PROFIT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

KERSAF Investments Limited

Kersaf Investments Limited
(Registration number 1967/007528/06)
Share code: KER ISIN code: ZAE000003844

GROUP INCOME STATEMENT

	Six months ended 31 December 2001 Reviewed Rm	% Change	2000 Reviewed Rm	Year ended 30 June 2001 Audited Rm
Revenue	**1 759**	27	1 384	3 174
Direct costs	**(829)**		(624)	(1 450)
Gross profit	**930**	22	760	1 724
Indirect costs	**(513)**		(390)	(852)
EBITDA*	**417**	13	370	872
Depreciation and amortisation	**(190)**		(108)	(295)
Property rentals	**(30)**		(19)	(63)
Exceptional items	**(40)**		(116)	(244)
Profit from operations	**157**	24	127	270
Foreign exchange profits	**59**		3	27
Interest received	**44**		31	32
Operating profits	**260**	61	161	329
Interest expense	**(162)**		(35)	(136)
Share of associate companies' (losses)/profits				
– normal	**(17)**		25	132
– exceptional	**(96)**		(480)	(488)
Loss before taxation	**(15)**		(329)	(163)
Taxation	**(47)**		(80)	(91)
Loss after taxation	**(62)**		(409)	(254)
Minority interests	**15**		103	31
Net loss for the period	**(47)**		(306)	(223)

*Earnings before interest, taxation, depreciation and amortisation

	2001	% Change	2000	2001
Number of shares (000's)				
– in issue	**90 050**		88 950	90 050
– for EPS calculation	**90 050**		88 676	88 990
– for fully diluted EPS calculation	**90 584**		89 678	89 571
Earnings per share (cents)				
– headline earnings per share	**61**		125	318
– basic loss per share	**(52)**		(345)	(251)
Fully diluted earnings per share (cents)				
– headline earnings per share	**60**		124	316
– basic loss per share	**(52)**		(341)	(249)
EBITDA margin	**24**		27	27
Interest cover (times)	**2**		8	4
Determination of headline earnings				
Attributable loss per the income statement	**(47)**		(306)	(223)
Exceptional items	**40**		116	244
Pre-opening expenses	**4**		91	144
Goodwill	**11**		10	29
Net write downs due to sale and closure of operations	**15**		15	11
Costs of restructuring of the group's interests in SIHL including the share registration costs	**–**		–	40
Downsizing and restructuring costs	**1**		–	14
SIHL dispute legal costs	**8**		–	–
Bid costs recouped	**(2)**		–	–
Loss on disposal of SIHL shares	**3**		–	–
Loss on disposal of interest in subsidiaries	**–**		–	6
Associate companies' exceptional items	**96**		480	488
Pre-opening expenses	**3**		14	37
Goodwill	**–**		3	4
Profit on Paradise Island land sales	**–**		(12)	(25)
Loss on sale of Atlantic City	**–**		475	413
Impairment of cinema assets	**73**		–	59
Loss on sale of cinema assets	**20**		–	–
Taxation relief on the above items	**–**		–	(8)
Minority interests in the above items	**(34)**		(179)	(218)
Headline earnings	**55**	(50)	111	283

DIVISIONAL EARNINGS ANALYSIS

	Six months ended 31 December 2001 Reviewed Rm	2000 Reviewed Rm	Year ended 30 June 2001 Audited Rm
Sun International South Africa	**9**	41	87
Other southern African activities	**37**	19	25
Management activities	**16**	32	51
Ster Century	**(24)**	(17)	(39)
Sun International Hotels	**–**	21	109
City Lodge	**9**	10	20
Central office and other	**8**	5	30
	55	111	283

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

GROUP BALANCE SHEET

	31 December 2001 Reviewed Rm	2000 Reviewed Rm	30 June 2001 Audited Rm
ASSETS			
Operating assets and investments			
Operating assets	**5 352**	4 931	5 128
Goodwill	**78**	75	81
Investments and loans	**3 053**	1 853	2 108
	8 483	6 859	7 317
Current assets			
Accounts receivable and other	**440**	515	418
Deposits and cash	**200**	226	238
	640	741	656
Total assets	**9 123**	7 600	7 973
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	**3 510**	2 593	2 832
Outside shareholders' interests	**1 838**	1 547	1 673
	5 348	4 140	4 505
Non-current liabilities			
Deferred taxation	**376**	432	376
Borrowings	**2 013**	2 180	1 858
	2 389	2 612	2 234
Current liabilities			
Accounts payable and other	**761**	637	799
Borrowings	**625**	211	435
	1 386	848	1 234
Total liabilities	**3 775**	3 460	3 468
Total equity and liabilities	**9 123**	7 600	7 973
Borrowings to total shareholders' equity (%)	**49**	58	51
Net asset value per share (Rand)	**38,98**	29,15	31,44
Capital expenditure	**328**	1 277	1 590
Capital commitments			
– contracted	**148**	600	473
– authorised but not contracted	**655**	1 038	823
Market value of listed investments	**2 394**	1 429	1 752
Directors' valuation of unlisted investments and loans	**597**	340	341
Total valuation of investments and loans	**2 991**	1 769	2 093

GROUP CASH FLOW STATEMENT

	Six months ended 31 December 2001 Reviewed Rm	2000 Reviewed Rm	Year ended 30 June 2001 Audited Rm
Cash generated by operations before:	**439**	350	824
Working capital changes	**(94)**	61	229
Pre-opening expenses	**(4)**	(91)	(144)
Cash generated by operations	**341**	320	909
Investment income	**50**	31	36
Interest expense	**(162)**	(35)	(136)
Taxation paid	**(68)**	(58)	(104)
Dividends paid	**(13)**	(35)	(53)
Cash retained from operating activities	**148**	223	652
Cash utilised in investing activities	**(522)**	(1 354)	(1 785)
Cash realised from investing activities	**47**	7	41
Net cash inflow from financing activities	**275**	1 136	1 110
Translation gains on cash balances	**14**	14	20
(Decrease)/increase in cash balances	**(38)**	26	38

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 2001	555	1 484	793	2 832
– Net loss for the period to 31 December 2001	–	(47)	–	(47)
– Foreign currency translation adjustment	–	–	725	725
– Transfer from foreign currency translation reserve to retained earnings	–	17	(17)	–
Balances at 31 December 2001	555	1 454	1 501	3 510

COMMENTARY

EARNINGS AND DIVIDEND

Trading conditions continued to be very difficult during the period under review exacerbated by the events of 11 September and in Zimbabwe. The weak local economic conditions and consumer confidence have negatively impacted casino revenues. Some improvement in trading was evident in December 2001 particularly in inbound tourist numbers.

The group's headline earnings per share were 51% lower than last year at 61 cents. This decline in earnings is due to the deterioration in profitability from the various Sun International and Ster Century operations as well as the exclusion for the first time of equity accounted earnings from Sun International Hotels Limited (SIHL) as a consequence of the change in the basis of accounting for this investment. In the prior period SIHL contributed earnings of R21 million or 24 cents per share.

Revenues for the period of R1 759 million were 27% higher, with gaming revenues up 38% and hospitality and other revenues up 8%. The large increase in gaming revenues was due to the opening of The Boardwalk, GrandWest and SugarMill casinos in October 2000, December 2000 and February 2001 respectively. Lower than anticipated revenues, particularly in the casinos, and the very weak trading at the Zambian resort at Victoria Falls, together with the higher marketing and offshore office costs resulted in a lower EBITDA margin at 24% and consequently a 13% increase in EBITDA to R417 million. Depreciation charges increased by 76% whilst net interest paid of R118 million compares to R4 million in the corresponding prior period. Normal associate losses were R17 million in the period compared to profits of R25 million in the prior year period primarily as a result of the exclusion of the SIHL equity earnings and the increased losses of Ster Century which were worsened by the depreciation of the SA Rand. Foreign exchange profits were significantly higher due mainly to a US$4 million gain in Sun International Zambia in respect of a SA Rand denominated loan. The relatively high effective tax rate is primarily due to unshielded losses in certain of Sun International South Africa (SISA) group companies.

The most significant exceptional item is the additional impairment charge taken primarily against certain of the recently completed multiplex cinemas of Ster Century Europe.

As previously announced to shareholders, no dividends will be declared for the 2002 financial year.

OPERATIONAL REVIEW

Sun International South Africa's results for the period reflect the impact of the poor economic conditions in South Africa together with the immediate effects of the events of September 11th. Group revenues were 29% higher as a consequence of the new casino openings, with gaming revenues 39% up and rooms' revenues in line with last year. Carnival City and the Wild Coast Sun both experienced significant declines in revenues as a result of competitive activity reducing their market shares. Trading at both The Boardwalk and GrandWest was well below expectations although SugarMill continues to trade strongly. SISA's average room occupancy at 65% was in line with the previous year with the Sun City resort down one percentage point to 72%. Despite the group's major operations experiencing a decline in operating margins in the difficult environment, EBITDA was up 27% to R349 million. As a result of increased capital charges and the high effective tax rate, headline earnings were 78% lower at R21 million.

The development of the Flamingo casino at Kimberley and the Meropa casino at Pietersburg is nearing completion and the openings are scheduled for March and April 2002 respectively. The group is proceeding with certain preliminary work on the development of its Sibaya casino project at Umdloti in KwaZulu-Natal.

Other southern African operations with the exception of the Zambian resort traded very satisfactorily and reflected a 37% increase in earnings attributable to Kersaf to R26 million. The Zambian operations incurred losses of R29 million (including depreciation charges of R10 million) if the foreign exchange gain of R40 million is excluded. Occupancy of only 29% was due mainly to the resorts being unable to attract any meaningful international business.

Management activities generated earnings 50% lower at R16 million primarily due to much lower project fees earned and significantly higher offshore costs relating to the establishment of an international sales and marketing infrastructure.

Ster Century Europe (SCE) trading was again weak although there has been some improvement recently as a consequence of the stronger product line up. Losses attributable to Kersaf amounted to R20 million. During the period, SCE opened two complexes in the Czech Republic and one in each of Spain and the UK.

In line with the Kersaf group's strategy of exiting this investment, an agreement has been signed for the sale of SCE's 8 complexes in Hungary, Czech Republic and Slovakia for US$18.5 million. This sale should be completed by the end of April 2002. A separate announcement has been made to shareholders containing further details of this transaction.

Ster Century Middle East opened its first three multiplexes in Abu Dhabi, Sharjah and Jordan during the period. To date trading has been below expectations.

City Lodge experienced improved trading conditions in its market sector with good increases in rates and new hotel rooms resulting in revenues up 23%. Fully diluted headline earnings per share reflected a commendable increase of 17%. Earnings attributable to the Kersaf group were marginally down as a consequence of the dilution in Kersaf's equity holding in City Lodge from 49% to 39% after conversion of the City Lodge debentures during August 2001.

BALANCE SHEET

Major investment expenditure during the period under review was R124 million relating to the GrandWest project, R62 million on the Flamingo casino, R55 million on the Meropa casino, R93 million to fund Ster Century Europe and R111 million to acquire the Sun International brand name. This capital expenditure was funded by increased borrowings of R274 million, existing cash resources and operating cash flows.

The net asset value per share has increased by 34% to R38,98 mainly as a result of the increase in the value of the group's international investments following the recent devaluation in the SA Rand.

CAPITAL COMMITMENTS

The group currently has capital commitments of R803 million, including a further R650 million for the Sibaya project which will only be incurred in future financial years.

LITIGATION

Following the legal action instituted by SIHL in New York, the Kersaf group filed opposing papers during December 2001 in which the jurisdiction of the Courts of New York were challenged. Further papers will be filed and the matter is expected to be heard during April 2002. The company's New York lawyers believe the group should be successful in opposing the matter.

PROSPECTS

The group's hotels and resorts are well placed to benefit from an increase in foreign tourism to southern Africa. The current situation in Zimbabwe will result however in the Zambian resort continuing to incur significant losses in the short term.

The relatively poor local economic conditions and the high real interest rates are likely to continue to place downward pressure on consumer spending and hence casino revenues and margins. Nevertheless the new casino operations will continue to generate significant cash flows.

The recent devaluation of the SA Rand whilst providing significant foreign exchange gains and enhancing the value of the group's dollar denominated assets, particularly the investment in SIHL, will further exacerbate the trading losses of Ster Century and Sun International Zambia.

As a consequence of these factors and together with the change in the basis of accounting for SIHL and the higher capital charges relating to the new developments, headline earnings for the year will be materially lower than in the prior year.

For and on behalf of the Board

D A Hawton
Executive Chairman

D C Coutts-Trotter
Group Finance Director

26 February 2002

INDEPENDENT REVIEW

The results for the six months ended 31 December 2001 have been prepared in accordance with Generally Accepted Accounting Practice in South Africa and on policies, which are consistent with those of the previous period.

The group's auditors, PricewaterhouseCoopers Inc., have reviewed but not audited the financial information contained in this announcement and their report is available for inspection at the registered office of the company.

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