

## **Skyline Enterprises Limited.**

### **Six Monthly Review to Shareholders to September 2010**

Both our domestic and international properties have traded quite well over the winter months with Skyline Queenstown and Sentosa Luge in particular continuing to achieve an improvement in earnings over that of the preceding year.

#### **Skyline Queenstown**

Statistical comparisons are a little difficult due to limited closures over April- May for various capital works; nevertheless our Gondola numbers have increased marginally, luge rides have remained reasonably static and pleasingly there has been growth in our food and beverage activity (especially functions). Wage costs have come under some pressure, as well as other fixed expenses.

#### **Skyline Rotorua**

Whilst trading conditions have been a little more subdued (in line with the domestic economy), overall net earnings have been maintained.

#### **Accommodation Properties**

Both Blue Peaks in Queenstown and Mercure Leisure Lodge in Dunedin have maintained their respective market shares in an over supplied and competitive market place.

#### **Mont Tremblant – Quebec**

Whilst activity levels have been a little less than in the previous years, an improvement in yield and a good control over operating costs should result in net earnings being at least similar to the 2009 season.

#### **Sentosa Luge – Singapore**

This business continues to grow with the market origination moving towards the international visitor especially since the opening of the Resort World complex on the island.

Additional measures to improve capacity and enhance visitor appeal are currently under evaluation.

This will require some capital expenditure and the works are likely to commence mid 2011

#### **Commercial Properties**

These continue to perform well and although vacancies are minimal, rental growth is negligible.

#### **SkyCity Queenstown**

Business has tracked reasonably well over the winter months with a higher spend per customer in gaming, although food and beverage operations have been quieter due mainly to competitive pressures.

#### **Dunedin Casino**

Management initiatives have resulted in an improvement both to revenue and net earnings over the first part of the year.

### **Christchurch Casino**

It has been a challenging year so far with some high end play during the first few months negatively affecting the results.

Refurbishment of the Grand Cafe was completed close to the date scheduled, however the main impact to trading was the September earthquake where there was some damage mainly caused by the sprinkler heads being broken off. The property was closed for 5 days and subsequently management have noticed quite a few changes with visitor patterns. As anticipated, visitations are down as the City comes to terms with the effects of destruction and the extent of closed businesses. A highlight of the year so far has been the winning of the Supreme Award at the 2010 Tourism Industry Awards.

Shareholders may have noticed some recent media commentary from SkyCity noting their intentions to acquire the 50% shareholding in Christchurch Casinos Limited that they do not own. After due consideration, their offer was rejected and SkyCity advised accordingly.

By way of brief comment, Skyline has worked very hard to improve its relative holding in the Casino from a little over 30% when the property opened in 1994 to 50% today. The property has produced a strong dividend flow since inception and whilst there will always be challenges and unforeseen events, Skyline remains convinced that this is a strategic investment and one that fits very comfortably within its investment criteria.

### **The Balance of the Year**

There is a degree of cautious optimism within the industry as export receipts from tourism continue to improve. There have been some key changes in the market place with visitations from the UK and USA declining. Fortunately however growth from the Australian market has negated such effects to date. We do have to be very wary as to whether the momentum from that market can be maintained especially as the Australian domestic economy continues to improve and travellers seek out destinations further afield.

To date our net earnings are consistent with what we had anticipated although we do need to be mindful that it is over the next 4-5 months that really determine the extent of our year end results.

Finally on behalf of your Board, may I extend to Shareholders and their families our best wishes for the festive season and a safe and prosperous 2011.

Ken Matthews  
Chairman  
24<sup>th</sup> November 2010