

# SUN INTERNATIONAL LIMITED

## PROFIT AND DIVIDEND ANNOUNCEMENT

for the year ended 30 June 2009

+6%

Revenue

-3%

EBITDA

-16%

Adjusted HEPS



("Sun International" or "the group" or "the company")  
Registration no 1967/007528/06 Share code: SUI ISIN: ZAE000097580



Sun International

A Million Thrills. One Destination.

**GROUP INCOME STATEMENTS**  
for the year ended 30 June

R million	2009 Reviewed	%	2008 Restated Audited
		change	
<b>Revenue</b>			
Casino	6 234	7	5 845
Rooms	900	2	881
Food, beverage and other	907	2	892
	<u>8 041</u>	6	7 618
Less: Promotional allowances	(126)		(117)
	<u>7 915</u>		7 501
Other income	47		13
Pension fund surplus recognition	9		12
Employee costs	(1 520)		(1 400)
Levies and VAT on casino revenue	(1 353)		(1 244)
Depreciation and amortisation	(658)		(568)
Promotional and marketing costs	(592)		(522)
Consumables and services	(819)		(777)
Property and equipment rental	(74)		(102)
Property costs	(298)		(252)
Other operational costs	(654)		(529)
Impairment of goodwill	(108)		–
BEE transaction charge	–		(182)
	<u>1 895</u>	(3)	1 950
<b>Operating profit</b>			
Foreign exchange profits	42		69
Interest income	93		79
Interest expense	(719)		(601)
	<u>1 311</u>		1 497
<b>Profit before tax</b>			
Tax	(611)		(784)
	<u>700</u>	(2)	713
<b>Profit</b>			
<b>Attributable to:</b>			
Minorities	199		256
Ordinary shareholders	501		457
	<u>700</u>		713
<b>Number of shares (000's)</b>			
– in issue	91 740		88 014
– for EPS calculation	88 492		89 826
– for diluted EPS calculation	89 719		91 028
<b>Earnings per share (cents)</b>			
– basic	566		509
– headline	645	23	524
<b>Diluted earnings per share (cents)</b>			
– basic	558		502
– headline	636		517
<b>Dividends declared per share (cents)</b>	–		480
<b>EBITDA to interest (times)</b>	4,4		5,4
<b>Dividend payout (%)</b>	–		64,2
<b>HEADLINE EARNINGS RECONCILIATION</b>			
<b>Profit attributable to ordinary shareholders</b>	501		457
<b>Headline earnings adjustments</b>	76		10
Net loss on disposal and impairment of property, plant and equipment and intangible assets	9		14
Loss/(profit) on disposal of investments	6		(4)
Currency translation reserve realised <sup>(i)</sup>	(47)		–
Impairment of goodwill	108		–
Tax relief on the above items	(2)		5
Minorities' interests in the above items	(4)		(1)
	<u>571</u>	21	471

(i) Realisation of foreign currency translation reserve on distribution of dividend.

# GROUP BALANCE SHEETS

at 30 June

R million	2009 Reviewed	2008 Audited
<b>ASSETS</b>		
<b>Non current assets</b>		
Property, plant and equipment	7 878	6 229
Intangible assets	382	308
Available-for-sale investment	48	44
Loans and other non current assets	49	76
Pension fund asset	31	22
Deferred tax	85	31
	8 473	6 710
<b>Current assets</b>		
Loans and receivables	184	501
Accounts receivable and other	536	571
Cash and cash equivalents	794	850
	1 514	1 922
<b>Total assets</b>	<b>9 987</b>	<b>8 632</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Ordinary shareholders' equity	569	119
Minorities' interests	1 020	546
	1 589	665
<b>Non current liabilities</b>		
Deferred tax	418	412
Borrowings	4 525	3 821
Other non current liabilities	233	210
	5 176	4 443
<b>Current liabilities</b>		
Accounts payable and other	1 240	1 247
Borrowings	1 982	2 277
	3 222	3 524
<b>Total liabilities</b>	<b>8 398</b>	<b>7 967</b>
<b>Total equity and liabilities</b>	<b>9 987</b>	<b>8 632</b>
Borrowings to EBITDA (times)	2,37	2,15
Net asset value per share (Rands)	6,20	1,35
Capital expenditure	1 476	861
Capital commitments		
– contracted	349	1 168
– authorised but not contracted	1 186	2 005
– conditionally authorised	1 000	–
	2 535	3 173

## GROUP CASH FLOW STATEMENTS

for the year ended 30 June

R million	2009 Reviewed	% change	2008 Audited
<b>Cash generated by operations before:</b>	<b>2 676</b>		2 804
Working capital changes	<b>(52)</b>		68
<b>Cash generated by operations</b>	<b>2 624</b>	(9)	2 872
Tax paid	<b>(622)</b>		(783)
<b>Cash retained from operating activities</b>	<b>2 002</b>		2 089
Cash utilised in investing activities	<b>(1 814)</b>		(1 548)
Cash realised from investing activities	<b>482</b>		484
Net cash outflow from financing activities	<b>(728)</b>		(1 305)
Effects of exchange rate changes on cash and cash equivalents	<b>2</b>		41
<b>Decrease in cash balances</b>	<b>(56)</b>		(239)

## GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

Reviewed R million	Share capital and premium	Treasury shares and options	Other reserves <sup>(iv)</sup>	Retained earnings	Minorities' interests	Total
<b>Balances at 30 June 2008</b>	<b>8</b>	<b>(1 839)</b>	<b>(1 170)</b>	<b>3 120</b>	<b>546</b>	<b>665</b>
Share issue	99					99
Treasury shares purchased		(78)				(78)
Treasury shares disposed of		12		5		17
Treasury share options purchased		(21)				(21)
Treasury share options exercised		241				241
Employee share based payments			28			28
Release of share based payment reserve			(55)	55		-
Fair value adjustment on available-for-sale investment			5			5
Net loss on cash flow hedges			(87)		(27)	(114)
Transfer from hedging reserve to income statement			32			32
Acquisition of subsidiary					240	240
Increase in minority funding					354	354
Disposal of interests to minorities			52		47	99
Acquisition of minorities' interests			(26)		4	(22)
Profit				501	199	700
Movement in currency translation differences			(22)		(11)	(33)
Realisation of foreign currency translation reserve			(64)			(64)
Dividends paid				(227)	(332)	(559)
<b>Balances at 30 June 2009</b>	<b>107</b>	<b>(1 685)</b>	<b>(1 307)</b>	<b>3 454</b>	<b>1 020</b>	<b>1 589</b>

(iv) Included in other reserves are foreign currency translation reserve, share based payment reserve, available-for-sale investment reserve, financial instrument hedging reserve and profits and losses on purchase and sale of non-controlling interests.

# SUPPLEMENTARY INFORMATION

for the year ended 30 June

R million	2009	% change	2008
<b>EBITDA RECONCILIATION</b>			
<b>Operating profit</b>	<b>1 895</b>	(3)	1 950
Depreciation and amortisation	<b>658</b>		568
Other income	<b>(47)</b>		(13)
Pension fund surplus recognition*	<b>(9)</b>		(12)
BEE transaction charge*	<b>–</b>		182
Property and equipment rental	<b>74</b>		102
Net loss on disposal and impairment of property, plant and equipment and intangible assets*	<b>9</b>		14
Ster Century guarantee provision*	<b>–</b>		3
Impairment of goodwill	<b>108</b>		–
Loss/(profit) on disposal of investments*	<b>6</b>		(4)
Pre-opening expenses*	<b>21</b>		8
Reversal of Employee Share Trusts' consolidation*	<b>31</b>		38
<b>EBITDA</b>	<b>2 746</b>	(3)	2 836
<b>EBITDA margin (%)<sup>(ii)</sup></b>	<b>34</b>		37
<b>ADJUSTED HEADLINE EARNINGS RECONCILIATION</b>			
<b>Headline earnings</b>	<b>571</b>	21	471
<b>Adjusted headline earnings adjustments</b>	<b>3</b>		157
Pre-opening expenses	<b>21</b>		8
Realisation of management contract	<b>–</b>		(13)
Pension fund surplus recognition	<b>(9)</b>		(12)
Foreign exchange profits on intercompany loans	<b>(9)</b>		(11)
Ster Century guarantee provision	<b>–</b>		3
BEE transaction charge	<b>–</b>		182
Tax relief on the above items	<b>(1)</b>		20
Tax on share premium distributions received	<b>(5)</b>		48
Minorities' interests in the above items	<b>(9)</b>		(15)
Reversal of Employee Share Trusts' consolidation <sup>(iii)</sup>	<b>41</b>		39
<b>Adjusted headline earnings</b>	<b>600</b>	(17)	720
<b>Number of shares (000's)<sup>(iii)</sup></b>			
– for adjusted headline EPS calculation	<b>95 884</b>		96 268
– for diluted adjusted headline EPS calculation	<b>97 111</b>		97 470
<b>Earnings per share (cents)</b>			
– adjusted headline	<b>626</b>	(16)	748
– diluted adjusted headline	<b>618</b>	(16)	739

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

(iii) The consolidation of the Employee Share Trusts is reversed as the group does not receive the economic benefits of the trusts.

## ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared in accordance with the recognition and measurement criteria of all applicable statements and interpretations of International Financial Reporting Standards (IFRS) and is presented in terms of the disclosure requirements set out in IAS 34 – Interim Financial Reporting. The accounting policies applied to the condensed consolidated financial information, other than as described below, are consistent with those as set out in the annual financial statements for the year ended 30 June 2008.

As previously reported in the profit and dividend announcement for the six months ended 31 December 2008, the group has applied hedge accounting in respect of certain qualifying hedging instruments as permitted by IAS 39 – Financial Instruments and has also changed the disclosure of revenue in line with IAS 18 – Revenue.

In preparing the group's results the assumption has been made that Boardwalk will be successful with its bid for the renewal of its casino licence that expires in October 2010.

## REVIEW OPINION

The condensed consolidated financial information for the year ended 30 June 2009 has been reviewed by the group's auditors, PricewaterhouseCoopers Inc. This review has been conducted in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and their unmodified review opinion is available for inspection at the company's registered office.

## EARNINGS AND DIVIDEND

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Revenue for the year at R8 billion was 6% ahead of last year but in line with last year if non-comparable revenue from the new Monticello Grand Casino and Entertainment World (Monticello) in Chile is excluded. Gaming revenue grew by 7% and hospitality and other revenue by 2%. EBITDA of R2,7 billion was 3% down on last year and the EBITDA margin 3 percentage points down to 34,2%. The margin decline was driven by subdued revenue growth, inflationary increases in operating costs in South Africa and the loss incurred by Monticello in its first nine months of trading. EBITDA excluding the Monticello loss was 2% down on the prior year.

The current year operating profit includes an impairment of goodwill of R108 million relating to Monticello. This is as a result of the valuation of Monticello being based on the current trading levels as required by IAS 36 – Impairment of Assets. The group remains confident that the business will perform to expectations and generate acceptable returns over the medium term. In the prior year, a BEE transaction charge of R182 million was incurred on the transaction with Grand Parade Investments Limited.

Fluctuations in the value of the Rand during the course of the year, as well as foreign exchange profits in Chile, resulted in a net exchange profit of R42 million, albeit that this was lower than the R69 million profit last year.

Net interest costs increased by R104 million to R626 million primarily due to the additional funding costs associated with the Monticello project in part offset by the lower prevailing interest rates.

Tax at R611 million was 22% lower than last year. The high overall effective tax rate was mainly as a result of the non deductibility of preference share dividends, STC charges on dividend payments by subsidiaries and the losses incurred by Monticello.

Adjusted headline earnings of R600 million and diluted adjusted headline earnings per share of 618 cents were 17% and 16% below last year respectively.

In light of prevailing economic conditions, funding requirements in Chile, Nigeria and the Eastern Cape, and lower gearing levels required generally from funding institutions in the current market, the board has elected to preserve cash flows and strengthen the balance sheet. It has therefore been resolved not to declare a final dividend for 2009.

## TRADING

### Segmental analysis

R million	Revenues		EBITDA		Operating Profit	
	2009	2008	2009	2008	2009	2008
GrandWest	1 642	1 756	675	734	535	591
Sun City	1 146	1 147	207	223	95	115
Carnival City	997	954	351	329	267	252
Sibaya	810	782	295	294	233	224
Boardwalk	418	451	172	185	142	156
Carousel	308	318	81	91	52	66
Wild Coast Sun	302	299	56	62	41	47
Morula	250	243	56	55	33	31
Meropa	227	215	93	86	78	69
Zambia	217	208	55	63	34	45
Windmill	204	198	84	80	63	62
Table Bay	199	197	65	69	33	36
Botswana	181	151	68	51	55	39
Swaziland	177	157	23	21	15	12
Flamingo	129	127	42	44	32	33
Namibia	128	120	36	33	22	18
Golden Valley	109	87	34	24	14	10
Lesotho	98	97	15	16	11	12
Existing operations	7 542	7 507	2 408	2 460	1 755	1 818
Monticello – Chile	397	–	(22)	–	(81)	–
	7 939	7 507	2 386	2 460	1 674	1 818
Management activities	664	659	382	380	381	371
Central office & other	47	65	(22)	(4)	(149)	(23)
Eliminations	(609)	(613)	–	–	–	–
Other income					47	13
Other expenses <sup>(v)</sup>					(58)	(229)
	8 041	7 618	2 746	2 836	1 895	1 950
Promotional allowances	(126)	(117)	–	–	–	–
	7 915	7 501	2 746	2 836	1 895	1 950

(v) Refer EBITDA reconciliation denoted\*.

## GAMING

Comparable gaming revenue improved by 1% on last year. Recessionary economic conditions and the impact on personal disposable incomes kept revenues under pressure.

**GrandWest** and **Boardwalk** continued to experience challenging trading conditions in their local markets. Cost containments have been particularly focused at these operations which reduced the impacts on margins. GrandWest revenue at R1 642 million and EBITDA at R675 million were 7% and 8% below last year respectively with the EBITDA margin declining marginally by 0,7 percentage points to 41,1%. Boardwalk experienced a decline in revenues and EBITDA of 7% to R418 million and R172 million respectively, resulting in an unchanged EBITDA margin of 41,1%.

**Carnival City** achieved revenue of R997 million, an increase of 5% over last year. EBITDA grew by 7% to R351 million with a 0,7 percentage point increase in margin to 35,2%. The group's share of the Gauteng market at 20,9% remained in line with last year despite the opening of the seventh casino in Gauteng in December 2007.

**Sibaya** revenue increased 4% to R810 million while EBITDA of R295 million remained in line with last year. The EBITDA margin of 36,4% was 1,2 percentage points below last year. The KwaZulu-Natal market grew by 6% during the year and Sibaya's share of the market at 33,7% declined by 0,7 percentage points due predominantly to the lower levels of play from our top end tables market.

## HOTELS AND RESORTS

Rooms revenue of R900 million was 2% ahead of the previous year with overall group occupancy of 72% (76%) at an average room rate of R915, an improvement of 8% on last year. The significant decline in occupancies is due to weaker demand in the current economic climate, especially from international markets and the groups and conventions sector.

**Sun City's** room occupancy was 74% (84%) while the average room rate was 7% ahead at R1 243. EBITDA at R207 million was 7% below last year as a result of the lower occupancies.

The **Table Bay** achieved occupancy of 67% (74%), with an average room rate of R1 930, an 11% improvement on last year. EBITDA declined by 6% to R65 million due primarily to higher operating costs that were significantly impacted by higher property taxes.

**The Royal Livingstone and Zambezi Sun** achieved an aggregate occupancy of 60% (76%) at an average room rate of US\$215, 21% ahead of last year. Revenue in Rands at R217 million improved by 4% on last year.

**Botswana** achieved excellent growth with revenue increasing by 20% to R181 million and EBITDA by 33% to R68 million. Contributing to this growth was the disruption caused by the refurbishment of a competitor's property, the group's tiered rate strategy, and strong corporate business.

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## MANAGEMENT ACTIVITIES

Management fees and related income grew by 1% to R664 million reflecting the difficult trading conditions. EBITDA of R382 million was in line with the previous year.

## BALANCE SHEET

The group's borrowings have increased since June 2008 by R0,4 billion to R6,5 billion due to the consolidation of Monticello from 20 August 2008 and further capital expenditure on this project, partially offset by reduced gearing at various units and the central office.

### Third party borrowings

R million	30 June 2009	30 June 2008
SFI Resorts SA (Chile)	912	–
SunWest International (Pty) Ltd	771	759
Afrisun KZN (Pty) Ltd	457	447
Afrisun Gauteng (Pty) Ltd	352	454
Worcester Casino (Pty) Ltd	194	200
Meropa Leisure and Entertainment (Pty) Ltd	117	117
Emfuleni Resorts (Pty) Ltd	97	119
Mangaung Sun (Pty) Ltd	73	10
Teemane (Pty) Ltd	69	69
Central office	3 196	3 675
	<b>6 238</b>	5 850
Employee Share Trusts	269	248
	<b>6 507</b>	6 098



### Capital expenditure incurred during the year

R million

#### Expansionary

Monticello <sup>(vi)</sup>	969
Carnival City parkade	15

984

#### Refurbishment

Sun City Main Hotel	54
Lesotho Sun	9

63

#### Other ongoing asset replacement

429

#### Total capital expenditure

1 476

(vi) Capital expenditure post 20 August 2008

## BUSINESS COMBINATION – IFRS 3

On 20 August 2008 Monticello was consolidated as follows:

R million

Property, plant and equipment	893
Other non current assets	74
Current assets	300
Non current liabilities	(305)
Current liabilities	(562)
Net assets	400
Minorities' interests	(240)
Net assets acquired	160
Goodwill recognised	198
Consideration settled in cash	358
Cash and cash equivalents in Monticello	(169)
Cash outflow	189

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Goodwill comprises intellectual property and the casino licence. The fair value of assets and liabilities approximate their carrying values.

## DEVELOPMENTS

### South Africa

The second phase of the Sun City Main Hotel refurbishment was completed in November 2008. The total cost of the refurbishment was R260 million including the cost of replacing air-conditioning, plumbing and electrical items and refurbishment of back-of-house areas, including the kitchens.

### Lesotho

The R140 million comprehensive refurbishment of the Lesotho Sun hotel, casino and conference facility commenced in May 2009. Completion is anticipated during November 2009.

### Chile

The casino (1 500 slots and 80 tables) at Monticello, located 60 km south of Santiago, opened in October 2008. The retail and entertainment areas are now expected to open in September 2009 and the

155 room hotel two months later. The overall projected capital expenditure is now US\$247 million (US\$236 million), the increase principally due to the group taking over funding of the fast food and children's entertainment areas and providing assistance in the funding of certain retail concessionaires.

Trading to date has been impacted by the adverse economic conditions in Chile and by delays in completion of the retail and hotel component and the permanent access and egress to the property. Revenue is however showing steady growth from month to month, with a positive EBITDA of R8 million being achieved for the final quarter compared to the R8 million loss in the previous quarter. There continues to be strong sign-up to the MVG customer loyalty programme and the group remains confident that once all the ancillary facilities are open and the access constraints resolved, revenues will show good growth.

### **Nigeria**

The 150-room five star Federal Palace Hotel opened in August 2008 following the US\$10 million re-furbishing of the building. The gaming laws in Lagos State have been promulgated and the licence to operate the casino has now been issued.

The US\$24 million development has commenced which will include a 200 slot and 8 table casino, a conference facility, swimming pool, gymnasium and refurbishment to the Federal Palace Towers Hotel. The casino is expected to open in December 2009 and the Federal Palace Towers Hotel, which is currently closed, will be reopened early in 2010.

The process of acquiring a 49,5% interest in the Nigerian company which owns and operates the property is underway, with the group having subscribed for the first tranche of equity in August 2009. It is expected that this process will be completed before the end of the calendar year. On completion, the group will have invested US\$28 million in equity and advanced a loan to the company of US\$15 million.

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## **EASTERN CAPE CASINO LICENCES**

The Eastern Cape Gambling & Betting Board ("ECGBB") has confirmed the award of a new ten year casino licence to the Wild Coast Sun with effect from 1 September 2009. The group has committed R340 million to refurbish the existing 246 bedrooms, convert the existing 50 Vacation Club units into a further 150 bedrooms, upgrade the convention centre, refurbish the entertainment areas and add a water park. Construction will commence in January 2010 and in order to limit disruption over the peak seasons and during the World Cup, is expected to be completed in the first half of the 2012 calendar year.

The Boardwalk's casino licence in Port Elizabeth expires in October 2010. A bid for a new fifteen year casino licence was submitted on 30 January 2009 which includes plans for a five star hotel and conference centre, expanded gaming facilities and covered parking at an estimated cost of R1 billion. The competitive applicant sought to have an amendment to its bid, including an alternative site for its casino project, approved by the ECGBB. The ECGBB has declined to approve the change. The adjudication process is in its final stages.

## **DIRECTORATE**

As previously announced, Mr DA Hawton retired from the board on 30 June 2009 having been chairman since 1989. Mr MV Moosa has assumed the chairmanship of the board with effect from 1 July 2009 and as he is not an independent director, Mr IN Matthews has been appointed as lead independent director from the same date.

The board thanks Mr Hawton for his wise counsel and years of dedicated service and wishes him a fulfilling retirement.

## **OUTLOOK**

Subdued trading is expected to persist through the 2010 financial year as little improvement in the current economic conditions is anticipated.

Contributions are however expected from the operations in Chile and Nigeria which should result in growth in revenue and EBITDA in the year ahead. The increased capital charges relating to these investments will

however offset any contribution to adjusted headline earnings per share. The above 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

**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)\*, RP Becker (Chief Financial Officer)\*, PL Campher, MP Egan, Dr NN Gwagwa, LM Mojela, DM Nurek, E Oblowitz, GR Rosenthal

*\*Executive*

**Group Secretary:**

SA Bailes

27 August 2009

A decorative graphic consisting of a thin, light-colored line that curves from the left edge of the page, loops downwards and to the right, and then forms a small, elegant swirl before ending.

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