EideBailly
CPAs & BUSINESS ADVISORS

July 12, 2016

The Ownership Committee
Gray Line Worldwide
1835 Gaylord Street
Denver, CO 80206

Dear Committee Members:

At your request, we have read the Consolidated Statements of Comprehensive Income, Changes in Equity, Financial Position and Cash Flows and the related Notes to the Financial Statements as of April 30, 2016 and 2015 and for the years then ended (the "statements") of Intercity Holdings Limited and its subsidiaries ("Intercity Holdings Group") (the "entity"), as provided by Gray Line Worldwide (the "Company"). Intercity Holdings Group is an entity holding 100% ownership in two entities which in turn hold 100% ownership in multiple entities as outlined on page 15 in the Notes to the Financial Statements. Our observations below are at the consolidated level as reported on by the independent auditors.

We have the following observations:

- Revenues increased 15% from 2015 to 2016.

- Cost of sales represented 59% and 61% of revenues for the years ending April 30, 2016 and 2015, respectively.

- Operating expenses represented 27% and 30% of revenues for the years ending April 30, 2016 and 2015, respectively.

- Financing costs were 2% and 3% of revenues for the years ending April 30, 2016 and 2015, respectively.

- Net profit, after tax expense was 9% and 5% of revenues for the years ending April 30, 2016 and 2015, respectively. Net profit more than doubled from 2015 to 2016 increasing 108% year over year.

- Current assets represented 13% and 5% of total assets as of April 30, 2016 and 2015, respectively. Current assets increased significantly in 2016 in the areas of cash and trade and other receivables, accounting for the % increase as it relates to total assets. The majority of the increase in cash was due to cash generated from operations.

- Property, plant and equipment represented 30% and 33% of total assets as of April 30, 2016 and 2015, respectively. Per the financial statement notes, a commitment exists for the purchase of additional fixed assets in future periods. The majority of the property, plant and equipment held is vessels, 80% as of April 30, 2016. These vessels are being depreciated over useful lives of 8-25 years.

- Intangible assets represented 57% and 61% of total assets as of April 30, 2016 and 2015, respectively. The most significant amounts included in intangibles as of April 30, 2016 were goodwill (91% of the intangibles balance) and trademarks (8% of the intangibles balance). These two assets are not amortized as they are deemed to have an indefinite useful life, rather they are reviewed annually for impairment. No impairment of these intangibles has been recorded in 2016 or 2015.

- Current liabilities represented 50% and 41% of total liabilities as of April 30, 2016 and 2015, respectively. Of this amount, a large portion represents a borrowing facility established with a bank which is due on April 30, 2017, however, per the report, this is expected to be renewed. The bank debt is guaranteed by certain assets of the subsidiary entities.

- Shareholder loans are recorded as non-current liabilities and represent 55% and 56% of total liabilities as of April 30, 2016 and 2015, respectively. Approximately 75% of the balance outstanding is interest free. The remaining loan holds an interest rate of 8%.

- The current ratio, the ratio of current assets to current liabilities is 0.41 and 0.17 as of April 30, 2016 and 2015, respectively. This ratio indicates current assets are less than current liabilities. This is mostly due to the large bank loan which matures April 30, 2017 as noted above.

- Related party transactions consist of sales and purchases of goods and services from franchisees and can be seen in Note 22 to the financial statements.

Based upon our reading of the financial statements provided to us, our initial areas of concern are:

- The statements are presented as consolidated, thus, results by subsidiary or division cannot be determined.

- The current ratio is below 1.0, which indicates as noted above, the entity does not have sufficient current assets to meet its current obligations. However, as noted above, the large bank loan is recorded at a current liability as it becomes due within one year. Again, per the report, this loan is expected to be renewed.

- A large portion of the entity's total assets is represented by intangible assets which are non-monetary assets. Although there was no impairment as it relates to the intangibles in 2016 or 2015, future impairment could occur.

- Shareholder loans represent a significant liability to the entity.

Our observations are solely based on the limited information provided to us. We have not performed any audit or review procedures with respect to this or the underlying information.

This report is intended for the information of management, the Board of Directors, and the Ownership Committee of Gray Line Worldwide and should not be used for any other purpose.

Please contact us at 303-770-5700 if you have any further questions.

Sincerely,

Eide Bailly LLP

InterCity Group

July 15, 2016

The Ownership Committee
Gray Line Worldwide
1835 Gaylord Street
Denver, CO 80206

Dear Committee Members,

We refer to the letter presented to you from EideBailly of July 12, 2016, and note their initial areas of concern. Our responses are below:

"The statements are presented as consolidated, thus, results by subsidiary or division cannot be determined".

While we do have two main subsidiaries, we are essentially one entity under one management structure and the two operating subsidiaries consolidate up for reporting under the overall holding company. A large proportion of head office costs are not specifically allocated across specific subsidiaries. We consider that the consolidated reporting approach gives the most appropriate view of the state of the business.

"The current ratio is below 1.0, which indicates as noted above, the entity does not have sufficient current assets to meet its current obligations. However, as noted above, the large bank loan is recorded as a current liability as it becomes due within one year. Again, per the report, this loan is expected to be renewed."

As recorded in the notes to the financial statements, InterCity Group made a specific request to the Bank of New Zealand that our facility only be renewed for a one year period. This was done simply to retain flexibility while a proposal from an alternative bank for InterCity's business was considered. There are no foreseeable issues with being able to renew facilities at equal or more favourable terms.

We have no issues meeting any obligations to pay debts as they fall due. It should also be noted that InterCity Group holds a significant available and undrawn facility at 30 April 2016 of NZ$8.8m.

"A large portion of the entity's total assets is represented by intangible assets which are non-monetary assets. Although there was no impairment as it relates to the intangibles in 2016 or 2015, future impairment could occur."

These intangible assets relate to the acquisition of the businesses and brands which our company uses to generate significant revenues. In particular, the "InterCity" brand for our long distance passenger services is one of New Zealand's most recognised and trusted brands. All goodwill is subject to annual impairment testing and currently there is significant headroom between the valuation of the business and the combined value of tangible assets and goodwill. This is tested annually as part of the audit performed by Deloitte, for which they have provided an unqualified audit opinion on our financial statements prepared under New Zealand and International Financial Reporting Standards.

"Shareholder Loans represent a significant liability to the entity."

The Shareholders have provided loans to the business with the majority being classified as non-interest bearing long term loans. This loan has been in place since 2008. This method of funding was deemed the most suitable at the time. As such it is effectively quasi-capital, and very much treated as a long term obligation as share capital would be.

Our shareholders provide annual confirmation to our auditors, Deloitte, that the loans are not repayable. Our shareholders have been with the company since 1991 and are fully committed to the future, including the specific opportunity that the Gray Line business presents to us.

Yours sincerely,

John Thorburn
Chief Executive Officer

Nick Hurdle
Chief Financial Officer

InterCity Group (NZ) Ltd, Level 2, Building C, The Millennium Centre, 602 Great South Road Greenlane, Auckland, New Zealand. PO Box 26 601 Epsom
P + 64 9 583 5700 F + 64 9 583 5768 E info@intercitygroup.co.nz intercitygroup.co.nz