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Six Monthly Review to Shareholders to September 2011

International holiday visitors to New Zealand continue to be less than in the preceding year which is not surprising given the correlation of arrival numbers to the relative economic wealth of source markets. Greater Europe appears to be teetering on the edge of recession whilst the United States grapples with debt levels of a magnitude that is difficult to put into perspective. Closer to New Zealand the Asian economy, especially China is predicted to grow, but perhaps with not the same momentum. Our Australian market, which annually makes up nearly 45% of all holiday visitors to our shores, is anticipated to produce minimal growth. In fact the Ministry of Economic Development most recent forecasts include the somewhat gloomy prediction that international visitor numbers in 2013 will be 5% less than their own forecasts published a year ago. Only the likes of China, Singapore and India are anticipated to produce growth over that period.

Our currency does not appear to be a major deterrent to travelling to New Zealand; however it does impact on the extent of expenditure whilst here. We are certainly noticing that, as the average spend per head trends downwards. On a positive note our economy however is predicted to grow over the next 18 months in contrast to many others.

As far as our individual properties are concerned then we can comment as follows:

Skyline Queenstown
A decline in both gondola and dining numbers for the six months has resulted in overall revenue being 6% less than in the same period in the preceding year. The relatively few Rugby World Cup visitors to Queenstown did boost luge activity however, and by the half year ride numbers had improved by 11% over 2010.

Skyline Rotorua
Trading activity is close to that achieved last year despite a reduction in international arrivals from Japan and Korea. Domestically the market has been sound which has certainly been pleasing given the somewhat weak summer season.

Mercure Leisure Lodge
Of all our properties the Mercure Leisure Lodge appeared to benefit the most from the impact of the Rugby World Cup and given a reasonable summer operating season we anticipate a very good year end result.

Blue Peaks Lodge and Apartments
Occupancy is less than in 2010 and a month on month decline of around 10% has been recorded. The late ski season did not appear to attract those visitors whose earlier intentions were frustrated.

Mont Tremblant – Quebec
This season closed in early October with luge ride numbers slightly improved over last year. In the operating environment this is regarded as a good result and with management initiatives an outstanding accident to ride ratio has been achieved.

Sentosa Luge – Singapore
Overall revenue for the six months has improved by just over 10% on last year. An increase in luge rides sold of around 5% is significant given that inbound visitor numbers into Sentosa remain just a little less than in 2010. Previously identified capacity alternatives remain under evaluation.

Commercial Properties
Some growth in rentals has been achieved and aside from designated office space, other vacancies are minimal. Although sales activity in Queenstown has been quiet, capitalisation rates remain low, indicative of relative demand.

Sky City Queenstown
Whilst visitor numbers are reduced, the spend per head has improved as a result of new products and successful promotions.

Dunedin Casino

This property is trading very well due to effective management controls and year end profitability is anticipated to show a significant improvement over 2010.

Christchurch Casino

As imminently predictable, trading remains difficult and whilst visitor numbers over weekends and public holidays have remained at good levels, business can be quiet through the week. The destruction within the adjacent area means that the Casino is a destination rather than an additional or alternative entertainment option within what was once a vibrant city.

Recent media commentary suggests that it will be 2014 before there is any number of construction cranes across the Christchurch skyline, hence the difficulty in identifying the time to be taken to effect, not only the rebuild, but the restoration of visitor confidence as well.

Totally Tourism

The purchase of this umbrella company including Glacier Helicopters was settled on August 31st 2011 as anticipated. The ownership transition is progressing well and the appointment of a new General Manager and a Marketing Manager (both former Skyline Queenstown Managers) have been confirmed. Opportunities for growth as well as various cost containment measures are already under review and it is pleasing to note the level of enthusiasm that this purchase has engendered amongst Company and industry personnel.

Calgary Luge

The appropriate agreements in order to establish a Summer Luge in Calgary, Alberta have been executed and planning is underway in order to commence construction in May 2012. The intention is to have the facility operating by late August in the same year.

Management Changes

Primarily as a result of the purchase of Totally Tourism we have been able to effect a series of new appointments amongst our senior management personnel and each involving a progression to a position involving wider responsibilities.

The Company is delighted to have been able to provide the opportunity for advancement for our growing complement of experienced and competent managers.

The Balance of the Year

Our assessment of net earnings to September (and setting aside Christchurch Casino) indicates that they are at a level consistent with the previous year. Whilst that is encouraging we do have to be mindful that seasonal factors account for around 60% of our earnings to occur in the last six months of the year. We do know that post September the market has been quieter, and we do not envisage any recovery in both gondola and dining numbers, as examples, at our properties in Queenstown and Rotorua. Both entities are traditionally substantial contributors to the Groups overall result.

A backdrop of economic uncertainty (especially on the international front), changing travelling patterns and visitor mix provide the industry with significant challenges in the medium term. Whilst Shareholders can be comforted that the Company is reasonably well placed to adapt to a changing environment it would be unrealistic to expect that we are immune from influences quite outside of our control. Nevertheless both Management and the Board remain committed to maximising all opportunities .

Finally on behalf of the Board may I extend to Shareholders and their families our very best wishes for the festive season and a safe 2012.

Ken Matthews
Chairman
30th November 2011