of the airline industry. The growth of direct sales will continue by LCCs, full service airlines and hotel operators. Balancing this trend is the power of GDS operators to influence consumer choice by choosing to not list or not promote a particular airline or hotel chain. There is evidence of this power being used in North America to stop an airline from transferring a part of its LCC business to direct distribution only.

Deregulation of GDS

In 2004 the US deregulated the GDS industry. The key changes included the removal of a rule preventing a GDS from using its system to favour the products of one airline over those of another, and the introduction of a rule that gave airlines the freedom to choose which fares it will make available to the GDS. Prior to the deregulation, the law required airlines to list all fares with the GDS. Deregulation of the GDS will be at the core of the disintermediation battle between the retailers and wholesalers expected to be aligned in one camp and the service providers in another camp.

Ultimately, the airlines are striving for as much of the distribution function to be conducted directly with themselves, bypassing the retailer, wholesaler and GDS. The GDS is generally the least expensive part of the indirect distribution chain charging approximately US$5.00 per segment to the airline. Of this approximately 30% - 40% is passed on to the wholesaler/retailer. The GDS generates income from per segment fees and accordingly the GDS operators have a strong desire to retain as much market share as possible. The travel agent/wholesaler receives commissions of between 5% and 15% with the majority being around 9% -11%. A reservation placed through a GDS will incur these commissions, hence the desire for direct distribution.

In the longer term the GDSs are likely to reach a compromise that allows airlines to reduce the cost of distribution, and gives travel agencies the content and functionality they need, while still providing a return to the GDS. It is therefore highly unlikely that direct distribution will totally usurp indirect distribution. On-line reservations are generally expected to continue to grow as a percentage of total travel spend due to improved on-line travel planning technology that enables the customer to package holidays more easily when dealing directly with the suppliers. It is reasonable to expect that it will be the comprehensive on-line sites linked to a GDS and larger wholesalers (such as Gullivers) that will show greatest growth given the much larger range of services on offer when compared with airline direct systems.

3.2 New Zealand Outbound Tourism Market

The New Zealand outbound tourism market has shown very strong growth over the last 20 years, increasing from 378,500 short-term departures in 1985 to 1,870,900 in the year ending 30 April 2006. Historically New Zealand outbound departures have grown by an average of 5.6% p.a. Growth in the year ending 30 April 2006 was 74,000 trips or 4.1%. The rate of growth has been declining for the past 12 months and is forecast to remain relatively low[1]. The New Zealand Tourism Research Council is forecasting growth of 2.6% for departures for the 2006 year declining to between 1.8% and 2.0% through until 2011. Evidence from Gullivers' forward bookings confirms a slowdown in the rate of growth. This is consistent with recent retail expenditure statistics and the decline in the value of the NZ dollar, which has made overseas travel relatively more expensive.

[1] This is in part due to a very high increase in 2004 when total trips increased from 1,373,600 to 1,730,300, an increase of 26.0%. Following such a large increase it is reasonable to expect lower market growth for a number of years to come.

4 PROFILE OF GULLIVERS

4.1 Overview

Gullivers is a vertically integrated outbound travel service business comprising five groups:

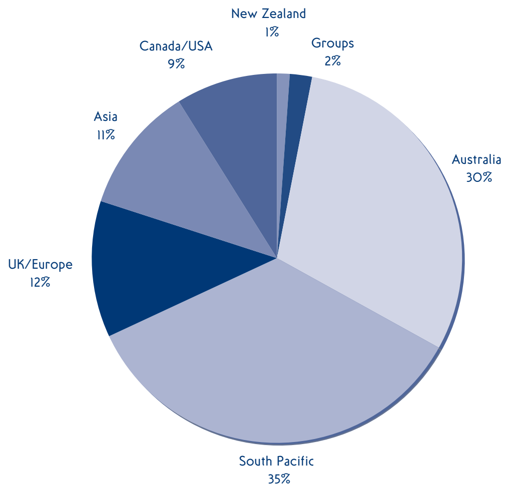
- Wholesaling and ticketing;
- Retail travel;
- Corporate travel;
- On-line distribution; and
- Technology

GULLIVERS TRAVEL GROUP				
Wholesale Ticketing	Retail Travel Franchise	Corporate Travel	On-line	Technology
Gullivers Holidays GO Holidays Talpac Australia Talpac UK Unijet & GO Fares	Holiday Shoppe United Travel Harvey World Travel Travel Smart	Atlantic & Pacific American Express Signature Travel Travel Plus United Travel Corporate GO C&I	ZUJI Holiday Shoppe United Travel Travel.co.nz	Interactive Technologies Gullivers ICT Serko

4.2 Wholesale and Ticketing

Travel wholesalers source, package, market, distribute and ticket air, land and sea travel products. Gullivers Holidays is the largest of the three wholesale travel businesses in New Zealand where it competes with Flight Centre and House of Travel. Flight Centre is comparatively small from a wholesale perspective and purchases some of its travel through Gullivers Holidays. Gullivers Holidays has established strong relationships with airlines and accommodation providers which goes a long way to ensuring that it has quality product available throughout the year and most importantly sufficient inventory to satisfy demand in the peak seasons. Gullivers Holidays has traditionally focussed on the South West Pacific and markets more than 8,000 land products (including hotels and other accommodation, car rental, tours and entertainment). The geographical split of products sold by Gullivers Holidays is shown on the diagram below:

Geographical Split of Travel Products Sold



Gullivers wholesale products are distributed through Gullivers' own retail and corporate travel networks (approximately 85%) and third parties such as First Group, Flight Centre and Air New Zealand Travel Centres.

GO Holidays wholesale business was acquired during 2005.

Talpac is Gullivers' Australian based wholesaler and specialises in the South Pacific, USA, Canada and New Zealand. Similarly Talpac UK is a boutique wholesaler specialising in New Zealand and the South Pacific.

Gullivers Ticketing operates as both a ticket advisory service to the Group's retail agents and as a ticket constructor/issuer of multiple airline itineraries. Gullivers Ticketing's primary customers are its franchise retail leisure businesses, which account for approximately 82% of sales. Gullivers Ticketing also makes private fares available to agents through the on-line fare display system "G-fares". G-fares is a comprehensive stand alone database where airfares can be displayed at different sales levels or different margins depending on the agent accessing them. In this manner Gullivers Ticketing is able to differentiate its pricing to larger volume users.

4.3 Retail Travel

The New Zealand retail leisure travel market is dominated by the three vertically integrated groups – Gullivers, House of Travel and Flight Centre. Gullivers operates four separate retail brands:

- Holiday Shoppe;
- United Travel;
- Harvey World Travel; and
- Travel Smart.

These groups are operated exclusively by Gullivers as franchise models and accordingly Gullivers typically has no ownership of the individual retail businesses. In addition to franchisee networks operating under the various brands there are a number of contracted non-franchise associate members. Gullivers provides overall brand management, product sourcing, IT development and group purchasing to the retail businesses. The retail businesses generate fees from commissions paid by the service providers and by charging fees to customers.

Holiday Shoppe

Holiday Shoppe operates 75 branded offices and 60 associates spread throughout New Zealand. Holiday Shoppe is associated with the AA Rewards Loyalty programme and is the American Express Travel Services partner in New Zealand. This partnership agreement recently expanded to allow the branded offices the ability to offer the full range of American Express travel products in exchange for American Express Membership Reward Points.

United Travel

United Travel operates 72 franchised offices in New Zealand. It also maintains an association with 14 non-franchised offices serving the small to medium sized business market, which it authorises to use the United Travel Corporate brand. United Travel is associated with the Fly Buys Rewards Programme, the largest loyalty database within New Zealand. Unique Destinations and Uniquely Cruising are marketed extensively by the United Travel Group to their predominantly experienced leisure, and quality-sensitive customer.

Harvey World Travel

Harvey World Travel has 34 branded offices. Harvey World Travel is an Australian franchise group (owned by S8) with more than 500 agents in Australia. Gullivers holds the management contract for Harvey World Travel in New Zealand. Harvey World Travel is the travel partner associated with the Qantas Telstra Visa Card.

Travel Smart

Travel Smart operates 27 branded offices. Travel Smart is a co-ordinated buying group offering individual office operators a large degree of independence in running their business, but without the structured support and marketing programmes of the larger franchises.

4.4 Corporate Travel

The corporate travel market is focussed on businesses, government departments and tertiary institutions whose size enables them to benefit from specialised travel advice which provides low cost, high quality travel transaction processing at any time. Gullivers' corporate clients are able to directly access an on-line booking system which facilitates the making of airline bookings according to the clients' individual travel policies. Gullivers Corporate Travel Management business has grown since the removal of commissions on domestic and trans-tasman travel by Air New Zealand. Gullivers believes that despite being able to achieve lower fares by booking on-line, major organisations have recognised the effectiveness of the financial efficiencies that a corporate travel manager can bring to corporate travel expenditure.

Within United Travel and Holiday Shoppe are United Travel Corporate and Travel Plus respectively, which focus on small and medium enterprises.

*Atlantic & Pacific American Express (**APAmex**)*

APAmex (formerly branded Atlantic Pacific) is a leading corporate travel management business in New Zealand with an estimated market share of 16% of the total New Zealand corporate travel market. APAmex has operations in Auckland, Wellington and Christchurch (50% owned). In July 2006, APAmex entered into an agreement with American Express under which American Express granted APAmex the exclusive license to the American Express corporate travel brand in New Zealand and the right to handle all corporate travel business for current and future American Express clients in New Zealand. The agreement is estimated to represent annual turnover of approximately $40 million. As a result of the agreement with American Express, Gullivers' association with global travel company Radius is to be terminated.

Signature Travel

Signature Travel was acquired from Diners Club in 1987. Signature Travel is currently an associate partner of Carlson Wagonlit, the second largest travel company in the world. It is understood the arrangement with Carlson Wagonlit will not be extended at the end of this year. As with APAmex, Signature Travel's focus is on the corporate, government and tertiary sectors.

GO Conference & Incentive

GO Conference & Incentive provides conference planning and organising and incentive programmes to major New Zealand corporations.

4.5 On-Line Distribution

Through www.zuji.co.nz Gullivers is licensed to use Zuji's low cost on-line technology, branding and intellectual property in New Zealand. Gullivers has utilised this technology and linked with other partners to provide on-line booking facilities for air and land product, Christchurch airport for ski packages and Tourism Auckland for Auckland and New Zealand-wide travel product. As a result of its alliance with Sabre, Gullivers is able to place all of its wholesale product for New Zealand and the South West Pacific on Zuji sites and is endeavouring to place them on Sabre's Travelocity.com. Gullivers has been extending its on-line business through the creation of portals for its retail brands which will utilise the Zuji internet engine. This facility will enable retailers to retain some of the margin that could be lost to on-line reservation systems as well as providing the customer with a "face" when the reservation goes wrong for whatever reason.

www.travel.co.nz has operated in New Zealand for eight years and has developed an extensive customer database. It utilises the technology of Zuji to power its on-line booking system.

www.holidayshoppe.co.nz displays a full range of product and travel offerings designed to appeal to the New Zealand leisure travel market. This site also uses Zuji technology.

www.unitedtravel.co.nz offers the full range of leisure product as well as promoting Unique Destinations and a specific cruising section. The United Travel "Getaway" section highlights product featured on the television show. The site uses Zuji technology.

4.6 Technology

Interactive Technologies is Gullivers' technology business. It is principally engaged in the development and distribution of a travel management software product called SERKO®. It also provides technology services to the group's Corporate Travel businesses and franchised networks, as well as to independent travel customers.

4.7 The Gullivers' Business Model

Gullivers' major source of revenue is its wholesale and ticketing group. The wholesale, ticketing and retail segment represents approximately 66% of group revenue and 53% of reported EBITDA. The key value drivers for the Gullivers business model are:

Scale

Gullivers' position as the largest wholesaler in the market gives it a favourable negotiating position with its service providers. The benefits of these resulting deals are passed through to the retail arms of Gullivers providing them with cost effective packages ensuring they remain competitive. The sheer size of Gullivers in the New Zealand market has enabled it to negotiate favourable override commission structures with the majority of its airline partners. This source of commission revenue is critical to Gullivers' profitability and were it to be eroded the impact on earnings would be significant. Achieving the volume and revenue targets for each airline requires careful management particularly as the targets are earned on actual flights taken not bookings. Missing targets by comparatively small numbers can result in a substantial reduction in earnings in any one year. It follows that the commission structures offered or negotiated with each supplier can influence the effort and resource Gullivers allocates to on-selling those products. Gullivers has increased its scale both through acquisitions and by expanding its franchises through signing up associates. Capturing the associate businesses allows the wholesale group to generate larger volumes and negotiate improved override commissions and marketing rebates from a range of service providers.

Vertical Integration

Gullivers is the largest vertically integrated wholesale, retail, leisure and corporate outbound travel group in New Zealand. Vertical integration along with scale enables Gullivers to obtain unique product, best prices and in sufficient quantity to capture a larger portion of the industry value chain. The business model derives revenue from a range of sources, demonstrating the benefit of the integrated model which to some extent is insulating Gullivers from disintermediation.

Multiple Brands

Across its retail, corporate and on-line distribution businesses, Gullivers operates 17 brands. This enables it to target multiple customer segments and deal with competing suppliers of the same product. Following the acquisition of the GO Holidays and Tal Pacific Holidays businesses (**GO Holidays**) in 2005 the number of brands in the group increased from 9 to 17.

Partnerships

Gullivers has entered into a range of partnerships, including loyalty programmes with the AA (Holiday Shoppe) and Fly Buys (United Travel), a strategic partnership with Sabre, which provides joint access to intellectual property and has Gullivers' wholesale product listed on Sabre and its on-line retail portals, and travel partnerships with American Express (Holiday Shoppe and APAmex) and Carlson Wagonlit (Signature Travel). These partnerships provide access to a very wide range of products and services, which ultimately strengthen the product offering of the Gullivers brands. The current consolidation in the industry globally may eventually cause some of these partnerships to be lost.

The forecast decline in the rate of growth in outbound travel combined with disintermediation and a reduced number of potential acquisition opportunities means that the double digit rate of earnings growth enjoyed by Gullivers over recent years will, in Grant Samuel's opinion, be much more difficult to achieve going forward.

4.8 Financial Profile

4.8.1 Financial Performance

The historical financial performance of Gullivers for the year ended 31 March 2006 and budgeted financial performance for the year ending 31 March 2007 are summarised below:

GULLIVERS – EARNINGS PROFILE ($000s)		
	Year end 31 March	
	2006A	2007B
Revenue	608,434	810,195
EBITDA[2]	**22,300**	**26,015**
Depreciation	(1,588)	(2,437)
Amortisation of Software Development	(836)	(1,493)
EBITA[3]	**19,876**	**22,085**
Goodwill amortisation	(6,489)	-
EBIT[4]	**13,387**	**22,085**
Net interest income	1,528	1,657
Profit before taxation	14,915	23,742
Taxation	(7,111)	(7,939)
Minority interests	(10)	-
Profit after taxation	**7,794**	**15,803**

The following points should be taken into consideration when reviewing the table above:

- the budgeted increase in revenue in 2007 is due largely to a full year of trading from GO Holidays;
- EBITDA is stated exclusive of net interest income, to this extent it differs from reported EBITDA;
- abnormal costs included in EBITDA above arising from the acquisition of GO Holidays of $1.02 million were incurred in the year ending 31 March 2006 and are forecast to be $1.0 million in 2007;
- the EBITDA margin has decreased from 3.8% in 2005 to 3.3% in 2006 (preabnormals) due in part to margin contraction resulting from lower commissions but mainly due to a change in the sales mix resulting from the acquisition of GO Holidays;
- goodwill amortisation will cease in 2007 in line with International Financial Reporting Standards (IFRS). Goodwill will be subject to an impairment test at year end and whenever there is an indication that goodwill may be impaired; and
- a summary of the principal assumptions behind the 2007 budget is provided in Appendix B.

2 EBITDA – earnings before interest, tax, depreciation and amortisation
3 EBITA – earnings before interest, tax and amortisation of goodwill
4 EBIT – earnings before interest and tax

4.8.2 Financial Position

The statements of financial position of Gullivers as at 31 March 2005 and 2006 are summarised below:

GULLIVERS – FINANCIAL POSITION ($000s)	31 March	
	2005A	2006A
Current assets		
Cash at bank	27,473	25,534
Accounts receivable & prepayments	15,668	31,333
Inventories	386	475
Software work in progress	15	1,715
Total current assets	**43,542**	**59,057**
Current liabilities		
Payables and accruals	(42,785)	(77,062)
Deferred tax	-	(625)
Total current liabilities	**(42,785)**	**(77,687)**
Net working capital	757	(18,630)
Non-current assets		
Deferred tax benefit	363	585
Investments	773	1,018
Intangible assets	157,618	176,063
Property, plant and equipment	3,525	4,839
Total non-current assets	**162,279**	**182,505**
Net assets		
Represented by:		
Share capital	160,000	160,000
Reserves		3
Retained earnings	3,036	3,821
Minority interests	-	51
Total equity	**163,036**	**163,875**

The following points are relevant when considering the above table:

- for the majority of any financial year Gullivers has substantial negative working capital. Working capital is generally only positive for the months of December, January and February. The large cash at bank balances shown above are evidence of this occurrence; and
- Gullivers has very few tangible assets. The majority of the assets of the group are intangible assets comprising:

GULLIVERS – INTANGIBLE ASSETS ($000s)	31 March	
	2005A	2006A
Intangible assets		
Brands, trademarks & franchise rights	38,000	38,000
Software development costs	2,486	1,810
Goodwill from business acquisitions	117,132	136,253
Total intangible assets	**157,618**	**1176,063**

4.8.3 Cash Flow

Gullivers' cash flow for the year ended 31 March 2006 and the budgeted cashflow for the year ending 31 March 2007 are summarised below:

GULLIVERS – CASH FLOW ($000s)		
	Year end 31 March	
	2006A	2006B
Operating Activities		
EBITDA	22,300	26,015
Tax payments	(7,111)	(7,939)
Interest payments	1,528	1,657
Movement in working capital	12,290	(4,000)
Net cash flow from operating activities	**29,007**	**15,733**
Investing Activities		
Purchase of property plant and equipment	(1,532)	(1,847)
Purchase of intangibles	(1,860)	(3,644)
Purchase of investments	(20,575)	(3,700)
Net cash flow from investing activities	**(23,967)**	**(9,191)**
Financing activities		
Payment of dividends	(7,009)	(10,050)
Net cash flow from financing activities	**(7,009)**	**(10,050)**
Net increase/(decrease) in cash held	**(1,969)**	**(3,508)**
Cash at the beginning of period	**27,503**	**25,534**
Cash at the end of the period	25,534	22,026

In reviewing the above table the following should be considered:

- the purchase of investments relates to the purchase of GO Holidays in October 2005;
- the budgeted increase in working capital in 2007 is a conservative estimate. Working capital varies considerably depending on the timing of payments to the airlines. Gullivers payments to the airlines are effected through BSP, an IATA managed system where a single payment is made for all tickets on all airlines issued in the two weeks ending 14 days before the payment is made. The critical date is when the tickets are issued not when the reservation is made. The BSP system results in large swings in working capital and cash on hand; and
- a summary of the principal assumption behind the 2007 budget is provided in Appendix B.

4.9 Capital Structure and Ownership

As at 14 July 2006 Gullivers had 100 million fully paid ordinary shares on issue held by a total of approximately 1,000 shareholders. The major shareholders as at 14 July 2006 are set out in the table below:

GULLIVERS – TOP 20 SHAREHOLDERS as at 14 JULY 2006		
Shareholder	**Shares (000s)**	**%**
Merida Ltd	18,863	18.86%
Merani Ltd	9,957	9.96%
National Nominees New Zealand Ltd	7,784	7.78%
UBS Nominees Pty Ltd	5,740	5.74%
Accident Compensation Corporation	4,737	4.74%
Goldman Sachs JBWere (NZ) Ltd	4,500	4.50%
ANZ Nominees Ltd	4,291	4.29%
Westpac Banking Corporation – Client Assets No 2	4,288	4.29%
Citicorp Nominees Pty Ltd	4,169	4.17%
AMP Investments Strategic Equity Growth Fund	2,110	2.11%
Custody and Investment Nominees Ltd	1,881	1.88%
Cogent Nominees Pty Ltd	1,800	1.80%
UBS New Zealand Ltd	1,733	1.73%
Citibank Nominees (New Zealand) Ltd	1,384	1.38%
TEA Custodians Ltd	1,369	1.37%
First NZ Capital Custodians Ltd	1,198	1.20%
Darrin John Grafton & Others	1,040	1.04%
Robert James Shaw & Others	1,040	1.04%
HSBC Nominees (NZ) Ltd	1,000	1.00%
Oakhampton Holdings Ltd	957	0.96%
Top 20 listed shareholders	79,841	79.84%
Other shareholders	20,159	20.16%
Total shares	**100,000**	**100.00%**

Merida Ltd and Merani Ltd are entities associated with Mr Andrew Bagnall. Some of the shares held by Merani Limited are held in favour of certain Director of Gullivers. Mr Bagnall's interest totals approximately 26.8%.

On 25 July 2006 Monterrey Investment Management Limited (**Monterrey**) issued a substantial shareholder notice stating that it had become the holder of 12.1% of the voting securities in Gullivers. The shareholding is registered through various nominee companies and is held by Monterrey as the trustee of various unregistered managed investment schemes. Similarly, on 27 July 2006 UBS Nominees Pty Limited (**UBS Nominees**) announced it had become the holder of 13.8% of the voting securities in Gullivers.

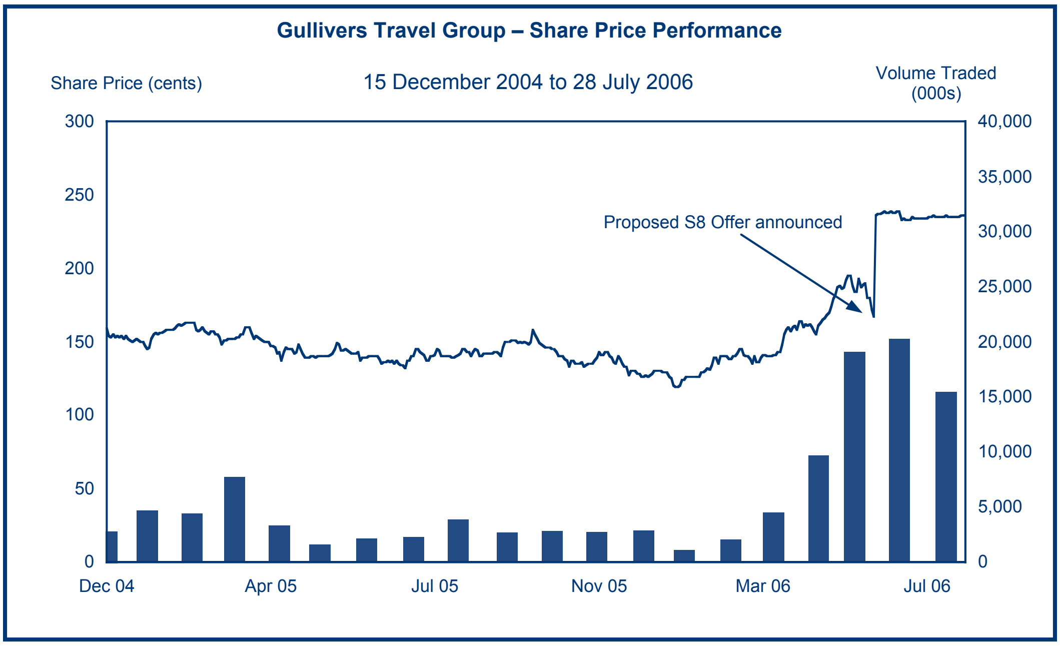
4.10 Share Price Performance

A summary of the share price history of Gullivers shares prior to the announcement of the S8 Offer is set out below:

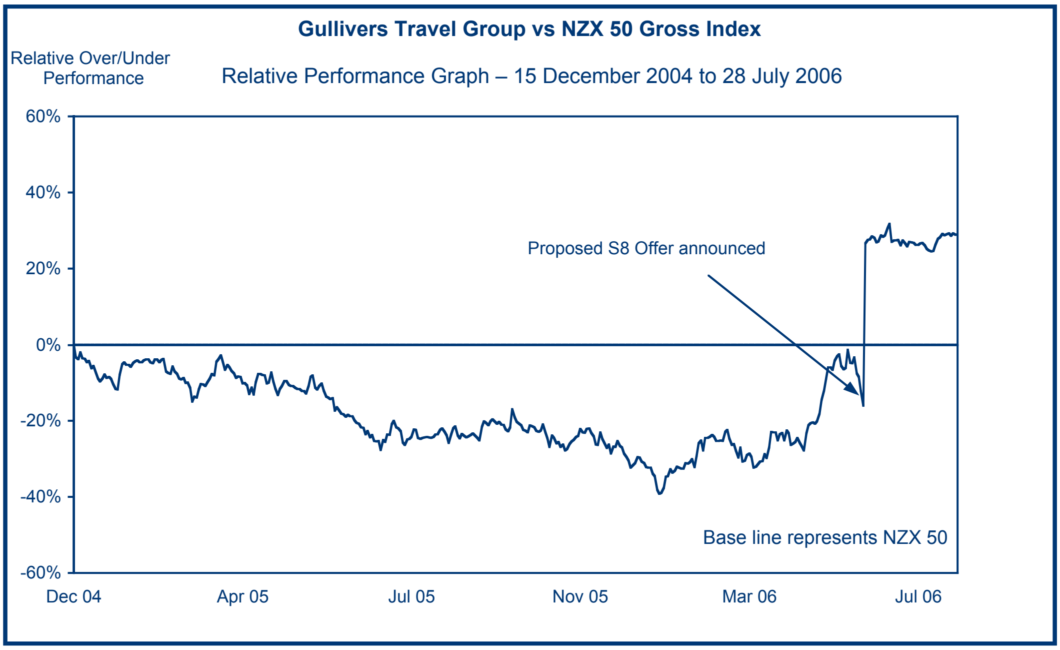
GULLIVERS – SHARE PRICE HISTORY TO 17 JUNE 2006				
	Share Price ($)			Average Weekly
	High	Low	Close	Volume (000s)
Year ended				
2004 (shares first listed in December 2004)	1.65	1.52	1.52	980
2005	1.65	1.26	1.29	727
Quarter ended				
March 2006	1.62	1.16	1.61	520
Week ended				
5 May 2006	1.89	1.74	1.86	3,073
12 May 2006	2.00	1.86	1.88	4,618
19 May 2006	1.93	1.83	1.89	979
26 May 2006	1.95	1.67	1.67	1,892

Source: IRG

Since the announcement of the S8 Offer on 29 May 2006, Gullivers' shares have traded in a tight range of $2.33 -$2.39. The share price and trading volume history is depicted graphically below:



Until very recently Gullivers has substantially under-performed the NZX50 Gross Index since it listed:



5 VALUATION OF GULLIVERS

5.1 Summary

Grant Samuel's valuation of the equity in Gullivers is summarised below:

GULLIVERS – VALUATION SUMMARY		
	Valuation Range	
$ million except where otherwise stated	Low	High
Enterprise value	204.9	234.1
Other assets	6.9	10.4
Special Dividend	(5.0)	(5.0)
Equity value	**206.8**	**239.5**
Fully diluted shares on issue (million)[5]	101.8	101.8
Value per shares ($)	**2.03**	**2.35**

The valuation represents the estimated full underlying value of Gullivers assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Gullivers shares to trade on the NZX in the absence of a takeover offer.

The valuation is based on capitalisation of Gullivers' 2007 adjusted budgeted earnings, which Grant Samuel believes are representative of future maintainable earnings. The 2007 budget earnings of Gullivers were adjusted by adding back estimated one-off restructuring costs associated with the acquisition of GO Holidays of $1 million and $0.6 million for the estimated costs of being a listed company. In addition, net interest income has been included in the earnings for valuation purposes. Gullivers, for the majority of the year, has substantial cash on hand from which it generates interest income. This cash arises from receiving payment for travel before it has to be passed on to the service providers. The average cash balance of approximately $26.6 million has therefore not been included as an asset of the business. The interest income has been included in earnings as the interest earned on the money held is due to Gullivers and is a consistent source of income.

The valuation reflects the strengths and weaknesses of the Gullivers business and takes into account factors such as:

- Gullivers is the largest travel wholesaler in New Zealand and has developed very strong relationships with the major service providers in New Zealand, Australia and the south west Pacific. The wholesale division of Gullivers generates approximately 75% of Gullivers' earnings and is considered likely to be less impacted by disintermediation than other companies with a greater exposure to the retail travel sector;
- Gullivers has achieved strong levels of growth over a number of years. The slowdown in the New Zealand outbound travel market since the beginning of 2006, as measured by forward bookings, is likely to constrain the level of growth over the next 2 to 3 years. The relatively lower rate of growth is in part due to a very high rate of growth in 2004 outbound travel volumes;
- earnings for the first quarter of the current financial year were behind budget due primarily to lower levels of outbound travel. Gullivers is proposing to implement a plan to streamline a number of its business processes over the next 3 months. The impact of these initiatives on earnings in the second half of he financial year ending 31 March 2007, in the absence of a rebound in outbound travel volumes, is unlikely to result in the budgeted earnings being achieved, although the shortfall is not expected to be material. The impact on subsequent years earnings will be significantly more positive;

5 Assumes all in the money options outstanding are converted to ordinary shares.

- Gullivers has enjoyed historic high rates of growth in part through acquisitions, the most recent being GO Holidays in 2005. Gullivers is currently evaluating another acquisition in New Zealand. There is no certainty that this transaction will be concluded. If it is it will have a small positive impact on the value of Gullivers. The valuation does not make any allowance for this acquisition due to the uncertainty of it being concluded. Gullivers' management believe that further growth through acquisition in New Zealand will prove to be increasingly difficult due to the lack of suitable acquisition targets;
- Gullivers has endeavoured to make acquisitions in Australia. S8 has made three large acquisitions in Australia – Harvey World Travel, Transonic and Travelscene, which has reduced the acquisition options for Gullivers in that market substantially. Gullivers' management expressed the view that following S8's acquisition of Harvey World Travel, Transonic and Travelscene the ability to acquire a stake in a substantial Australian travel wholesaler/retailer is significantly reduced;
- disintermediation has and will continue to put pressure both on margins and volumes. To date Gullivers has been able to offset the negative impacts through selected acquisitions; and
- consolidation will see a greater number of very large integrated wholesale/retail travel companies which will have increased market power and be able to negotiate favourable deals from service providers and in turn offer competitive packages through their global distribution networks. Gullivers has established strong relationships with Sabre and Amex to insulate itself from the negative impacts of consolidation. Consolidation being undertaken by much larger global participants will restrict the future growth of Gullivers to a similar rate of growth as the New Zealand outbound travel market.

The value does not reflect the value of "special" benefits that may be attributed to S8 but does take into account the elimination of public listed company costs (as these can be eliminated by any acquirer of 100% of Gullivers). A discussion of potential special or "synergy" benefits available to S8 and the relevance (or otherwise) of the value of these benefits to a valuation of Gullivers is presented in section 6.1.

5.2 Methodology

Overview

Grant Samuel's valuation of Gullivers has been undertaken by aggregating the estimated market value of Gullivers' operating businesses together with the realisable value of nontrading assets. The value of the business has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The valuation of Gullivers is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Gullivers could be expected to trade on the sharemarket. Shares in a listed company normally trade at a discount to the underlying value of the company, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cashflows;
- discounting of projected cashflows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

Capitalisation of Earnings

Capitalisation of earnings or cashflows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cashflows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cashflow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cashflows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cashflow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between EBITDA, EBITA or EBIT is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of goodwill amortisation.

Selection of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
- strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used by valuers is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a "premium for control" to allow for the premium which is normally paid to obtain control through a takeover offer. This premium in terms of equity values (i.e. share prices) is typically in the range 20 to 35 per cent (but is lower based on ungeared values).

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20 to 35 per cent without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

Discounted Cashflow

Discounting of projected cashflows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. Discounted cashflow (**DCF**) valuations involve calculating the net present value of projected cashflows. The cashflows are discounted using a discount rate, which reflects the risk associated with the cashflow stream. Considerable judgement is required in estimating future cashflows and the valuer generally places great reliance on medium to long term projections prepared by management. In addition, even where cashflow forecasts are available for up to, say, ten years, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cashflow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, discounted cashflow valuations can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading.

Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cashflows, but in some industries rules of thumb can be the primary basis on which buyers determine prices.

Preferred Approach

Grant Samuel has adopted capitalisation of earnings as its primary valuation methodology to value Gullivers. A discounted cash flow valuation has also been undertaken as a check on the capitalisation of earnings valuation. The primary reasons why capitalisation of EBITDA was chosen are:

- it is apparent the majority of transactions undertaken in the sector have been constructed and negotiated with reference to multiples of EBITDA and EBITA;
- the implied multiples of EBITDA and EBIT from comparable listed companies and transactions in the sector are centred around a reasonably tight band; and
- a discounted cashflow valuation would require long term assumptions around volumes and commissions, both of which are becoming increasingly uncertain.

5.3 Assessment of Implied Multiples

Grant Samuel estimates the value of the Gullivers business to be in the range of $206.8 $239.5 million. This range implies the following multiples:

GULLIVERS – IMPLIED MULTIPLES

	Valuation Range	
	Low	High
Multiple of EBITDA		
Reported historical (year ended 31 March 2006)	8.1	9.2
Budget (year ending 31 March 2007)	7.0	8.0
Multiple of EBITA		
Reported historical (year ended 31 March 2006)	8.9	10.2
Budget (year ending 31 March 2007)	8.1	9.2
Multiple of net profit after tax		
Reported historical (year ended 31 March 2006)	13.5	15.6
Budget (year ending 31 March 2007)	12.3	14.2

The table shows multiples for Gullivers based on three measures of earnings. Earnings have been adjusted by adding back public listed company costs (directors' fees and expenses, listing fees, share registry, annual report, company secretarial etc) of $0.6 million on the basis that any acquirer of all the shares in Gullivers would be able to eliminate these costs. Grant Samuel considers this measure of earnings to be the most relevant in terms of assessing the value of 100% of the Gullivers business.

The following market evidence was considered in assessing the reasonableness of these multiples:

- acquisitions of travel services companies, particularly those involved in the travel and holiday bookings market; and
- multiples implied by the sharemarket prices of listed travel agency and travel services companies.

These multiples provide some further insight into the reasonableness of the value but need to be treated with some caution as the actual earnings of the business can vary substantially between companies and even within the same company over time.

There are not considered to be any New Zealand listed companies with operations closely comparable to those of Gullivers.

Transactions in the Travel and Tourism Industry

There have been a reasonable number of acquisition transactions in the New Zealand and Australian travel and tourism industries over the last few years as a consequence of the global trend of consolidation in the outbound travel industry. Grant Samuel regards these transactions as the primary benchmark against which to judge the valuation parameters for Gullivers. The following table sets out data on selected transactions for which data is available:

RECENT TRANSACTION EVIDENCE

Dates	Target	Acquirer	Transaction value (m)	EBITDA Multiple H	EBITDA Multiple F	EBITA Multiple H	EBITA Multiple F
New Zealand and Australia							
May 06	Gullivers	S8	NZ$239	9.2	8.0	10.2	9.2
Apr 06	Travelscene	S8	A$67	na	7.2	na	7.5
Mar 06	Transonic	S8	A$129	10.5	8.5	12.2	9.9
Oct 05	GO Holidays	Gullivers	NZ$23	6.8	6.0	na	na
Sep 05	Harvey World	S8	A$87	9.2	na	11.0	8.9
Nov 04	Gullivers	IPO	NZ$160	8.1	6.3	8.9	7.0
Apr 04	Transonic	IPO	A$58	8.5	6.1	10.5	7.1
Dec 99	Harvey World	IPO	A$37	9.4	na	10.1	na
Average (excluding Gullivers takeover)				*8.8*	*6.8*	*10.5*	*8.1*
International							
Apr 06	Navigant	Carlson Wagonlit	US$385	8.2	7.7	na	na
May 05	Lastminute.com	Sabre	£577	25.2	11.5	nm	na
Mar 02	Travelocity.com	Sabre	US$1,397	42.7	25.9	na	na

H = historical
F = forecast
Source: media reports, company announcements, annual reports and presentations.

The acquisitions in Australia and New Zealand show that substantially all transactions have occurred within a relatively tight range of EBITDA and EBITA multiples. The range of implied forecast EBITDA multiples from these transactions is broadly 6.0 -8.0 times, with an average of 6.8. The major international transactions are for significantly larger companies than Gullivers and being domiciled in major markets, understandably attract higher multiples. The valuation of Gullivers reflects implied multiples consistent with this evidence.

Brief descriptions of the transactions included above are provided in Appendix C.

Sharemarket Evidence

The following table sets out sharemarket evidence for a selection of stock exchange listed travel and tourism companies in New Zealand and Australia.

SHARE MARKET RATINGS OF SELECTED COMPARABLE COMPANIES						
	Market Cap	EBITDA Multiple[7]		EBITA Multiple[8]		
Company	(m)[6]	Historical	Forecast	Hisitorical	Forecast
Gullivers (pre-offer)*	NZ$170	6.5	5.7	7.2	6.6
S8	A$632	nm	9.1	nm	9.9
Transonic (pre-offer)**	A$103	8.6	7.0	9.9	8.2
Flight Centre	A$1,074	5.5	5.7	7.1	7.6
Jetset Travel	A$117	11.1	8.6	11.4	8.8
Average		*7.9*	*7.2*	*8.9*	*8.2*
Range		*5.5 - 11.1*	*5.7 - 9.1*	*7.1 - 11.4*	*6.6 - 9.9*

* share price on 26 May 2006;

** share price on 15 February 2006

The multiples were calculated using closing share prices on 25 July 2006 except where stated otherwise. Listed share prices, and therefore multiples, do not typically include a premium for control. Shares normally trade at a discount to the underlying value of the company as a whole. A description of each of the companies above is set out in Appendix D.

The multiples implied by the share prices of listed companies are varied, reflecting the differing sizes, geographic locations and activities of the companies. As examples, Flight Centre is primarily a retailer (and owns most of its stores) and Jetset is a dedicated franchised retail network as well as a small wholesaler.

5.4 Other Assets

Gullivers' other assets comprise:

GULLIVERS – OTHER ASSETS ($m)		
	Low	High
Warranty claim	3.5	7.0
Employee share options	2.9	2.9
Loans to third parties	0.5	0.5
Total	**6.9**	**10.4**

- The warranty claim represents the amount being claimed from the vendors of GO Holidays which was acquired in October 2005. The agreement for sale and purchase specified an agreed level of working capital on completion, which Gullivers contend was deficient by $7.0 million. An amount of $2.5 million of the purchase price is held in escrow. Based on legal advice received, Gullivers is confident of its entitlement to claim the amount of $7.0 million. For the purposes of this valuation Grant Samuel has adopted a range of $3.5 - $7.0 million;

6 Represents total market capitalisation including, where relevant, preference share capital convertible securities and unexercised options.

7 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before interest, tax, depreciation, amortisation (other than goodwill) and abnormal items.

8 Represents gross capitalisation divided by EBITA. EBITA is earnings before interest, tax, amortisation of goodwill and abnormal items.

- Gullivers has issued 1,820,000 employee options exercisable at a price of $1.60 per option at any time after 26 June 2006 subject to certain share price levels being achieved prior to that date. At the current share price of around $2.33 the options are in the money and it is reasonable to expect, in the ordinary course, they will be exercised. The value of the cash payment has been included in other assets and the number of shares on issue increased by 1,820,000; and
- Gullivers provides short term loans to some franchisees. These loans have been valued at their face value.

6 CONSIDERATION OF THE MERITS OF THE S8 OFFER

6.1 Merits of the S8 Offer

Grant Samuel has considered the following merits of the S8 Offer:

Value

- In Grant Samuel's opinion the full underlying value of Gullivers shares is in the range of $2.03 - $2.35 per share. The value is for 100% of Gullivers and includes a premium for control. The S8 Offer of $2.35 per share is at the top end of Grant Samuel's value range. The S8 Offer represents a premium of 41% to Gullivers closing share price of $1.67 on 26 May 2006, the day prior to announcement of the proposed takeover, and a premium of 29% to the volume weighted average price of $1.82 in the month prior to the announcement. The premium for control is at the higher end of the spectrum of premiums for control observed in successful takeovers of other listed companies in New Zealand and Australia.

Factors that will affect the outcome of the S8 Offer

- S8 is seeking to acquire a minimum of 50.01% of the Gullivers shares on issue. Mr Andrew Bagnall is the holder of 26.8% of the shares in Gullivers and has entered into a "lock-up" agreement under which he has committed to accept the S8 Offer in respect of his entire shareholding. If S8 is not successful in achieving the minimum acceptance level of 50.01% the S8 Offer will lapse. Under such circumstances S8 will acquire no shares from Andrew Bagnall or any other shareholder. S8 require acceptances in respect of a further 23.21% of the issued shares in Gullivers (in addition to the 26.8% held by Andrew Bagnall) to reach the minimum acceptance condition. This is equivalent to approximately one third of all the shares in Gullivers not owned by Andrew Bagnall;
- Monterrey and UBS Nominees have recently acquired shareholdings in Gullivers of 12.1% and 13.8% respectively. It is not known whether these parties intend to accept their shareholdings into the S8 Offer. Excluding the 26.8% owned by entities associated with Andrew Bagnall, over 50% of the issued shares in Gullivers are owned by the top 20 shareholders or custodians. The support or otherwise of the larger shareholders in relation to the S8 Offer may be instrumental in determining whether S8 achieves the minimum 50.01% unconditional threshold;
- Andrew Bagnall's shareholding and lock up agreement with S8 creates a significant impediment to an alternative offer. It is possible that an alternative and higher offer than the S8 Offer could be made for the shares in Gullivers. To achieve 100% ownership of Gullivers any new offer would require Andrew Bagnall to agree to sell his existing 26.8% shareholding in Gullivers. He is currently restricted from doing so under the terms of the lockup arrangement that he has entered into with S8;
- Gullivers has entered into a pre-bid agreement with S8. The key terms of the pre-bid agreement are that if a competing bid is made and becomes unconditional (i.e. the S8 bid is usurped for whatever reason), Gullivers will pay to S8 a break fee equivalent to 1% of the market capitalisation of Gullivers as at 26 May 2006, being $1.67 million. Gullivers has also agreed that while the S8 offer is live, it will not directly or indirectly solicit, initiate or encourage competing proposals. It is common under takeovers for the independent directors to solicit competing offers to ensure that the position of shareholders is maximised. Grant Samuel understands that, after taking independent advice, the company entered into the pre-bid agreement which prevents this happening under the S8 Offer. S8 has agreed to pay the equivalent break fee to Gullivers in the event the S8 Offer is not made, or if the S8 Offer is made and then withdrawn.

Potential outcomes

- it is generally accepted that a shareholding of around 40% or greater in a widely held public listed company such as Gullivers would give that holder control. The Takeovers Code stipulates that S8 cannot own a shareholding in Gullivers of between 20% and 50% except with the consent of non-related shareholders. Unless it receives acceptances sufficient to take its shareholding to a minimum of 50.01% its offer will lapse and S8 will not acquire any shares in Gullivers;
- if S8 is not successful in achieving the minimum acceptance level of 50.01% in Gullivers at its current offer price it may or may not choose to increase its offer. If S8 chooses to increase its current offer while the offer is still open the increased value will be available to all shareholders even if they have already accepted the $2.35 per share offer;
- in the event that S8 receives acceptances for greater than 50.01% of the shares it does not own, then S8 will acquire all shares that have been accepted into the Offer;
- if S8 achieves the 50.01% unconditional threshold but does not achieve the 90% compulsory acquisition threshold, then Gullivers will remain a listed company controlled by S8 with S8 owning the number of shares that were accepted into the S8 Offer. In these circumstances:
  - S8 will appoint new directors to the board of Gullivers, and depending on the level of its majority shareholding, will control the outcome of any ordinary resolution (50% of votes cast acceptance level) and possibly also any special resolution (75% acceptance level) put to shareholders. In these circumstances it is conceivable that S8 could use its control of the Board to bring its New Zealand and Australian businesses closer together and to utilise Gullivers' technology in Australia. Any transactions between S8 and Gullivers will be required to satisfy the requirements of the NZX Listing Rules with respect to transactions with related parties;
  - the liquidity of Gullivers shares will be adversely affected. The size of the total public pool of shareholders will reduce;
  - the attraction of Gullivers as a takeover target will be diminished. S8 is unlikely to accept an offer of less than $2.35 per share and arguably would seek to achieve a premium from a subsequent potential acquirer;
  - the Companies Act and NZX Listing Rules do provide some level of control on related party transactions and changes to a company's constitution, which are designed to afford protection to minority shareholders. These legislative controls may restrict S8's ability to maximise the benefit of its investment in Gullivers. As an example it is not likely to be possible to merge the head offices of S8 and Gullivers unless there was a full merger of the two companies;
  - S8 will be permitted to "creep" towards the 90% threshold over time by buying up to a further 5% per annum commencing 12 months after the current offer closes. It does not however have to wait 12 months to make another partial or full offer after the current offer closes;
- if, as a result of the S8 Offer, S8 secures 90% or more of the voting rights in Gullivers, S8 would have the right to, and is likely to, compulsorily acquire the remaining shares. The remaining Gullivers shareholders also have the right to sell their shares to S8, in which case S8 must purchase those shares. The price under both scenarios will be $2.35 if the current S8 Offer reaches the 90% threshold, or the increased offer price if the S8 Offer price is increased. The recent Rank Group Limited takeover for Carter Holt Harvey Limited saw two offers – one of $2.50 which secured 85.7% of the shares, followed by a separate, second offer which secured the remaining shares at a price of $2.75 per share;
- if S8 is successful in acquiring 100% of Gullivers, the company will be delisted. For those shareholders wishing to have an equity investment in the travel and tourism sectors the only other slightly comparable investment opportunities in New Zealand are Air New Zealand, Tourism Holdings and Southern Travel Holdings. Each of these companies is substantially different to Gullivers – Air New Zealand is an airline, Tourism Holdings is a transport and attractions company, and Southern Travel is a small inbound travel business;

- the Gullivers share price has traded at or below the S8 Offer price since the S8 Offer was announced. In the absence of actual and potential takeover speculation, the Gullivers share price is likely to be lower than the current share price. The volume weighted average share price over the six months prior to the Offer was $1.64.

Rationale for S8's Offer

- the acquisition of 100% of Gullivers is likely to be S8's preferred outcome. However, while it may be desirable there is no evidence that S8 must obtain 100% of Gullivers. S8 may be content to leave Gullivers as a listed company under its control. In Grant Samuel's opinion a number of the benefits to S8 from the acquisition of Gullivers could still be achieved if S8 acquired greater than 50% but less than 100%;
  - these include increased influence in the market as a result of increased scale. If the Gullivers Offer is successful, S8 will become the largest travel agency business in New Zealand. The expansion of wholesale operations through its series of acquisitions has provided S8 with an increased ability to sell its core accommodation products in the market, while the expansion of the retail operations (again through acquisition) is instrumental in driving growth in the wholesale business. The acquisitions provide increased scale and vertical integration of the company's business model. The benefits of greater scale include revenue growth, boosting volume based commission payments and bonuses from product suppliers, cost efficiencies, increased product and service offerings and cross-selling opportunities. A vertically integrated travel business model allows the capture of product margins and commissions at multiple levels of the supply chain and maximises the volume of product flowing through the wholesale business;
  - S8 will control a significant proportion of the retail sector in Australia and New Zealand if the takeover of Gullivers is successful, it will be well positioned to adopt the Gullivers wholesale model relatively early and substantially increase its wholesale revenue. Wholesale is the major source of Gullivers' earnings due largely to airline performance-based commissions. S8's very large retail business will be able to access not only Gullivers' south west Pacific product but also its domestic product.It is possible that Transonic will lose the outbound (to New Zealand) business from Air New Zealand Holidays if the S8 Offer is successful;
  - S8 is a large accommodation wholesaler in Queensland. Only 10% of Gullivers' Queensland accommodation packages are in S8 managed accommodation. A transfer of part of this business to S8 could significantly improve the occupancy of the S8 accommodation;
  - currently S8 through Harvey World Travel and Transonic is affiliated with Gallileo. Gullivers has formed a strong relationship with Sabre. It is not clear how the relationship with Sabre will evolve if the acquisition of Gullivers is successful, either in part (50.01%) or in full. The access to Sabre's technology and market power is important to Gullivers on a standalone basis. Whether S8 is willing or able to maintain this relationship is unclear particularly as the Gullivers/Sabre relationship has been forged by a strong personal relationship between Andrew Bagnall and Sabre senior management.

Potential Synergies

- it is not uncommon for takeover offers to include a sharing of the "synergy" benefits from an acquisition between the buyer and the seller. The extent of the sharing varies from transaction to transaction and is usually a function of the competition for the asset or the business in question. In this instance there are currently no competing bids. On 29 May 2006, S8 announced to the market its proposal to acquire Gullivers. The following statement by S8's Managing Director, Chris Scott, pertaining to expected or potential synergy benefits was included in the announcement:

  "...the merger would create a business with increased scale and more diverse revenue streams leading to a more competitive position in the travel industry marketplace. The key benefits from this proposal relate to Gullivers' leading position in the New Zealand market and include:

  – *A substantial increase in group buying power S8's annual total transaction value will exceed A$7.5 billion.*
  – *A significant increase in New Zealand guest nights in S8 resorts. (Currently less than 10% of the 120,000 room nights sold by Gullivers annually into the Queensland market involve S8 resorts).*
  – *The mergers of Gullivers' wholesale operations with those of Transonic Travel will give S8 a significant position within both the Australian and New Zealand markets leading to significant economies of scale.*
  – *Gullivers has an IT company with first class technology solutions which are industry specific and can be rolled out throughout the S8 network.*
  – *Gullivers has a significant online travel company (in conjunction with one of the world's leading global distribution system companies). When combined with Transonic's Best Flights and Harvey World Travel's TSA online business, the S8 portfolio of travel and travel related businesses will have a very significant online capability."*

  As indicated by the above, S8 is expecting to be able to realise substantial synergies from the proposed acquisition of Gullivers, most particularly in the form of increased buying power, economies of scale, cross-selling opportunities and the utilisation and integration of Gullivers' technology solutions and online business. The potential benefits from cross-selling of products is considered to be substantial including using the NZ business as a sale conduit for S8 resorts and hotels in Australia and the coordinated offering of holiday products and itineraries across New Zealand and Australia. S8 has not released any estimates of the above benefits or the degree to which they are believed to be achievable. Other potential synergies if S8 reaches 100% ownership of Gullivers are also likely to include:

  - elimination of public listed company costs;
  - reduction in corporate administration costs; and
  - elimination of duplicated functions.

  The extent to which S8 deems it necessary to "pay away" (i.e. pay Gullivers shareholders for) these unique benefits is essentially a question as to the relative bargaining position between S8 and Gullivers shareholders and whether or not any alternative offer arises. Gullivers is prevented from soliciting a higher offer and Andrew Bagnall has agreed to sell his 26.8% shareholding if the S8 Offer is made. These two agreements substantially reduce the likelihood of a competing bid. In the absence of a competing offer from an industry participant, shareholders' only leverage to try to extract a greater proportion of potential synergy benefits is to not accept the offer (recognising that this involves risks). Grant Samuel's valuation of Gullivers excludes any consideration of synergy benefits (except for savings in public listed company costs, which are available to all potential acquirers). This approach is consistent with general valuation practice where the valuation of a business normally:

  - includes synergies (such as cost savings) that are likely to be available to several of the potential acquirers on the grounds that they are likely to be "paid away" in a competitive bidding process; and
  - excludes synergies that are unique to a single acquirer on the grounds that even in a competitive bidding process there would be no need to pay more than a nominal amount greater than the next highest bid.

  If the anticipated synergies can be captured, the value of Gullivers to S8 may be higher than Grant Samuel's valuation of $2.03 - $2.35 per share.

Dividends

- the S8 Offer provides for the dividend payment of up to 10.538 cents per share without the price being amended. Gullivers paid its Final Dividend with respect to the year ended 31 March 2006 of 5.538 cents per share on 21 June 2006 and conditionally declared a Special Dividend of 5 cents per share on 5 July 2006 (the payment of the Special Dividend is conditional upon the S8 Offer becoming unconditional in all other respects). Following the payment of these dividends and the 7 July 2006 provisional tax Gullivers will have imputation credits of approximately $6.5 million which will be lost if S8 is successful in acquiring 50.1% of the shares on issue.

Options Holders

- holders of Gullivers options who wish to accept the S8 Offer can chose between two alternatives:
  - they can exercise the option by paying $1.60 for each and receiving Gullivers shares which can then be accepted into the S8 Offer; or
  - they can accept the $0.80 per option under the offer.

  The option value of $0.80 incorporates the proposed Special Dividend of 5 cents that will be paid to shareholders if the S8 Offer becomes unconditional. The offer price for the shares is $2.35 per share, which gives an intrinsic value for the option of $0.75 per option. Deloitte in the fairness opinion as between the classes of securities (shares and options) noted that there were potentially negative tax consequences from exercising the options as the difference between the exercise price of the option ($1.60) and the market price of the share (assumed to be close to $2.40 once the offer becomes unconditional) would be taxed as income in the hands of the option holder.

An investment in Gullivers

- in the event the S8 Offer is not successful Gullivers will remain a listed company with no change to its shareholder base. Shareholders should consider the outlook for Gullivers in the event the S8 Offer is not successful;
- as with any equity investment there are risks and opportunities associated with the markets in which the company operates. Gullivers has maintained investor appeal as the largest travel operator listed on the NZX, with a strong and well recognised retail presence in New Zealand through its various retail and corporate brands. Gullivers has made a number of incremental acquisitions in the New Zealand market but further large growth increments will be difficult to achieve. The risks associated with an investment in Gullivers include:
  - Gullivers' earnings are less likely to be impacted by disintermediation than travel retailers as the bulk of its earnings are generated from its wholesale and corporate travel businesses;
  - Gullivers impressive level of growth historically is not likely to be repeated for the foreseeable future due to forecast lower rates of growth in outbound travel and the very limited opportunities for growth by acquisition in New Zealand;
  - margins are being reduced across the sector globally as airlines seek to reduce costs. This trend is expected to continue. Gullivers' earnings are heavily dependent on airline performance-based commissions (as opposed to base commissions) which have to date been less impacted by airline cost cutting;
  - Gullivers provides investors with exposure to the New Zealand outbound travel market. The business produces strong cash flows and has historically shown very good levels of growth; and
  - with only limited acquisition opportunities in New Zealand Gullivers may in the absence of the S8 Offer seek to acquire travel businesses in Australia such as Jetset.

6.2 Acceptance or Rejection of the S8 Offer

Acceptance or rejection of the S8 Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

7 QUALIFICATIONS, DECLARATIONS AND CONSENTS

7.1 Qualifications

The Grant Samuel group of companies provides corporate advisory services (in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally), property advisory services and manages private equity and property development funds. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 350 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, CA, Simon Cotter, BCom, MAppFin, F Fin, Peter Jackson, BCom, CA, John Mandeno, BCom, Rory Burdon, BCom (Hons.) and Rachael Butler, BSc (Hons.). Each has a significant number of years of experience in relevant corporate advisory matters.

7.2 Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by Gullivers. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Gullivers. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

The time constraints imposed by the Takeovers Code are tight. This timeframe restricts the ability to undertake a detailed investigation of Gullivers. In any event, an analysis of the merits of the offer is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of Gullivers. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Gullivers. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cashflows of Gullivers prepared by the management of Gullivers. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cashflows for Gullivers. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Gullivers is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Gullivers, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Gullivers, other than as publicly disclosed.

7.3 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits and fairness of the S8 Offer. Grant Samuel expressly disclaims any liability to any Gullivers security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Target Company Statement issued by Gullivers and has not verified or approved any of the contents of the Target Company Statement. Grant Samuel does not accept any responsibility for the contents of the Target Company Statement (except for this report).

7.4 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Gullivers or S8 that could affect its ability to provide an unbiased opinion in relation to the S8 Offer. Grant Samuel had no part in the formulation of the S8 Offer. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the S8 Offer. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

7.5 Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Gullivers and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Gullivers and contained within this report is sufficient to enable Gullivers security holders to understand all relevant factors and make an informed decision in respect of the S8 Offer.

7.6 Declarations

Gullivers has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Gullivers has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Gullivers are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of Gullivers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7.7 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to security holders of Gullivers. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

Grant Samuel + Associates

GRANT SAMUEL & ASSOCIATES LIMITED

1 August 2006

APPENDIX A – FINANCIAL PROFILE OF S8

Financial Performance

The historical financial performance of S8 for the year ended 30 June 2005 is summarised below:

S8 – EARNINGS PROFILE (A$M)	
	30 June 2005
Sales Revenue	
Property management services	24.4
Holiday agency services	9.4
Other	0.6
Total sales revenue	**34.4**
Other income	32.1
Total revenue	**66.5**
EBITDA	**16.5**
Depreciation and amortisation	(1.6)
EBITA	**14.9**
Goodwill amortisation	(0.3)
EBIT	**14.6**
Net interest expense	(1.3)
Net profit before tax (before non recurring items)	**13.4**
Non-recurring items	13.6
Tax	(7.6)
Outside equity earnings	-
Net profit after tax	**19.4**

Source: Annual Report

The following points should be taken into consideration when reviewing the above table:

- the financial performance of S8 for the year to 30 June 2005 is not considered to be representative of the company's current or future financial performance. Since 30 June 2005, S8 has announced and completed the acquisition of Harvey World Travel, Transonic and Travelscene and has announced the acquisition of Gullivers. On the basis of year to date financial performance S8 is forecast to achieve revenue of approximately A$105 million and EBITDA of approximately A$28 million in the year ending 30 June 2006. Brokers' forecasts for S8 for the year to 30 June 2007, which assume full year contributions from each of Harvey World Travel, Transonic and Travelscene, are for revenue of approximately A$290 million and EBITDA of around A$65 million. These forecasts do not include the forecast earnings of Gullivers;
- FY05 other income represents proceeds from the sale of property management and letting rights (A$27.4 million), the sale of plant, property and equipment (A$4.1 million) and interest and dividend income (totalling A$0.6 million);
- FY05 non-recurring items represent the gain on sale of management and letting rights (A$9.8 million), the gain on sale of property, plant and equipment (A$1.3 million) and a taxation consolidation adjustment (A$2.5 million); and
- for the purposes of comparing the reported revenue of Gullivers with that of S8, it is important to note that in most instances, Gullivers recognises as revenue the gross transaction value of travel product sales in its financial statements, rather than only that portion representing its commission and fees. If reported under the IFRS standards for revenue recognition, Gullivers has estimated that its revenue for the year to 31 March 2006 would have been reported as being approximately NZ$75 million, rather than the NZ$608 million reported under current New Zealand financial standards.

Financial Position

The financial position of S8 as at 30 June 2005 and 31 December 2005 (Pro-forma, assuming 100% acquisition of Transonic and Travelscene) is summarised below:

S8 – FINANCIAL POSITION (A$000S)		
	Actual 30 June 2005	Pro-forma 31 December 2005
Current assets		
Cash and bank balances	29,938	27,898
Accounts receivable	6,124	92,460
Inventories	592	490
Other current assets	377	35,659
Total current assets	**37,031**	**156,507**
Current liabilities		
Payables and accruals	6,861	156,890
Borrowings	-	2,111
Other current liabilities	3,145	30,084
Total current liabilities	**10,006**	**189,085**
Non-current assets		
Property, plant and equipment	10,943	17,989
Equity investments	-	41,824
Intangible assets	28,194	272,733
Other non-current assets	9,923	5,598
Total non-current assets	**49,060**	**338,144**
Non-current liabilities		
Payables	-	4,383
Deferred tax liability	99	6,830
Borrowings	27,898	43,770
Other non-current liabilities	115	984
Total non-current liabilities	**28,112**	**55,967**
Net assets	**47,973**	**249,599**
Represented by:		
Share capital	26,873	221,290
Reserves	-	1,787
Retailed earnings	21,100	25,684
Minority interests	-	838
Total equity	**47,973**	**249,599**

Source: Annual Report, S8 Bidder's Statement in relation to the takeover offer for Travelscene.

APPENDIX B – GULLIVERS FY07 BUDGET ASSUMPTIONS

Principal assumptions in Gullivers' FY07 budget are:

- that there would be no materially adverse event impacting on the business such as hostilities, terrorism or other external events;
- that general economic conditions continue as at present;
- that the Calypso wholesale system utilised by Gullivers would continue to be rolled out and implemented in GO Holidays and Talpacific Holidays in Australia;
- that Atlantic & Pacific would integrate the business of American Express Business Travel into its operation from 1 July 2006;
- that there will be no regulatory or legislative change which affects the business operations;
- existing contractual, business and operating relationships with airlines and other key suppliers continue; and
- that there will be no change in the New Zealand or Australian tax regime, including no change to the existing company tax rate.

APPENDIX C – RECENT TRANSACTION EVIDENCE

Brief descriptions of the comparable transactions presented in section 5.3 are provided below:

- On 26 April 2006, S8 announced its intention to make a full takeover offer for all of the outstanding shares of Travelscene for cash plus share consideration of approximately A$67 million. Trading as Travelscene American Express, Travelscene is an independent travel agency network comprising more than 600 independent travel agencies including over 80 specialist corporate outlets, together holding an estimated 20% of the Australian retail travel market by turnover;
- On 6 March 2006, S8 announced its intention to make a takeover offer for all of the outstanding shares of Transonic in a cash plus share offer of A$1.40 plus one S8 share for each Transonic share held, representing a 21% premium over the Transonic share price on 15 February 2006 (the day prior to the announcement of a potential takeover). Transonic is a wholesale and retail travel business primarily servicing the Australian outbound travel market;
- On 3 October 2005, Gullivers announced an agreement to acquire GO Holidays, a vertically integrated travel services provider for $23 million. GO Holidays is engaged in travel wholesale, retail and online travel services and has operations in New Zealand, Australia and the UK. The businesses acquired included wholesale and retail operations and brands of GO Holidays, Travel Smart, travel.co.nz, Talpacific (NZ & Australia) and Harvey World Travel (NZ master franchise);
- On 5 September 2005, S8 announced an unconditional on-market takeover bid for all of the shares in ASX-listed retail travel agency and franchise company Harvey World Travel for cash consideration of A$1.85 per share. The offer price represented a 13% premium over Harvey World Travel's pre-offer share price (2 September 2005). The directors of Harvey World Travel recommended shareholders reject the offer as it was viewed as being inadequate and opportunistic. S8's bid was subsequently increased to A$1.92 on 14 September and then to A$2.05 on 16 September, at which point it was endorsed by the board of HWT. S8 expected to achieve substantial synergies from this acquisition however the amount of the expected synergies was not formally disclosed;
- Gullivers undertook an IPO in November 2004 and was listed on the NZX on 15 December 2005 at an issue price of $1.60 per share;
- Transonic (previously described) was floated on the ASX on 14 May 2004. Its shares were issued at A$2.15 per share;
- Harvey World Travel (previously described) was listed on the ASX on 1 December 1999 at A$1.00 per share; and
- On 27 April 2006, Carlson Wagonlit and Navigant announced a definitive agreement to merge the two companies through a cash takeover of Navigant for US$16.50 per share. The per share offer represented an equity value of Navigant of US385 million and was a 25% premium over the pre-offer closing share price. Navigant, trading as TQ3 Navigant, is the second-largest corporate travel management services provider in North America and has operations in 22 countries, including New Zealand and Australia. It serves corporate, government, military, leisure and meetings/conference customers. The merged group will be the largest business travel group outside of North America, with revenue of approximately US$1.7 billion from gross travel transacted of around US$26 billion;
- On 12 May 2005, lastminute.com Plc (**Lastminute**) and Sabre announced a recommended cash acquisition of Lastminute at £1.65 per share, to be effected by way of a scheme of arrangement between Lastminute and Travelocity Europe, a subsidiary of Sabre established for the purpose of the acquisition. Lastminute is Europe's leading travel and leisure website. It offers consumers last minute opportunities to acquire airline tickets, hotel rooms, package holidays, entertainment tickets, restaurant reservations and home delivery, specialty services, gifts and auctions;
- On 5 March 2002, Sabre made a takeover offer for the 30% of Travelocity.com Inc (**Travelocity**) that it did not already own for US$23 per share, later increased to US$28 per share. Travelocity is the world's largest online travel agency, offering travel products from more than 700 airlines, 50,000 hotels and major car rental and cruise line companies.

  In the year to 31 December 2001 it transacted gross travel bookings of US$3.1 billion. The high transaction multiples relative to other transactions summarised above are a function of Travelocity's successful online business model, profitability, leading market position, strong growth outlook and valuation multiples for online travel businesses generally. The business was also of substantial strategic interest to Sabre;

APPENDIX D – COMPARABLE LISTED COMPANIES

Brief descriptions of the listed companies presented in section 5.3 are provided below:

Gullivers

Multiples for Gullivers are based on the pre-offer closing share price of $1.67 on 26 May 2006.

S8

A description of S8 and the companies that it has acquired or is acquiring is provided in section 1.2. The forecast earnings of S8 assume the acquisition of 100% of Travelscene. They do not include the earnings of Gullivers or potential synergy benefits from the acquisitions of Transonic and Travelscene that have not been disclosed to the market. As such, the multiples at which S8 is currently trading may be overstated to the extent that the market is pricing in the potential synergy benefits of current acquisitions and the earnings of Gullivers.

Transonic

A profile of Transonic is provided in section 1.2. Multiples are based on Transonic's share price on 15 February 2006, being the day prior to the announcement of a potential upcoming takeover.

Flight Centre

Flight Centre is the largest travel agent in Australia. The company operates a global retail travel network consisting of over 1,000 company owned retail travel outlets and a network of over 200 travel businesses. It provides a wide range of travel products and services including packaged holidays, insurance, and airline, hotel, cruise, car, event and tour bookings. It operates throughout Australia as well as in New Zealand, South Africa, US, UK, Hong Kong and Canada.

Jetset

Jetset Travelworld Limited (**Jetset**) is a leading Australian travel agency business. The company operates a network of approximately 665 franchised retail travel outlets under the brands of Jetset and Travelworld. Revenue is derived from franchise fees as well as throughput commissions/bonuses from suppliers of travel products and services such as airlines, hotels, car rentals, tour operators, travel insurers and related wholesalers.

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