



SUN INTERNATIONAL LIMITED



Profit and dividend announcement for the six months ended 31 December 2010

REVENUE +9% ❧ EBITDA +5% ❧ ADJUSTED HEPS +1% ❧ INTERIM DIVIDEND OF 80 CENTS PER SHARE

(*Sun International" or "the group" or "the company") Registration Number:1967/007528/06 Share Code: SUI ISIN: ZAE 000097580



Sun International

A Million Thrills. One Destination.

CONDENSED GROUP STATEMENTS OF COMPREHENSIVE INCOME

R million	Six months ended 31 December			Year ended 30 June
	2010 Unaudited	%	2009	2010
		change	Unaudited	Audited
Revenue				
Casino	3 494	8	3 229	6 212
Rooms	465	14	409	857
Food, beverage and other	534	15	466	892
	4 493	9	4 104	7 961
Less: promotional allowances	(81)		(61)	(164)
	4 412		4 043	7 797
Insurance proceeds	–		–	180
Pension fund deficit recognition	–		–	(1)
Employee costs	(908)		(821)	(1 633)
Levies and VAT on casino revenue	(788)		(725)	(1 364)
Depreciation and amortisation	(379)		(347)	(685)
Promotional and marketing costs	(369)		(341)	(614)
Consumables and services	(502)		(440)	(846)
Property and equipment rental	(50)		(44)	(114)
Property costs	(211)		(180)	(351)
Other operational costs	(376)		(364)	(728)
SFIR minority equity option	(75)		–	–
Operating profit	754	(3)	781	1 641
Foreign exchange losses	(79)		(16)	(15)
Interest income	22		34	60
Interest expense	(265)		(297)	(566)
Share of associate's loss	–		(3)	(3)
Profit before tax	432		499	1 117
Tax	(233)		(184)	(452)
Profit for the period	199	(37)	315	665
Other comprehensive income:				
Net profit/(loss) on cash flow hedges	–		37	(10)
Tax on net profit/(loss) on cash flow hedges	–		(7)	2
Transfer of hedging reserve to statements of comprehensive income	12		14	87
Tax on transfer of hedging reserve to statements of comprehensive income	(3)		(3)	(19)
Currency translation reserve	(40)		(28)	(90)
Total comprehensive income for the period	168		328	635
Profit for the period attributable to:				
Minorities	51		72	152
Ordinary shareholders	148		243	513
	199		315	665
Total comprehensive income attributable to:				
Minorities	39		85	144
Ordinary shareholders	129	(47)	243	491
	168		328	635
	Cents		Cents	Cents
	per share		per share	per share
Earnings per share				
basic	156		263	552
diluted	154	(40)	259	546
Headline earnings				
basic	157		263	568
diluted	154	(40)	259	562
Dividends per share	80			100

CONDENSED GROUP STATEMENTS OF FINANCIAL POSITION

R million	31 December		30 June
	2010 Unaudited	2009 Unaudited	2010 Restated
ASSETS			
Non current assets			
Property, plant and equipment	8 902	8 009	8 909
Intangible assets	369	366	349
Investment in associate	–	326	–
Available-for-sale investment	48	48	48
Loans and receivables	35	47	45
Pension fund asset	30	31	30
Deferred tax	112	100	95
	9 496	8 927	9 476
Current assets			
Loans and receivables	25	32	31
Accounts receivable and other	568	544	639
Cash and cash equivalents	765	876	721
	1 358	1 452	1 391
Total assets	10 854	10 379	10 867
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	1 356	984	1 210
Minorities' interests	1 330	1 160	1 397
	2 686	2 144	2 607
Non current liabilities			
Deferred tax	491	422	496
Borrowings	3 525	3 952	3 940
Other non current liabilities	292	261	201
	4 308	4 635	4 637
Current liabilities			
Accounts payable and other	1 151	1 217	1 273
Borrowings	2 709	2 383	2 350
	3 860	3 600	3 623
Total liabilities	8 168	8 235	8 260
	10 854	10 379	10 867



CONDENSED GROUP STATEMENTS OF CASH FLOWS

R million	Six months ended 31 December		Year ended 30 June
	2010 Unaudited	2009 Unaudited	2010 Audited
Cash flows by operations before:	1 240	1 193	2 416
Working capital changes	38	56	(70)
Cash generated by operations	1 278	1 249	2 346
Tax paid	(295)	(279)	(519)
Cash retained from operating activities	983	970	1 827
Cash utilised in investing activities	(522)	(732)	(1 236)
Cash realised from investing activities	57	65	164
Net cash outflow from financing activities	(445)	(211)	(819)
Effect of exchange rates upon cash and cash equivalents	(29)	(10)	(9)
Increase/(decrease) in cash and cash equivalents	44	82	(73)



CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

R million	Ordinary share- holders' equity	Minorities' interests	Total equity
Unaudited for the six months ended 31 December 2010			
Balance at 30 June 2010	1 210	1 398	2 608
Total comprehensive income for the period	129	39	168
Treasury share options purchased	(7)	–	(7)
SFIR minority equity option	75	–	75
Shares disposed by Dinokana	13	–	13
Employee share based payments	24	–	24
Delivery of share awards	(3)	–	(3)
Acquisition of minorities' interests	10	32	42
Dividends paid	(95)	(139)	(234)
Balance at 31 December 2010	1 356	1 330	2 686
Unaudited for the six months ended 31 December 2009			
Balance at 30 June 2009	569	1 020	1 589
Total comprehensive income for the period	243	85	328
Share issue	39	–	39
Treasury share options purchased	(12)	–	(12)
Treasury share options exercised	79	–	79
Deemed treasury shares purchased	(1)	–	(1)
Shares disposed by Dinokana	46	–	46
Employee share based payments	25	–	25
Delivery of share awards	(4)	–	(4)
Increase in minorities funding	–	185	185
Dividends paid	–	(130)	(130)
Balance at 31 December 2009	984	1 160	2 144
Audited for the year ended 30 June 2010			
Balance at 30 June 2009	569	1 020	1 589
Total comprehensive income for the year	491	144	635
Share issue	39	–	39
Deemed treasury shares purchased	(1)	–	(1)
Deemed treasury shares disposed	2	–	2
Treasury share options purchased	(40)	–	(40)
Treasury share options exercised	79	–	79
Shares disposed by Dinokana	55	–	55
Employee share based payments	37	–	37
Delivery of share awards	(4)	–	(4)
Acquisition of minorities' interests	(28)	(5)	(33)
Increase in minorities funding	11	266	277
Acquisition of subsidiary	–	219	219
Dividends paid	–	(246)	(246)
Balance at 30 June 2010	1 210	1 398	2 608

SUPPLEMENTARY INFORMATION

R million	Six months ended 31 December			Year ended 30 June
	2010 Unaudited	% change	2009 Unaudited	2010 Audited
EBITDA RECONCILIATION				
Operating profit	754	(3)	781	1 641
Monticello insurance deductible*	–		–	59
Depreciation and amortisation	379		347	685
Property and equipment rental	50		44	114
Pension fund deficit recognition*	–		–	1
Net loss on disposal of property, plant and equipment*	1		–	1
SFIR minority equity option	75		–	–
Profit on disposal of investments*	–		–	(2)
Pre-opening expenses*	–		28	28
Reversal of Employee Share Trusts' consolidation*	12		10	18
EBITDA	1 271	5	1 210	2 545
EBITDA margin (%)⁽ⁱ⁾	28		29	32
HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS RECONCILIATION				
Profit attributable to ordinary shareholders	148	(39)	243	513
Headline earnings adjustments	1		–	36
Net loss on disposal of property, plant and equipment	1		–	1
Profit on disposal of investments	–		–	(2)
Monticello insurance deductible relating to asset reinstatement	–		–	37
Tax relief on the above items	(1)		–	(4)
Minorities' interests on the above items	–		–	(17)
Headline earnings	148	(39)	243	528
Adjusted headline earnings adjustments	94		30	52
Pre-opening expenses	–		28	28
Pension fund deficit recognition	–		–	1
SFIR minority equity option	75		–	–
Monticello insurance deductible relating to business interruption	–		–	22
Foreign exchange losses on intercompany loans	19		2	1
Tax on the above items	(4)		(5)	(9)
Minorities' interests on the above items	(28)		(13)	(22)
SARS tax refund	–		(53)	(53)
Tax on share premium distributions received	–		–	(2)
CGT	6		–	–
Tax on termination of contract	(5)		–	–
Reversal of Employee Share Trusts' consolidation ⁽ⁱⁱ⁾	9		13	18
Adjusted headline earnings	220	2	215	512

SUPPLEMENTARY INFORMATION (continued)

R million	Six months ended 31 December			Year ended 30 June
	2010 Unaudited	% change	2009 Unaudited	2010 Audited
Number of shares ('000)				
– in issue	93 970		93 577	93 700
– for EPS calculation	93 970		92 356	92 967
– for diluted EPS calculation	95 311		93 814	93 982
– for adjusted headline EPS calculation ⁽ⁱ⁾	100 546		99 541	100 040
– for diluted adjusted headline EPS calculation ⁽ⁱⁱ⁾	101 887		101 000	101 055
Earnings per share (cents)				
– basic earnings per share	156	(41)	263	552
– headline earnings per share	157	(40)	263	568
– adjusted headline earnings per share	218	1	216	512
– diluted basic earnings per share	154	(40)	259	546
– diluted headline earnings per share	154	(40)	259	562
– diluted adjusted headline earnings per share	215	1	213	507
Tax rate reconciliation (%)				
Effective tax rate	54		37	40
SFIR minority equity option	(5)		–	–
Preference share dividends	(5)		(6)	(5)
STC	(9)		(7)	(6)
Prior year over-provisions	2		11	7
Foreign taxes and tax losses	1		(2)	(1)
CGT	(3)		–	–
Capital allowances and disallowed expenditure	(7)		(5)	(7)
SA corporate tax rate	28		28	28
EBITDA to interest (times)	5.2		4.7	5.0
Annualised borrowings to EBITDA (times)	2.39		2.45	2.47
Net asset value per share (Rand)	14.43		10.52	12.91
Capital expenditure	481		517	1 031
Capital commitments				
– contracted	135		296	289
– authorised but not contracted	1 209		807	880
– conditionally authorised	–		987	986
	1 344		2 090	2 155

(i) The EBITDA margin has been calculated on revenue before deducting promotional allowances.

(ii) The consolidation of the Employee Share Trust is reversed in the calculation of adjusted headline earnings as the group does not receive the economic benefits of the trust.

ACCOUNTING POLICIES

The condensed consolidated financial information for the six months ended 31 December 2010 has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting and AC 500 standards issued by the Accounting Practices Board. The accounting policies applied are consistent with those adopted in the financial statements for the year ended 30 June 2010.

EARNINGS AND DIVIDEND

Whilst revenue for the six months ended 31 December 2010 was 9% ahead of last year at R4.5 billion, comparable revenue (excluding the Federal Palace in Nigeria) was 8% higher. Gaming and rooms revenues were 8% and 14% ahead of last year respectively.

EBITDA of R1.3 billion for the six months was 5% higher than last year with the EBITDA margin declining 1.2 percentage points to 28.3%. The lower margin is due to certain cost increases being ahead of inflation (particularly property costs such as rates, taxes and utilities), and the lower margins at the Federal Palace due to the depressed trading conditions.

The results include a charge of R75 million in terms of IFRS 2 – Share Based Payments, which results from an extension to an option previously granted to the minority shareholders to subscribe for their portion of the additional capital contributed to SFI Resorts SA (Monticello).

The strengthening of the Rand and Chilean Peso against the US Dollar resulted in a foreign exchange loss of R79 million compared to a loss of R16 million last year.

Net interest paid decreased by 8% to R243 million as a result of lower interest rates.

Tax of R233 million increased by 27% due to the tax refund in the prior year. The effective tax rate, excluding the minority equity option charge, non deductible preference share dividends, STC, CGT and prior year over-provisions was 34% (2009 – 35%).

Adjusted headline earnings of R220 million and diluted adjusted headline earnings per share of 215 cents are 2% and 1% above last year respectively. Excluding the impact of foreign exchange movements, adjusted headline earnings increased by 13% on last year.

The board has declared an interim dividend of 80 cents per share.

SEGMENTAL ANALYSIS

R million	Revenue			EBITDA			Operating profit		
	Six months to	Year		Six months to	Year		Six months to	Year	
	31 December	ended		31 December	ended		31 December	ended	
	2010	2009	2010	2010	2009	2010	2010	2009	2010
GrandWest	832	787	1 582	313	303	614	239	233	470
Sun City	628	583	1 160	74	68	173	17	3	61
Monticello	512	394	881	67	36	99	0	(12)	(3)
Carnival City	488	472	965	142	142	303	98	97	214
Sibaya	449	424	849	150	150	296	113	113	222
Boardwalk	225	202	414	85	75	160	71	61	130
Carousel	166	159	310	38	40	77	23	25	47
Wild Coast Sun	146	145	287	13	16	48	0	8	26
Meropa	136	115	236	58	46	98	49	38	81
Morula	130	135	254	19	28	51	8	18	31
Windmill	112	96	193	40	34	71	31	25	52
Swaziland	91	91	166	4	7	7	0	4	(3)
Botswana	83	81	156	26	25	48	20	20	37
Table Bay	79	81	167	13	15	35	0	4	9
Zambia	72	75	149	14	16	26	6	8	8
Flamingo	66	66	127	18	21	38	12	15	26
Golden Valley	62	55	112	14	14	27	5	5	9
Kalahari Sands	58	62	123	11	16	34	1	6	13
Lesotho	55	44	93	8	4	12	2	2	5
Other operating segments	19	21	40	(7)	(7)	(12)	(8)	(8)	(14)
Management activities	304	298	607	174	166	345	168	160	332
	4 713	4 386	8 871	1 274	1 215	2 550	855	825	1 753
Federal Palace	69		11	4		4	(8)		2
Total operating segments	4 782	4 386	8 882	1 278	1 215	2 554	848	825	1 755
Central office and other eliminations	(289)	(282)	(575)	(7)	(5)	(9)	(6)	(6)	(9)
Other expenses ⁽ⁱⁱⁱ⁾							(88)	(38)	(105)
Monticello business interruption			(346)						
	4 493	4 104	7 961	1 271	1 210	2 545	754	781	1 641
Promotional allowances	(81)	(61)	(164)						
	4 412	4 043	7 797	1 271	1 210	2 545	754	781	1 641

(iii) Refer to EBITDA reconciliation denoted with a *.



GAMING

Gaming revenue was 8% ahead of last year at R3.5 billion with slots revenue at R2.9 billion and tables revenue at R0.6 billion, 9% and 6% ahead of last year respectively.

GrandWest revenue at R832 million and EBITDA at R313 million were 6% and 3% ahead of last year respectively. The EBITDA margin declined 0.9 percentage points to 37.6%.

Monticello revenue increased 30% to R512 million. EBITDA increased 85% to R67 million resulting in an improvement in the EBITDA margin of 3.9 percentage points to 13.1%. The costs were impacted to an extent by a strike that lasted for a month during the period.

Carnival City achieved revenue of R488 million, an increase of 3% from last year. EBITDA was in line with last year at R142 million resulting in the EBITDA margin declining 0.9 percentage points to 29.1%. The Group's share (Carnival City and Morula) of the Gauteng market declined 0.1 percentage point to 20.3%.

Sibaya revenue increased 6% to R449 million while EBITDA was unchanged at R150 million. The EBITDA margin of 33.4% was 1.8 percentage points below last year. Sibaya's share of the Kwazulu-Natal market was in line with last year at 35.2%.

Boardwalk revenue and EBITDA was 11% and 14% ahead of last year at R225 million and R85 million respectively. This resulted in the EBITDA margin increasing 0.9 percentage points to 37.9%.



HOTELS AND RESORTS

Rooms revenue at R465 million was 14% ahead of last year and 7% excluding the Federal Palace. Group occupancy of 66.9% was 3.2 percentage points lower than last year although average room rates increased by 9% to R897. The decline in occupancies was primarily a result of weaker demand from international markets.

Sun City revenue grew 8% to R628 million. Occupancy was static at 71% while the average room rate was 9% ahead of last year at R1 290. EBITDA was 10% ahead of last year at R74 million with the EBITDA margin 0.2 percentage points ahead of last year at 11.8%.

The Table Bay achieved an 18% increase in average room rate to R2 230. However occupancies declined by 10 percentage points to 44% due to a decline in demand primarily from the markets of the United States and United Kingdom and increased rooms inventory in Cape Town. EBITDA declined by 17% as a result.

The Royal Livingstone and Zambezi Sun achieved an aggregate occupancy of 45% (54%) at an average room rate of US\$197, a 7% decline against last year. EBITDA in US dollars was 5% below last year.

Revenue from Botswana was 2% ahead of last year at R83 million. EBITDA was 4% ahead of last year at R26 million resulting in a 0.5 percentage point increase in the EBITDA margin to 31.8%.

The Federal Palace generated revenue of R69 million at a 55% occupancy and an average room rate of \$256. EBITDA was R4 million resulting in an EBITDA margin of 5.4%.

MANAGEMENT ACTIVITIES

Management fees and related income of R304 million was 2% higher than last year due to lower development fees this year. EBITDA increased by 5% to R174 million.

FINANCIAL POSITION

The group's borrowings at 31 December 2010 decreased by R56 million to R6.2 billion from 30 June 2010.

Third party borrowings

R million	31 December 2010			31 December 2009	30 June 2010
	Borrowings	Intergroup borrowings	Third party borrowings	Third party borrowings	Third party borrowings
SunWest International (Pty) Ltd	766	–	766	757	741
SFI Resorts SA (Monticello)	654	(78)	576	666	692
Afrisun Gauteng (Pty) Ltd	526	–	526	508	394
Afrisun KZN (Pty) Ltd	431	–	431	455	446
The Tourist Company of Nigeria Plc (TCN)	292	(100)	192	–	227
Worcester Casino (Pty) Ltd	149	(13)	136	211	174
Meropa Leisure and Entertainment (Pty) Ltd	115	–	115	116	110
Mangaung Sun (Pty) Ltd	103	–	103	71	80
Teemane (Pty) Ltd	74	–	74	68	68
Ermfuleni Resorts (Pty) Ltd	80	–	80	56	5
Lesotho Sun (Pty) Ltd	49	(48)	1	30	–
Transkei Sun International Limited	140	(134)	6	–	–
Central office	2 645	373	3 018	3 168	3 128
	6 024	–	6 024	6 106	6 065
Employee Share Trusts	210	–	210	229	225
	6 234	–	6 234	6 335	6 290

Capital expenditure incurred during the six months

R million	
Expansionary:	
Boardwalk	49
Windmill	25
Monticello	15
	89
Refurbishment:	
Wild Coast Sun	78
Kalahari Sands	40
Federal Palace	11
Carousel	6
Lesotho	4
Zambia	1
	140
Other ongoing asset replacement	252
Total capital expenditure	481

IFRS 3 (REVISED) – BUSINESS COMBINATION

The purchase price allocation (PPA) for the investment in the TCN was finalised during the period under review. The results of the provisional and final PPA are set out below:

R million	Provisional	Final
Property, plant and equipment	798	861
Current assets	92	92
Deferred tax	(13)	(77)
Current liabilities	(443)	(443)
Net assets	434	433
Minorities' interests	(220)	(219)
Net assets acquired	214	214
Previously held associate at fair value	(93)	(93)
Consideration settled in cash	121	121
Cash and cash equivalents in TCN	(65)	(65)
Cash outflow	56	56

An independent external valuer was used to determine the fair value of vacant land based on the open market valuation and the discounted cash flow valuation was used to finalise the value of the buildings and infrastructure. This resulted in the property, plant and equipment increasing by R63 million, with a R161 million increase in buildings and infrastructure offset by a reduction in the land value of R98 million. Deferred tax of R64 million has been raised in accordance with IFRS 3. The 30 June 2010 statement of financial position has been restated accordingly.

DEVELOPMENTS

Wild Coast Sun

The second phase of the Wild Coast Sun refurbishment project was completed in December 2010, taking the total complement of newly refurbished rooms to 111. The third phase is now under way, which consists of the refurbishment of 182 bedrooms, the convention centre refurbishment and the construction of the new water park. The total estimated capital expenditure remains at R400 million with final completion scheduled for mid 2012.

Windmill

Construction of a new Prive was completed in November 2010 at a cost of R30 million. The Prive includes both smoking and non-smoking facilities, a lounge and separate entrance from a new private parking area.

Kalahari Sands

The refurbishment of the Kalahari Sand's 173 hotel rooms, buffet restaurant and kitchen will be completed by April 2011 at an estimated capital expenditure of R89 million.

Boardwalk

During the period the Eastern Cape Gambling and Betting Board awarded the exclusive gaming licence in Port Elizabeth to Emfuleni Resorts for a period of 15 years effective from October 2010. The expansion of the Boardwalk has commenced and is targeted to be completed by December 2012 at an estimated cost of R1 billion. The project includes the conversion of the existing conference centre into a new smoking casino and a new structure which will accommodate a three level parkade with 870 undercover parking bays, a 135 room five star hotel with the requisite facilities and an international standard conference centre.

SUNWEST EXCLUSIVITY

GrandWest's initial 10-year casino exclusivity in the Cape Metropole expired during December 2010. The Provincial Government of the Western Cape is still considering whether to permit one of the other casino licence holders in the Western Cape to relocate to the Cape Metropole and has engaged interested stakeholders before taking a final decision.

Sufficient information to assess the potential impacts on GrandWest's revenue and profitability remains unavailable.

PROPOSED RESTRUCTURE OF COMMON INTERESTS WITH GRAND PARADE INVESTMENTS LIMITED ("GPI")

Shareholders are referred to the cautionary announcements published on 8 December 2010 and 21 January 2011. Negotiations are still in progress regarding the possible restructuring of Sun International's and GPI's common interests in certain Sun International subsidiaries.

A further announcement in this respect will be made in due course.

OUTLOOK

It is anticipated that hospitality revenues will remain soft for the rest of the financial year. Gaming revenues have stabilised and are showing signs of improvement at certain units. Monticello and the Federal Palace continue to increase their contribution to the group's results.

Growth in adjusted headline earnings per share for the full year (excluding foreign exchange earnings) is anticipated, although this is likely to be below that achieved for the first half.

The outlook has not been reviewed or reported on by the company's auditors.

For and on behalf of the board

MV Moosa
(Chairman)

DC Coutts-Trotter
(Chief Executive)

28 February 2011

DECLARATION OF INTERIM DIVIDEND

Notice is hereby given that an interim dividend of 80 cents per share for the 6 months ended 31 December 2010 has been declared, payable to shareholders recorded in the register of the company at the close of business on the record date appearing below. The salient dates applicable to the interim dividend are as follows:

	2011
Last day to trade cum interim dividend	Thursday, 17 March
First day to trade ex interim dividend	Friday, 18 March
Record date	Friday, 25 March
Payment date	Monday, 28 March

No share certificates may be dematerialised or rematerialised between Friday, 18 March and Friday, 25 March 2011 both days inclusive. Dividend cheques will be posted and electronic payments made, where applicable, to certificated shareholders on the payment date. Dematerialised shareholders will have their accounts with their Central Securities Depository Participant or broker credited on the payment date.

By order of the board

CA Reddiar

(Group Secretary)

28 February 2011

Registered office:

27 Fredman Drive, Sandown, Sandton 2031

Sponsor:

Investec Bank Limited

Transfer secretaries:

Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001

Directors:

MV Moosa (*Chairman*)

IN Matthews (*Lead Independent Director*)

DC Coutts-Trotter (*Chief Executive*)*

ZBM Bassa

RP Becker (*Chief Financial Officer*)*

PL Campher

MP Egan

Dr NN Gwagwa

BLM Makgabo-Fiskerstrand

LM Mojela

DM Nurek

E Oblowitz

GR Rosenthal

*Executive

Group Secretary:

CA Reddiar



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