



Sun International Limited

Profit and dividend announcement
for the six months ended 31 December 2009

(“Sun International” or “the group” or “the company”)
Registration number 1967/007528/06 Share code: SUI ISIN: ZAE000097580

+2% Revenue | -11% EBITDA | -36% Adjusted HEPS



Sun International

A Million Thrills. One Destination.

Group income statements

R million	Six months ended 31 December			Year ended 30 June
	2009 Unaudited	% change	2008 Unaudited	2009 Audited
Revenue				
Casino	3 229	5	3 074	6 234
Rooms	409	(14)	474	900
Food, beverage and other	466	(2)	474	907
	4 104	2	4 022	8 041
Less: promotional allowances	(61)		(62)	(126)
	4 043		3 960	7 915
Other income	–		–	47
Pension fund surplus recognition	–		–	9
Employee costs	(821)		(788)	(1 520)
Levies and VAT on casino revenue	(725)		(664)	(1 353)
Depreciation and amortisation	(347)		(317)	(658)
Promotional and marketing costs	(341)		(290)	(592)
Consumables and services	(440)		(429)	(819)
Property and equipment rental	(44)		(44)	(74)
Property costs	(180)		(148)	(298)
Other operational costs	(364)		(315)	(654)
Impairment of goodwill	–		–	(108)
Operating profit	781	(19)	965	1 895
Foreign exchange (losses)/gains	(16)		65	42
Interest income	34		40	93
Interest expense	(297)		(361)	(719)
Share of associate's loss	(3)		–	–
Profit before tax	499		709	1 311
Tax	(184)		(327)	(611)
Profit for period	315	(18)	382	700
Attributable to:				
– minorities	72		74	199
– ordinary shareholders	243	(21)	308	501
	315		382	700
	Cents per share		Cents per share	Cents per share
Earnings per share				
– basic	263		350	566
– diluted	259	(24)	343	558
Headline earnings				
– basic	263		351	645
– diluted	259	(25)	344	636
Dividends per share	–		–	–

Group balance sheets

R million	31 December		30 June
	2009 Unaudited	2008 Unaudited	2009 Audited
ASSETS			
Non current assets			
Property, plant and equipment	8 009	7 684	7 878
Intangible assets	366	497	382
Investment in associate	326	–	–
Available-for-sale investment	48	48	48
Loans and other non current assets	47	225	49
Pension fund asset	31	22	31
Deferred tax	100	94	85
	8 927	8 570	8 473
Current assets			
Loans and receivables	32	89	184
Accounts receivable and other	544	857	536
Cash and cash equivalents	876	1 109	794
	1 452	2 055	1 514
Total assets	10 379	10 625	9 987
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	984	363	569
Minorities' interests	1 160	843	1 020
	2 144	1 206	1 589
Non current liabilities			
Deferred tax	422	405	418
Borrowings	3 952	4 897	4 525
Other non current liabilities	261	212	233
	4 635	5 514	5 176
Current liabilities			
Accounts payable and other	1 217	1 447	1 240
Borrowings	2 383	2 458	1 982
	3 600	3 905	3 222
Total liabilities	8 235	9 419	8 398
Total equity and liabilities	10 379	10 625	9 987

Group statements of comprehensive income

R million	Six months ended 31 December		Year ended 30 June
	2009 Unaudited	2008 Unaudited	2009 Audited
Profit for the period	315	382	700
Other comprehensive income			
Fair value adjustment on available-for-sale investment, net of tax	–	4	4
Net profit/(loss) on cash flow hedges, net of tax	30	143	(114)
Transfer from hedging reserve to income statement, net of tax	11	(165)	32
Currency translation differences	(28)	71	(32)
Realisation of currency translation reserve	–	(17)	(64)
Total comprehensive income for the period	328	418	526
Total comprehensive income attributable to:			
– minorities	85	78	161
– ordinary shareholders	243	340	365
	328	418	526

Condensed group cashflow statements

R million	Six months ended 31 December		Year ended 30 June
	2009 Unaudited	2008 Unaudited	2009 Audited
Cash generated by operations before:	1 193	1 344	2 676
Working capital changes	56	10	(52)
Cash generated by operations	1 249	1 354	2 624
Tax paid	(279)	(384)	(622)
Cash retained from operating activities	970	970	2 002
Cash utilised in investing activities	(732)	(1 035)	(1 814)
Cash realised from investing activities	65	519	482
Net cash outflow from financing activities	(211)	(237)	(728)
Effect of exchange rates upon cash and cash equivalents	(10)	42	2
Increase/(decrease) in cash balances	82	259	(56)

Condensed group statements of changes in equity

R million	Ordinary share- holders' equity	Minorities' interests	Total equity
FOR THE SIX MONTHS ENDED			
31 DECEMBER 2009 (UNAUDITED)			
Balance at 30 June 2009	569	1 020	1 589
Total comprehensive income for the period	243	85	328
Share issue	39	–	39
Deemed treasury shares purchased	(1)	–	(1)
Treasury share options purchased	(12)	–	(12)
Treasury share options exercised	79	–	79
Shares disposed by Dinokana	46	–	46
Employee share based payments	25	–	25
Loss on vesting of share awards	(4)	–	(4)
Increase in minority funding	–	185	185
Dividends paid	–	(130)	(130)
Balance at 31 December 2009	984	1 160	2 144
FOR THE SIX MONTHS ENDED			
31 DECEMBER 2008 (UNAUDITED)			
Balance at 30 June 2008	119	546	665
Total comprehensive income for the period	340	78	418
Share issue	22	–	22
Treasury share options purchased	(10)	–	(10)
Treasury share options exercised	56	–	56
Employee share based payments	15	–	15
Acquisition of subsidiary	–	240	240
Increase in minority funding	–	117	117
Disposal of interests to minorities	52	47	99
Acquisition of minorities' interests	(4)	(3)	(7)
Dividends paid	(227)	(182)	(409)
Balance at 31 December 2008	363	843	1 206
FOR THE YEAR ENDED			
30 JUNE 2009 (AUDITED)			
Balance at 30 June 2008	119	546	665
Total comprehensive income for the year	365	161	526
Share issue	99	–	99
Deemed treasury shares purchased	(78)	–	(78)
Shares disposed by Dinokana	17	–	17
Treasury share options purchased	(21)	–	(21)
Treasury share options exercised	241	–	241
Employee share based payments	28	–	28
Acquisition of subsidiary	–	240	240
Disposal of interests to minorities	52	47	99
Increase in minority funding	–	354	354
Acquisition of minorities' interests	(26)	4	(22)
Dividends paid	(227)	(332)	(559)
Balance at 30 June 2009	569	1 020	1 589

Supplementary information

R million	Six months ended 31 December		Year ended 30 June	
	2009 Unaudited	% change	2008 Unaudited	2009 Audited
EBITDA RECONCILIATION				
Operating profit	781	(19)	965	1 895
Other income	–		–	(47)
Depreciation and amortisation	347		317	658
Property and equipment rental	44		44	74
Pension fund surplus recognition*	–		–	(9)
Net loss on disposal of property, plant and equipment*	–		2	9
Impairment of goodwill	–		–	108
Loss on disposal of investments*	–		–	6
Pre-opening expenses*	28		19	21
Reversal of Employee Share Trusts' consolidation*	10		20	31
EBITDA	1 210	(11)	1 367	2 746
EBITDA margin (%)⁽ⁱ⁾	29		34	34
HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS RECONCILIATION				
Profit attributable to ordinary shareholders	243	(21)	308	501
Headline earnings adjustments	–		2	76
Net loss on disposal of property, plant and equipment	–		2	9
Loss on disposal of investments	–		–	6
Currency translation reserve realised ⁽ⁱⁱ⁾	–		–	(47)
Impairment of goodwill	–		–	108
Tax relief on the above items	–		–	(2)
Minorities' interests on the above items	–		(1)	(4)
Headline earnings	243	(21)	309	571
Adjusted headline earnings adjustments	30		–	3
Pre-opening expenses	28		19	21
Pension fund surplus recognition	–		–	(9)
Foreign exchange losses/(profits) on intercompany loans	2		(19)	(9)
Tax relief on above items	(5)		(3)	(1)
SARS tax refund	(53)		–	–
Tax on share premium distributions received	–		–	(5)
Minorities' interests in above items	(13)		(10)	(9)
Reversal of Employee Share Trusts' consolidation ⁽ⁱⁱⁱ⁾	13		27	41
Adjusted headline earnings	215	(33)	323	600

Supplementary information (continued)

R million	Six months ended 31 December			Year ended 30 June
	2009 Unaudited	% change	2008 Unaudited	2009 Audited
Number of shares ('000)				
– in issue	93 577		88 849	91 740
– for EPS calculation	92 356		88 105	88 492
– for diluted EPS calculation	93 814		89 915	89 719
– for adjusted headline EPS calculation ⁽ⁱⁱ⁾	99 541		95 036	95 884
– for diluted adjusted headline EPS calculation ⁽ⁱⁱⁱ⁾	101 000		96 846	97 111
Earnings per share (cents)				
– basic earnings per share	263	(25)	350	566
– headline earnings per share	263	(25)	351	645
– adjusted headline earnings per share	216	(36)	340	626
– diluted basic earnings per share	259	(24)	343	558
– diluted headline earnings per share	259	(25)	344	636
– diluted adjusted headline earnings per share	213	(36)	334	618
Tax rate reconciliation (%)				
Effective tax rate	37		46	47
Preference share dividends	(6)		(6)	(6)
STC	(7)		(8)	(8)
Tax refund	11		–	–
Foreign taxes and tax losses	(2)		–	(1)
Other	(5)		(4)	(4)
SA corporate tax rate	28		28	28
EBITDA to interest (times)	4.7		4.3	4.4
Annualised borrowings to EBITDA (times)	2.45		2.61	2.37
Net asset value per share (Rand)	10.52		4.09	6.20
Capital expenditure	517		833	1 476
Capital commitments				
– contracted	296		611	349
– authorised but not contracted	807		882	1 186
– conditionally authorised	987		–	1 000
	2 090		1 493	2 535

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

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

(iii) 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 2009 has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting. The accounting policies applied, other than those described below, are consistent with those adopted in the financial statements for the year ended 30 June 2009.

The group has adopted the following new standard and amendment which are mandatory for the first time for the financial year beginning 1 July 2009:

- * *IAS 1 (Revised) – Presentation of Financial Statements*, which requires changes in equity not relating to equity owners to be disclosed in a separate statement. As permitted by the standard, the group has elected to present the required information in two separate statements, an income statement and a statement of comprehensive income.
- * *IFRS 8 – Operating Segments*, which requires an entity to present segment information on the same basis as that used for internal reporting purposes. The group determined that the operating segments were the same as the business segments previously identified under IAS 14 – Segmental Reporting, resulting in no material change to the segmental report.

Earnings and dividend

Revenue for the six months ended 31 December 2009 was 2% ahead of last year at R4.1 billion, however comparable revenue (excluding Monticello in Chile) was 5% lower. Gaming revenue grew by 5% whilst rooms revenue was 14% lower than last year.

EBITDA of R1.2 billion for the six months was 11% lower than last year and the EBITDA margin declined 4.5 percentage points to 29.5%. The lower margin is due to the contraction in comparable revenue and inflationary increases in operating costs, together with the impact of the lower margins at Monticello. Excluding Monticello, the EBITDA margin was 31.6% (35.4%).

The strengthening of the Rand and Chilean Peso against the US Dollar resulted in a foreign exchange loss of R16 million compared to a gain of R65 million last year.

Net interest paid decreased by R58 million to R263 million, an 18% reduction over last year. This was the result of lower interest rates, although these were partly offset by the additional funding costs of Monticello.

Tax at R184 million, a decrease of 44%, included a tax refund of R53 million relating to prior years' assessments. The effective tax rate, excluding non deductible preference share dividends, STC and the tax refund, was 35% due primarily to the tax losses incurred by Monticello and other permanent differences.

Adjusted headline earnings of R215 million and diluted adjusted headline earnings per share of 213 cents were 33% and 36% below last year respectively.

Trading conditions remain uncertain in the near term. With the continued focus on cash flows and strengthening the balance sheet, no interim dividend has been declared.

Segmental analysis

R million	Revenue			EBITDA			Operating profit		
	Six months to 31 December	Year ended 30 June	Year ended 30 June	Six months to 31 December	Year ended 30 June	Year ended 30 June	Six months to 31 December	Year ended 30 June	Year ended 30 June
	2009	2008	2009	2009	2008	2009	2009	2008	2009
GrandWest	787	841	1 642	303	343	675	233	272	535
Sun City	583	590	1 146	68	89	207	3	32	95
Carnival City	472	514	997	142	180	351	97	140	267
Sibaya	424	402	810	150	142	295	113	108	233
Boardwalk	202	217	418	75	89	172	61	75	142
Carousel	159	156	308	40	43	81	25	29	52
Wild Coast Sun	145	153	302	16	27	56	8	20	41
Morula	135	130	250	28	28	56	18	16	33
Meropa	115	114	227	46	45	93	38	36	78
Windmill	96	107	204	34	45	84	25	35	63
Swaziland	91	93	177	7	15	23	4	11	15
Table Bay	81	101	199	15	33	65	4	16	33
Botswana	81	95	181	25	34	68	20	27	55
Zambia	75	125	217	16	40	55	8	30	34
Flamingo	66	66	129	21	22	42	15	17	32
Namibia	62	64	128	16	18	36	6	11	22
Golden Valley	55	54	109	14	16	34	5	7	14
Lesotho	44	50	98	4	7	15	2	6	11
Other operating segments	21	24	47	(7)	(3)	(7)	(8)	(8)	(16)
Management activities	298	337	664	166	190	382	160	183	381
	3 992	4 233	8 253	1 179	1 403	2 783	837	1 063	2 120
Monticello – Chile	394	97	397	36	(23)	(22)	(12)	(37)	(81)
Total operating segments	4 386	4 330	8 650	1 215	1 380	2 761	825	1 026	2 039
Central office and other	–	–	–	(5)	(13)	(15)	(6)	(20)	(133)
Eliminations	(282)	(308)	(609)	–	–	–	–	–	–
Other income	–	–	–	–	–	–	–	–	47
Other expenses ^(iv)	–	–	–	–	–	–	(38)	(41)	(58)
	4 104	4 022	8 041	1 210	1 367	2 746	781	965	1 895
Promotional allowances	(61)	(62)	(126)	–	–	–	–	–	–
	4 043	3 960	7 915	1 210	1 367	2 746	781	965	1 895

(iv) Refer to EBITDA reconciliation denoted*.



Gaming

Comparable gaming revenue decreased by 3% due to continuing pressure on consumer disposable income.

GrandWest and **Boardwalk** continued to experience difficult trading conditions. GrandWest's revenue at R787 million and EBITDA at R303 million were 6% and 12% below last year respectively with the EBITDA margin declining by 2.3 percentage points to 38.5%. Boardwalk experienced a decline in revenue of 7% to R202 million and in EBITDA of 16% to R75 million. As a result the EBITDA margin declined 3.9 percentage points to 37.1%.

Carnival City achieved revenue of R472 million, a decline of 8% from last year. With the EBITDA margin decreasing 5 percentage points, EBITDA decreased by 21% to R142 million. Some disruption on the casino floor due to refurbishment and the depressed local market conditions resulted in a marginal loss of market share, particularly in the first quarter, with the group's share of the Gauteng market for the six months declining from 21.3% to 20.3%. This has been recovered in recent months.

Sibaya revenue increased 5% to R424 million and EBITDA by 6% to R150 million. The EBITDA margin of 35.4% was in line with last year. The KwaZulu-Natal market grew by 3% in the period and Sibaya's market share of 36% was 1 percentage point higher than last year.

Monticello revenue is showing good growth from quarter to quarter, with a 13% increase in the second quarter ending 31 December 2009 compared to the previous quarter. EBITDA of R36 million was achieved for the six months compared to a loss of R23 million last year.



Hotels and resorts

Overall rooms revenue of R409 million declined by 14% over last year with overall group occupancy of 70% (77%) and an average room rate of R824, a decline of 9% on last year. The occupancy decline is due to weaker demand from international markets and the groups and conventions sector, which severely impacted Sun City, our Zambian operations and The Table Bay. Local markets have also shown a decline although not as high as their international counterparts.

Sun City's room occupancy was 71% (81%) while the average room rate was 3% below last year at R1 188. EBITDA at R68 million declined by 24%. The lower EBITDA was primarily the result of increased indirect costs (including the cost of additional security), increased energy costs and various maintenance initiatives to improve standards.

The Table Bay achieved occupancy of 54% (69%). The average room rate achieved was in line with the previous year despite both declining demand and new supply in the five star market in Cape Town. EBITDA declined by 55% due to the lower occupancy levels.

The Royal Livingstone and **Zambezi Sun** achieved an aggregate occupancy of 54% (71%) at an average room rate of US\$171, a 4% decline against last year. EBITDA in US dollars was 53% below last year, whilst EBITDA in Rand declined by 60% on last year.

Revenue from **Botswana** declined by 15% to R81 million and EBITDA by 26% to R25 million. This decline is as a direct result of the prevailing economic conditions in Botswana which have led to a decline in disposable income. This decline was further exacerbated by the 10% strengthening in the value of the Rand against the Botswana Pula.

Our current 29% investment in **Nigeria** is treated as an associate. The process of acquiring the balance of the shares and ultimately owning a 49% interest is nearing completion. On completion the group will have invested US\$28 million in equity and advanced a loan to the company of US\$15 million. The loss reported of R3 million is due to the low occupancy achieved of 30%, a direct result of the depressed investment and business environment, including the impact of the slowdown in the oil and gas sectors on the Nigerian market.

Management activities

Management fees and related income of R298 million was 12% lower than last year. EBITDA of R166 million was 13% lower than last year. Included in revenue are development fees of R15 million compared to R25 million last year.

Balance sheet

The group's borrowings are marginally lower than at 30 June 2009 at R6.3 billion. The Chilean facilities have been restructured resulting in the shareholders repaying and funding US\$50 million of the long term facility.

Third party borrowings

R million	31 December 2009	31 December 2008	30 June 2009
SunWest International (Pty) Ltd	757	837	771
SFI Resorts SA (Chile)	666	1 258	912
Afrisun Gauteng (Pty) Ltd	508	511	522
Afrisun KZN (Pty) Ltd	455	441	457
Worcester Casino (Pty) Ltd	211	208	211
Meropa Leisure and Entertainment (Pty) Ltd	116	120	117
Mangaung Sun (Pty) Ltd	71	68	73
Teemane (Pty) Ltd	68	67	69
Emfuleni Resorts (Pty) Ltd	56	117	97
Lesotho Sun (Pty) Ltd	30	–	–
Central office	3 168	3 470	3 009
	6 106	7 097	6 238
Employee Share Trusts	229	258	269
	6 335	7 355	6 507

Capital expenditure incurred during the six months

R million	
Expansionary	
Monticello	233
Sibaya	15
	248
Refurbishment	
Lesotho	76
Wild Coast Sun	21
	97
Other ongoing asset replacement	172
Total capital expenditure	517

Developments

South Africa

Following the award of the casino licence for the Wild Coast Sun, the upgrade and enhancement of the property has commenced. The upgrade and expansion of the casino floor was completed in December 2009 and the rooms refurbishment commenced in January 2010 and will be completed by mid-2012. The delay in commencement of the project and minimising the disruption to 2010 World Cup guests have resulted in some significant changes to the refurbishment programme, and as a result the overall projected capital expenditure is now expected to be R400 million as against the original forecast of R340 million.

Lesotho

The main components of the R140 million refurbishment of the Lesotho Sun hotel, casino and conference facility was completed in early December 2009.

Chile

The final components of the Monticello development were completed in the period with the retail and entertainment facilities opening in October 2009 and the 155-room hotel in December 2009. The overall capital expenditure increased by US\$15 million to US\$262 million, mainly due to cost escalations, the significant weakening of the US Dollar and additional capitalised interest.

Nigeria

The 200-slot and 8-table casino at the Federal Palace hotel was opened during December 2009 and the conference facility during January 2010 at a cost of US\$19 million. Trading at the casino commenced slowly during the holiday season but has shown encouraging growth since the launch of the first major promotion and the associated communications plan.

Boardwalk casino licence

The Boardwalk's casino licence in Port Elizabeth expires in October 2010. The Boardwalk was announced as the preferred bidder during September 2009 and the conditions attached to the licence are still to be finalised with the Eastern Cape Gambling and Betting Board. The project includes plans for a five star hotel and conference centre, expanded gaming facilities and covered parking at an estimated cost of R1 billion. The project will commence in late 2010 and is likely to be completed in 2012.

Directorate and group secretary

Zarina Bassa and Tumi Makgabo have been appointed as independent non-executive directors with effect from 1 March 2010.

Silvia Bailes will be taking early retirement as from 31 March 2010 and Chantel Reddiar has been appointed as group secretary with effect from 1 April 2010.

Outlook

Trading conditions are stabilising and some growth in revenue is forecast for the remainder of the year in part due to the anticipated benefits of the 2010 World Cup.

The expected improved revenue performance, lower interest costs and non-recurrence of the significant foreign exchange movements that occurred in the first half are anticipated to result in an improved earnings performance in the second half. Headline earnings per share for the full year however will be below last year.

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

For and on behalf of the board

MV Moosa

Chairman

26 February 2010

DC Coutts-Trotter

Chief Executive

Registered Office:

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Sponsor:

Investec Bank Limited

Transfer secretaries:

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Directors:

MV Moosa (*Chairman*)

IN Matthews (*Lead Independent Director*)

DC Coutts-Trotter (*Chief Executive*)*

RP Becker (*Chief Financial Officer*)*

PL Campher

GR Rosenthal

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MP Egan

Dr NN Gwagwa

LM Mojela

DM Nurek

E Oblowitz

Group Secretary:

SA Bailes



Boardwalk



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