

KINGSGATE  
INTERNATIONAL  
CORPORATION  
LIMITED



*I n t e r i m   R e p o r t*  
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## Chairman's Review

### ● FINANCIAL PERFORMANCE

The Directors of Kingsgate International Corporation Limited ("KIC") announce an unaudited operating profit after tax of \$5,543,000 for the six months ended 30 June 2002. This represents a 64% increase on the equivalent period in the previous year. Earnings per share was 1.41 cents (2001: 0.86 cents) and total operating revenue was \$25,026,000, (2001: \$35,077,000). Revenue included a \$5,588,000 (2001: \$15,610,000) contribution from the sale of residential apartments. Excluding the residential apartment sales, revenue from normal operations was up 2.4 % during this six month period. Unfortunately, however, the increase was lost in exchange rate variances caused by the strengthening NZD against the AUD.

Shareholders' funds as at 30 June 2002 totalled \$143,519,000, which was a 3% decrease from that as at 31 December 2001. The net tangible asset value as at 30 June 2002 was 36.5 cents per share (2001: 35.5 cents).

### ● MILLENNIUM HOTEL SYDNEY

The Millennium Hotel Sydney recorded revenue of \$8,733,000 during the first six months of the year, which was a 3.0% decrease over the same period the previous year. Room revenue had a slight decline of 1.0% whilst Food and Beverage revenues improved by 3.3% during the period. By implementing cost cutting measures, management was able to increase the Hotel's net operating profit by 22%.

The Hotel's average occupancy during the first six months of the year was 78 %. This compares favourably with our immediate market competitors who averaged 76 % . Although occupancy was down on last year (82%), the Hotel was able to increase its revenue stream by increasing its Average Room Rate by 5%. This once again compares very favourably with our immediate market competitors who averaged a 7% fall in their Average Room Rates, due mainly to the intense competition in the Sydney hotel market. During June, the World Cup Soccer finals in Japan and Korea had a negative impact on the number of inbound international visitors to Sydney, especially from our core Asian markets.

Management is forecasting slightly higher occupancy and increased yields over the second half of the year.

### ● KINGSGATE SHOPPING CENTRE

The Kingsgate Shopping Centre located at the Hotel continued its improved performance during the period under review. Total revenue for the first six months of this year was 4 % higher than in the previous year, partly due to additional income from the Coca Cola signage. Shopping centre expenses were reduced by 15% over the same period, resulting in a net profit increase of 11% on last year's result. Average occupancy at the centre was down slightly from 81% at June 2001 to 78% at June 2002.

● **BIRKENHEAD POINT SHOPPING CENTRE**

For the six months ended 30 June 2002, the Birkenhead Point Shopping Centre reported a satisfying 10% increase in gross revenue compared to last year. Occupancy in retail space averaged 98% (2001: 96%) and the average rental rate per square metre increased by 6 % over the previous year. Demand for office space at the centre has slowed and options for conversion are being considered. Occupancy of available office space averaged 81% compared to 80% the prior year.

The Shopping Centre encountered some unavoidable expenses during the period under review. Major electrical and plumbing / water supply repairs contributed to increased repairs and maintenance costs (up 22%). Insurance premiums rose by 128% compared to the prior period. This was an unfortunate consequence of the September 11 tragedy. However, due to cost reductions in other areas, the shopping centre was still able to achieve a 7% increase in net operating profit compared to the same period last year, and continues to be a major contributor to group operating profits.

● **BIRKENHEAD POINT MARINA**

Casual berthing revenue earned during the summer months was the main contributor to increased marina revenues, which were up 4% for the period under review. Marina expenses were reduced by 5% during the same period, netting an excellent operating profit increase of 17% for the six months ended 30 June 2002.

Refurbishment of the marina commenced in April 2002 and is progressing satisfactorily. Completion is expected by the end of August 2002. During construction, availability of berths has understandably been reduced. However, we have been able to maintain our core revenue stream by manoeuvring the vessels and by staging of the works process. When completed, operating expenses will naturally decrease and it is expected that the new marina will attract increased berthing fees in line with the high market demand for berthing in the Sydney Harbour area.

● **BIRKENHEAD QUAYS PROJECT**

With the exception of two apartments, all other units in the Stage II development of Birkenhead Quays have now been sold. Building approval was received from Council for the construction of a further 24 units in Stage III. However, the board has since resolved to sell this piece of land (together with the approved plans). The sale to another developer has taken place with an exchange of contracts on 29 July 2002 and settlement requirements to be fulfilled once the land subdivision is completed.

● **OUTLOOK**

The outlook for the second half of the year is challenging.

The inability to sustain growth in the Sydney hotel sector is now being addressed by the board, which is looking at options to convert part of

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the Hotel property into residential apartments. Various conceptual plans have been drawn for the Millennium Hotel Tower as the Company considers its options. The Kingsgate Shopping Centre and associated carpark will continue to be operated by the Company.

Our retail business faces many challenges in the second half with a few of our major tenants vacating in June and July. Management is negotiating fresh leases, which could result in some major retailing brands coming to Birkenhead Point Shopping Centre. The launch of our new TV marketing campaign from August through December should also strengthen the Shopping Centre's image among Sydney consumers.

By the year end, we expect to finalise the sale of the remaining two unsold apartments in Stage II of the Birkenhead Quays project, and the sale of the land that was allocated for Stage III.

Barring unforeseen circumstances, the Directors anticipate a satisfactory second half year result.

**J Wilson**  
Chairman  
8 August 2002

## **Corporate Directory**

### **Board of Directors**

J Wilson, Chairman  
SG Ho  
CHL Ho  
HR Wong  
VWE Yeo  
JM Tsang  
J Henderson

### **Group Company Secretary**

First Admiral (retired)  
K Arasaratnam

### **Share Registrar**

Computershare Registry  
Services (NZ), Auckland

### **Auditors**

KPMG, Auckland

### **Registered Head Office**

Level 13, 280 Queen Street  
PO Box 5640, Wellesley St  
Auckland  
Telephone (09) 913 8002  
Facsimile (09) 913 8051

### **Centre Management Office**

Birkenhead Point Shopping Centre  
Roseby St, Drummoyne  
NSW 2047  
PO Box 272,  
Drummoyne, NSW 1470  
Telephone (02) 9181 3922

## Consolidated Statement of Financial Performance

For the Half Year Ended 30 June 2002

	Unaudited 6 months to 30/6/02 \$NZ'000	Unaudited 6 months to 30/6/01 \$NZ'000
<b>OPERATING REVENUE</b>		
Sales Revenue	24,948	34,666
Other Revenue	78	411
<b>Total Operating Revenue</b>	<b>25,026</b>	<b>35,077</b>
<b>Net Profit Before and After Taxation</b>	<b>5,543</b>	<b>3,379</b>
<b>DETAILS OF SPECIFIC RECEIPTS /OUTLAYS, REVENUES/EXPENSES</b>		
Interest Revenue	78	411
Interest Expense	(1,671)	(3,427)
Depreciation	(787)	(684)
<b>Earnings (in Cents) per Ordinary Share</b>	<b>1.41</b>	<b>0.86</b>

**Taxation** – the Group taxation losses available for utilisation against taxable profits in Australia have now been fully utilised. Subsequent taxable profits in Australia will require a provision for taxation expense.

## Consolidated Statement of Financial Position

As at 30 June 2002

	Unaudited 6 months 30/06/02 \$NZ'000	Audited Year 31/12/01 \$NZ'000	Unaudited 6 months 30/6/01 \$NZ'000
<b>CURRENT ASSETS</b>			
Cash and Term Deposits	1,863	3,810	7,833
Receivables and Prepayments	5,469	7,335	14,993
Inventories	194	201	214
Development Property held for resale	4,656	7,257	28,584
<b>Total Current Assets</b>	<b>12,182</b>	<b>18,603</b>	<b>51,624</b>
<b>NON-CURRENT ASSETS</b>			
Investment Properties	109,226	114,729	113,038
Development Property held for resale	-	1,725	-
Property, Plant and Equipment	78,060	84,002	85,785
<b>Total Non-Current Assets</b>	<b>187,286</b>	<b>200,456</b>	<b>198,823</b>
<b>Total Assets</b>	<b>199,468</b>	<b>219,059</b>	<b>250,447</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	5,298	5,854	30,458
Provisions	686	657	-
<b>Total Current Liabilities</b>	<b>5,984</b>	<b>6,511</b>	<b>30,458</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	49,965	64,582	80,195
<b>Total Non-Current Liabilities</b>	<b>49,965</b>	<b>64,582</b>	<b>80,195</b>
<b>Total Liabilities</b>	<b>55,949</b>	<b>71,093</b>	<b>110,653</b>
<b>Net Assets</b>	<b>143,519</b>	<b>147,966</b>	<b>139,794</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	162,931	162,931	162,931
Revaluation Reserve	7,836	7,836	4,994
Other Reserves	(2,919)	7,070	9,176
Accumulated Losses	(24,329)	(29,871)	(37,307)
<b>Total Shareholders' Equity</b>	<b>143,519</b>	<b>147,966</b>	<b>139,794</b>

## Consolidated Statement of Cash Flows

For the Half Year Ended 30 June 2002

	Unaudited 6 months to 30/6/02 \$NZ'000	Unaudited 6 months to 30/6/01 \$NZ'000
<b>CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Receipts from Customers	26,099	102,591
Interest Received	78	411
	<u>26,177</u>	<u>103,002</u>
<i>Cash was applied to:</i>		
Payments to Suppliers and Employees	(12,496)	(38,369)
Interest Paid (Including Capitalised Interest)	(1,671)	(3,427)
	<u>(14,167)</u>	<u>(41,796)</u>
<b>Net Operating Cash Flows</b>	<b>12,010</b>	<b>61,206</b>
<b>CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>		
<i>Cash was applied to:</i>		
Cash Paid For the Purchase of Fixed Assets	(3,367)	(1,177)
	<u>(3,367)</u>	<u>(1,177)</u>
<b>Net Investing Cash Flows</b>	<b>(3,367)</b>	<b>(1,177)</b>
<b>CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Borrowings	-	-
	<u>-</u>	<u>-</u>
<i>Cash was applied to:</i>		
Repayment of Borrowings	(10,337)	(54,877)
	<u>(10,337)</u>	<u>(54,877)</u>
<b>Net Financing Cash Flows</b>	<b>(10,337)</b>	<b>(54,877)</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>(1,694)</b>	<b>5,152</b>
Cash At Beginning of Half Year	3,810	2,703
Exchange Rate Adjustment	(253)	(22)
<b>Cash At End of Half Year</b>	<b>1,863</b>	<b>7,833</b>

## Reports for Industry and Geographic Segments

Segment Information for the six months ended 30 June 2002

### A) INDUSTRY SEGMENTS \$NZ'000

	Hotels		Property		Consolidated	
	2002	2001	2002	2001	2002	2001
Segment revenues	8,733	9,001	16,293	26,076	25,026	35,077
Segment result	804	662	7,740	7,964	8,544	8,626
Corporate expenses					(543)	(1,136)
Depreciation					(787)	(684)
Interest expenses					(1,671)	(3,427)
Total unallocated expenses					(3,001)	(5,247)
Profit/(Loss) before tax					5,543	3,379
Segment assets	80,522	89,475	118,946	160,972	199,468	250,447

### B) GEOGRAPHIC SEGMENTS

The Group operates primarily in Australia.

## Issued and Quoted Securities

As at 30 June 2002

393,180,992 Ordinary Shares