INTERIM PROFIT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2000

- Revenues up 11% to R1,4 billion
- EBITDA up 19% to R370 million

KERSAF Investments Limited

Kersaf Investments Limited
(Registration number 1967/007528/06)

- Headline earnings of R111 million in line with last year
- Three new casinos opened in South Africa

GROUP INCOME STATEMENT

	Six months ended 31 December 2000 Reviewed Rm	% change	Six months ended 31 December 1999 Reviewed Rm	Year ended 30 June 2000 Audited Rm
Revenue	1 384	11	1 244	2 572
Direct costs	(624)		(569)	(1 155)
Gross profit	760	13	675	1 417
Indirect costs	(390)		(363)	(746)
EBITDA*	370	19	312	671
Depreciation and amortisation	(108)		(86)	(194)
Property rentals	(19)		(22)	(42)
Exceptional items	(116)		(9)	(190)
Profit from operations	127		195	245
Foreign exchange profits	3		7	19
Interest received	31		69	80
Operating profit	161		271	344
Interest paid	(35)		(51)	(61)
Share of associate company profits				
– normal	25	(36)	39	109
– exceptional	(480)		(8)	57
(Loss)/profit before taxation	(329)		251	449
Taxation	(80)		(70)	(166)
(Loss)/profit after taxation	(409)		181	283
Minority interests	103		(58)	(96)
(Loss)/earnings attributable to ordinary shareholders	(306)		123	187

*Earnings before interest, taxation, depreciation and amortisation

	2000	1999	2000
Number of shares (000's)			
– in issue	88 950	88 650	88 650
– for EPS calculation	88 676	88 650	88 650
– for fully diluted EPS calculation	89 678	88 660	89 080
Earnings per share (cents)			
– headline earnings per share	125	125	266
– basic (loss)/earnings per share	(345)	139	211
Fully diluted earnings per share (cents)			
– headline earnings per share	124	125	265
– basic (loss)/earnings per share	(341)	139	210
Interest cover (times)	8	5	9

Determination of headline earnings	2000	1999	2000
Attributable (loss)/earnings per the income statement	(306)	123	187
Exceptional items	116	9	190
Pre-opening expenses	91	36	77
Goodwill	10	14	22
Net write downs due to sale and closure of operations	15	(41)	68
Downsizing and restructuring costs	–	–	15
Investment written down	–	–	21
Profit on disposal of interest in subsidiaries	–	–	(8)
Indirect taxation claims relating to prior years	–	–	(5)
Associate companies' exceptional items	480	8	(57)
Pre-opening expenses	14	5	7
Goodwill	3	3	6
Share tender and aborted leveraged buyout costs	–	–	10
Desert Inn termination costs	–	–	16
Profit on Paradise Island land sales	(12)	–	(96)
Loss on sale of Atlantic City	475	–	–
Taxation relief on the above items	-	–	(14)
Minority interests in the above items	(179)	(29)	(70)
Headline earnings	111	111	236

DIVISIONAL EARNINGS ANALYSIS

	Six months ended 31 December 2000 Reviewed Rm	Six months ended 31 December 1999 Reviewed Rm	Year ended 30 June 2000 Audited Rm
Sun International Inc	100	74	152
Sun International South Africa	41	33	61
Other southern African activities	19	20	34
Management activities	32	23	34
Sun International Hotels	21	22	78
Ster Century Europe and Middle East	(17)	(7)	(20)
Central office costs and other	4	1	4
20% minority stake*	–	(18)	(39)
City Lodge	10	9	18
Kersaf central office and other	1	28	66
	111	111	236

This analysis represents the Kersaf share of headline earnings and excludes the impact of exceptional items (normal and associate).

*Effective 30 June 2000, Kersaf acquired the 20% minority stake in Sun International Inc for R425 million. The R18 million in the 1999 period represents the earnings attributable to this minority stake and has been separately reflected so as to enable more meaningful comparison of the divisional earnings.

GROUP BALANCE SHEET

	31 December 2000 Reviewed Rm	31 December 1999 Reviewed Rm	30 June 2000 Audited Rm
ASSETS			
Operating assets and investments			
Operating assets	4 931	3 412	3 795
Goodwill	75	170	78
Investments and loans	1 853	1 927	2 046
	6 859	5 509	5 919
Current assets			
Deposits and cash	226	612	200
Accounts receivable and other	515	595	552
	741	1 207	752
Total assets	7 600	6 716	6 671
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	2 593	2 641	2 744
Outside shareholders' interests	1 547	1 937	1 568
	4 140	4 578	4 312
Non-current liabilities			
Borrowings	2 180	962	1 231
Deferred taxation	432	386	430
	2 612	1 348	1 661
Current liabilities			
Borrowings	211	5	67
Accounts payable and other	637	785	631
	848	790	698
Total liabilities	3 460	2 138	2 359
Total equity and liabilities	7 600	6 716	6 671
Return on ordinary shareholders' equity (%)	11	9	9
Borrowings to total shareholders' equity (%)	58	21	30
Net asset value per share (Rand)	29,15	29,79	30,95
Capital expenditure	1 277	467	1 143
Capital commitments			
– contracted	600	586	1 439
– authorised but not contracted	1 038	1 375	1 128
Market value of listed investments	1 429	970	1 138
Directors' valuation of unlisted investments and loans	340	202	290
Total valuation of investments and loans	1 769	1 172	1 428

GROUP CASHFLOW STATEMENT

	Six months ended 31 December 2000 Reviewed Rm	Six months ended 31 December 1999 Reviewed Rm	Year ended 30 June 2000 Audited Rm
Cash generated by operations before:	350	307	641
Working capital changes	61	(143)	(211)
Pre-opening expenses	(91)	(36)	(77)
Cash generated by operations	320	128	353
Investment income	31	69	89
Interest expense	(35)	(51)	(61)
Taxation paid	(58)	(100)	(128)
Dividends paid	(35)	(90)	(120)
Cash retained from/(utilised in) operating activities	223	(44)	133
Cash utilised in investing activities	(1 354)	(587)	(1 785)
Cash realised from investing activities	7	15	53
Net cash inflow from financing activities	1 136	202	743
Translation gains on cash balances	14	4	34
Increase/(decrease) in cash balances	26	(410)	(822)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares and share premium Rm	Retained earnings Rm	Foreign currency translation reserve Rm	Total Rm
Balances at 30 June 2000	527	1 602	615	2 744
– Share issue	8	–	–	8
– Losses for period to 31 December 2000	–	(306)	–	(306)
– Dividends paid	–	(27)	–	(27)
– Foreign currency translation adjustment	–	–	174	174
– Transfer from foreign currency translation reserve to retained earnings	–	131	(131)	–
Balances at 31 December 2000	535	1 400	658	2 593

COMMENTARY

EARNINGS AND DIVIDEND

Trading conditions in South Africa were difficult during the period under review. The negative perceptions created by events in Zimbabwe, HIV/Aids and the cholera outbreak as well as continuing high levels of crime have impacted negatively on economic confidence and particularly on international tourism to the region. The opening of permanent casinos by competitors in Gauteng during the second quarter diluted the revenues of Sun International's three casinos catering to this market. This impact was more than offset by the opening of the Boardwalk casino in Port Elizabeth and GrandWest casino in Cape Town during the period.

The group's headline earnings per share was in line with last year at 125 cents. The improved profitability attributable to the management and ownership of the new casino properties in South Africa was offset by disappointing trading by Ster Century Europe. The divisional analysis has been presented so as to assist comparison by reflecting the impact of the 20% minority stake in Sun International Inc acquired by Kersaf effective 30 June 2000. This additional 20% holding diluted earnings by 4% during the period under review although the transaction will be significantly earnings enhancing in the future.

Revenues for the period of R1 384 million were 11% higher, with the higher margin gaming revenues 17% above last year. Tight cost controls and a significant increase in management fee income resulted in EBITDA increasing 19% to R370 million. Depreciation charges increased by 26% as a result of the commissioning of the new casinos. Net interest paid of R4 million during the current six month period compares to the R18 million net interest earned in the corresponding prior period. This was as a consequence of the funding of the new casinos together with the R425 million acquisition of the minority stake in Sun International Inc. Normal associate earnings declined by 36% to R25 million primarily as a result of higher losses by Ster Century Europe. A R10 million higher taxation charge in the current year reduced headline earnings to R111 million, in line with last year.

The group incurred a number of exceptional charges during the period, the most significant of which were the pre-opening expenses relating to the commissioning of the new casino properties and the loss on the sale of the Resorts Hotel Casino in Atlantic City by the group's associate Sun International Hotels Limited.

In line with the previous announcement to shareholders and given the significant ongoing investment programme in the group, no dividends will be declared for the 2001 financial year.

OPERATIONAL REVIEW

Sun International South Africa's results for the period reflects the impact on profitability of the new permanent casinos in Gauteng and the poor conditions in the hotel and resort industry in South Africa offset by the trading from the recently opened Boardwalk and GrandWest casinos. Group revenues were 12% higher, with gaming revenues 18% up and hospitality revenues in line with last year. Average room occupancy at 65% was two percentage points below last year with the flagship Sun City resort down one percentage point to 74%. The improvement in gaming revenues can be attributed to the Carnival City permanent casino trading for the full six months compared to three months in the prior year, the opening of the Boardwalk casino (three months trading) and the GrandWest casino (two weeks trading). Revenues at both the Carousel and Morula Sun declined following the opening of the new casinos in Gauteng. Margins improved as a result of the increase in gaming revenues with a 16% increase in EBITDA to R275 million. Despite the increased capital charges arising on the new projects, headline earnings were 22% higher at R96 million.

The Boardwalk casino was opened in October 2000 followed by the retail component in December 2000, at a total capital cost of R428 million. The GrandWest casino was opened well ahead of schedule on 19 December 2000, at an estimated final capital cost of R1,45 billion. Both casinos have traded well to date and the response from the public has been positive. The Sugarmill temporary casino located near Durban was opened officially on 1 February 2001 at a capital cost of R200 million. Construction on the permanent Sibaya casino and resort at Umdloti is scheduled to commence in 2002. The group was recently awarded a licence for its Meropa casino project at Pietersburg. It is intended to commence construction of both this R200 million project and the R120 million Flamingo casino at Kimberley during the final quarter of this financial year.

Other southern African operations experienced subdued trading with revenues increasing by 4% and EBITDA by 8% to R41 million. Higher taxation charges resulted in headline earnings being in line with last year. Construction of the US$56 million two-hotel project at Victoria Falls in Zambia is nearing completion with opening planned for May 2001. Attributable losses during the initial trading period are anticipated to be higher than originally forecast in light of the current situation in Zimbabwe and the resultant negative perceptions of the region in international tourist markets.

Management activities generated earnings 42% higher primarily due to contributions from the new casinos and the increased project fees earned on the major projects that were under way during the period.

Sun International Hotels Limited's headline earnings for the six month period were down 26% in US Dollar terms due to the depressed gaming revenues at the Atlantis resort on Paradise Island during the last quarter and the reduced income from the Mohegan Sun arising from the new fee arrangements which became effective 1 January 2000. Earnings as reported in SA Rands showed only a 6% decline on last year due to the significant depreciation of the SA Rand.

Ster Century Europe trading was disappointing over the period with losses attributable to Kersaf amounting to R15 million. This result was due to new sites generally taking longer than anticipated to establish themselves, the poor film product on offer and Euro currency weakness. Since July 2000, Ster Century Europe has opened a further six cinema complexes in Poland, Greece, Czech Republic and Slovakia bringing the total now trading to 14. The sale process continues in line with the group's stated objective of disposing of its non core assets.

City Lodge experienced improved trading conditions with revenues up 12% and attributable earnings up 11%. Average room occupancies increased five percentage points to 74%. Aggressive sales, marketing and pricing strategies resulted in a small decline in operating margins. The prospect of a marginally improving hotel industry market and an anticipated firming of room rates across the industry, together with the opening of three new hotels, should positively impact earnings in the second half.

BALANCE SHEET

Major investment expenditure during the period under review was R662 million on the GrandWest project, R248 million at the Boardwalk, R156 million on the Sugarmill casino, R115 million on the Victoria Falls development and R63 million to fund Ster Century Europe. This capital expenditure was funded by increased borrowings of R1 093 million, existing cash resources and operating cash flows.

CAPITAL COMMITMENTS

The group currently has total capital commitments of R1,6 billion, inclusive of the Sibaya, Meropa and Flamingo casino developments. Capital expenditures of approximately R560 million will be incurred in the six months to 30 June 2001.

PROSPECTS

We do not expect a significant upturn in trading conditions in South Africa in the short term. Despite this and as a result of the recent opening of the new casinos in Cape Town, Port Elizabeth and Durban we expect a significant increase in the contributions from both Sun International South Africa and the management activities in the forthcoming six month period. Furthermore the earnings of Sun International Hotels Limited are likely to be significantly higher in US Dollar terms over the next six months as a consequence of the sale of Atlantic City for which this period of the year was traditionally weak. As a consequence of the aforementioned and notwithstanding the projected losses in Ster Century, the group should achieve material growth in headline earnings for the year to 30 June 2001.

For and on behalf of the Board

DA Hawton
Executive Chairman

D C Coutts-Trotter
Group Finance Director

27 February 2001

AUDIT REVIEW

The information contained in this report has been prepared in accordance with Generally Accepted Accounting Practices in South Africa and International Accounting Standards. The policies adopted are consistent with those adopted in the 2000 annual financial statements.

The group's auditors, PricewaterhouseCoopers Inc, have reviewed but not audited the financial information for the six-month period ended 31 December 2000. A copy of their report is available for inspection at the registered office of the company.

Registered Office
3 Sandown Valley Crescent
Sandown
Sandton, 2031

Transfer Office
Fraser Street Registrars (Pty) Limited
Ground Floor, Sage Centre
10 Fraser Street
Johannesburg, 2001

Directors: D A Hawton (Chairman), P D Bacon (British), D C Coutts-Trotter, M P Egan, F W J Kilbourn, Dr D Konar, I N Matthews

Group Secretary: S A Bailes