Sun International
Limited

Profit and dividend announcement
for the year ended 30 June 2005

Highlights

- Revenue +15%
- EBITDA +19%
- Fully diluted adjusted HEPS +45%
- Dividends per share +60%

Sun International Limited, Share code: SUI ISIN: ZAE000054995, Registration number: 1967/007528/06

Group income statement

	Year ended 30 June 2005 Reviewed Rm	% change	2004 Audited Rm
Revenue	**5 139**	15	4 476
Casino	**3 857**		3 261
Rooms	**623**		621
Food, beverage and other	**659**		594
Direct costs	**(2 162)**		(1 908)
Gross profit	**2 977**	16	2 568
Indirect costs	**(1 306)**		(1 161)
EBITDA	**1 671**	19	1 407
Depreciation and amortisation	**(438)**		(437)
Property rentals	**(70)**		(81)
Exceptional items	**253**		336
Operating profit	**1 416**		1 225
Foreign exchange profits/(losses)	**35**		(76)
Interest received	**79**		63
Continuing operations	**79**		60
Discontinuing operations	–		3
Interest expense	**(249)**		(277)
Profit before equity accounted earnings	**1 281**		935
Share of associate companies' profits	**73**		59
Continuing operations	**1**		5
Discontinuing operations	**72**		54
Profit before taxation	**1 354**		994
Taxation	**(406)**		(270)
Continuing operations	**(381)**		(250)
Discontinuing operations	**(25)**		(20)
Profit after taxation	**948**		724
Minority interests	**(239)**		(285)
Net profit for the year	**709**	62	439
Number of shares (000's)			
– in issue	**116 393**		90 050
– for EPS calculation	**113 100**		90 050
– for adjusted headline EPS calculation	**104 391**		81 341
– for fully diluted EPS calculation	**114 670**		90 942
– for fully diluted adjusted headline EPS calculation	**105 961**		82 233
Earnings per share (cents)			
– basic earnings per share	**627**		488
– headline earnings per share	**534**	28	418
– adjusted headline earnings per share	**417**	45	287
Fully diluted earnings per share (cents)			
– basic earnings per share	**618**		483
– headline earnings per share	**527**	27	414
– adjusted headline earnings per share	**411**	45	284
Dividends declared per share (cents)	**200**	60	125
EBITDA margin (%)	**32.5**		31.4
Interest cover (times)	**5.1**		3.2
Dividend payout (%)	**48.7**		44.0

Group income statement (continued)

	2005 Reviewed Rm	% change	2004 Audited Rm
	Year ended 30 June		
Determination of headline earnings and adjusted headline earnings			
Attributable earnings per the income statement	**709**	62	439
Headline earnings adjustments	**(119)**		(154)
Associate goodwill (included in depreciation and amortisation)*	**–**		8
Impairment of investments in associates	**–**		20
Impairment of property, plant and equipment	**1**		4
Net profit on disposal and closure of operations	**(15)**		–
Net profit on disposal of property, plant and equipment*	**(1)**		(4)
Currency translation reserve realised	**(104)**		(182)
Taxation relief on the above items	**4**		25
Minority interests in the above items	**10**		66
Headline earnings	**604**	61	376
Adjusted headline earnings adjustments	**(164)**		(126)
Pre-opening expenses	**19**		2
Write up of KZL to market value	**(86)**		(183)
Foreign exchange (profits)/losses on intercompany loans*	**(17)**		56
Fair value adjustments on loan origination	**(43)**		34
Earnings from discontinuing operations*	**–**		(4)
Profit on share option scheme	**(32)**		–
Profit realised on discontinued share purchase scheme	**(6)**		(31)
Corporate tax rate change on deferred tax opening balance*	**(12)**		–
Indirect taxes relating to prior years	**13**		–
Associate adjusted headline earnings adjustments	**(72)**		(54)
Results from discontinuing operations*	**(72)**		(54)
Taxation relief on the above items	**45**		10
Minority interests in the above items	**22**		27
Adjusted headline earnings	**435**	87	233

* Not included in exceptional or associate exceptional items

Group balance sheet

	Year ended 30 June	
	2005 Reviewed Rm	**2004 Audited Rm**
ASSETS		
Non current assets		
Property, plant and equipment	**5 311**	4 777
Intangible assets	**433**	479
Available-for-sale investment	**141**	143
Investments and loans	**568**	471
	6 453	5 870
Current assets		
Accounts receivable and other	**369**	343
Available-for-sale investment	**287**	390
Loans	**16**	7
Cash and cash equivalents	**589**	477
	1 261	1 217
Total assets	**7 714**	7 087
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shareholders' equity	**3 261**	2 290
Outside shareholders' interests	**749**	1 454
	4 010	3 744
Non current liabilities		
Deferred taxation	**353**	364
Borrowings	**1 584**	1 760
Other	**90**	40
	2 027	2 164
Current liabilities		
Accounts payable and other	**931**	838
Borrowings	**746**	341
	1 677	1 179
Total liabilities	**3 704**	3 343
Total equity and liabilities	**7 714**	7 087
Borrowings to total shareholders' equity (%)	**58**	56
Net asset value per share (Rand)	**28.01**	25.42
Capital expenditure	**981**	489
Capital commitments		
- contracted	**85**	522
- authorised but not contracted	**729**	617
Market value of listed investments	**898**	806
Directors' valuation of unlisted investments and loans	**494**	433
Total valuation of investments and loans and available for sale investment	**1 392**	1 239

Group cash flow statement

	Year ended 30 June	
	2005 Reviewed Rm	**2004 Audited Rm**
Cash generated by operations before:	**1 655**	1 316
Working capital changes	**109**	(6)
Cash generated by operations	**1 764**	1 310
Investment income	**107**	88
Interest expense	**(235)**	(277)
Taxation paid	**(374)**	(161)
Dividends paid	**(395)**	(232)
Cash retained from operating activities	**867**	728
Cash utilised in investing activities	**(1 490)**	(1 213)
Cash realised from investing activities	**337**	766
Net cash inflow/(outflow) from financing activities	**388**	(127)
Translation gains/(losses) on cash balances	**10**	(26)
Increase in cash balances	**112**	128

Consolidated statement of changes in equity

	Ordinary share capital and share premium Rm	**Other reserves Rm**	**Retained earnings Rm**	**Total Rm**
Balances at 30 June 2004	505	324	1 837	2 666
Effect of adoption of IAS 27 (revised)	–	–	(376)	(376)
Effect of adoption of IFRS 2	–	17	(17)	–
Balances at 30 June 2004 restated	505	341	1 444	2 290
Share capital issued	1 066	–	–	1 066
Treasury share options	(37)	–	–	(37)
Share option cost	–	19	–	19
Premium on transactions with minorities	–	–	(529)	(529)
Profit arising on disposal of interest to minorities	–	–	17	17
Net profit for the year to 30 June 2005	–	–	709	709
Currency translation differences				
– movement for the year	–	28	–	28
– realised during the year	–	(104)	–	(104)
Dividends paid	–	–	(198)	(198)
Balances at 30 June 2005	**1 534**	**284**	**1 443**	**3 261**

Accounting policies

The preliminary financial information presented has been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards (IFRS). The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 June 2004 except for the adoption of IAS27 (revised) – Consolidated and Separate Financial Statements, IAS38 – Intangible Assets and IFRS 2 – Share Based Payments.

The group has elected to adopt the economic entity model in accounting for transactions with minority shareholders in terms of the revisions to IAS27. This model requires all premiums paid and profits and/or losses on transactions with minorities to be recognised directly in equity. As a consequence, the 2004 income statement has been restated and the intangible assets and distributable reserves at 30 June 2004 have been reduced by R376 million. The impact on the current year is that R529 million, relating primarily to the acquisition of the minority interests in SISA, has been recognised directly in equity.

The adoption of IAS 38 results in the amortisation of indefinite life assets being discontinued in the current year whereas the prior year included amortisation of R6 million.

The adoption of IFRS 2 requires the group to expense share options granted after 7 November 2002 in the current year and effect a prior year adjustment. The amount expensed in the current year is R19 million (2004: R16 million) equivalent to 18 cents per share (2004: 20 cents per share).

In accordance with the group's practice of excluding discontinuing operations from adjusted headline earnings per share (adjusted HEPS), the results from City Lodge have been excluded. The number of shares used in the adjusted HEPS calculation has been reduced by 8 709 000 to reflect the anticipated number of Sun International shares that are likely to be acquired through the scheme of arrangement announced on 23 March 2005.

Audit review opinion

The results have been reviewed by the group's auditors, PricewaterhouseCoopers Inc., and their unqualified review opinion is available for inspection at the company's registered office.

Earnings and dividend

The group achieved excellent results for the year, mainly due to continued strong growth in casino revenues, improved operating margins and lower borrowing costs.

Group revenue at R5.1 billion was 15% up on the previous year. Strong growth in gaming revenues continued in the second half with annual revenue at R3.9 billion up 18% on the prior year. Hotel and resort revenues remained under pressure, particularly at the upper end of the market. Consequently, rooms revenue showed only marginal improvement. The group EBITDA margin improved by one percentage point to 32.5%, resulting in a 19% increase in EBITDA to R1.7 billion.

Net exceptional income of R253 million includes a mark-to-market write up of the group's shareholding in Kerzner International Limited (KZL) amounting to R86 million, and R104 million on the part realisation of the foreign currency translation reserve.

Net interest expense at R170 million was R44 million below the previous year as a result of lower interest rates and strong operating cash flows. Taxation at R406 million was 50% up on the previous year due to improved profitability and the STC charges on increased dividends paid by the group.

Discontinuing operations include City Lodge and Ster Century Middle East.

Adjusted headline earnings were 87% higher than last year at R435 million. Fully diluted adjusted HEPS were 45% higher at 411 cents as a consequence of the increase in the weighted average number of shares in issue, following the issue of shares for the acquisition of the Sun International (South Africa) Limited (SISA) minority interests in August 2004.

The board has declared a final dividend of 110 cents per share, bringing the total dividend for the year to 200 cents per share, a 60% increase over the previous year.

Trading

SEGMENTAL ANALYSIS

Year ended 30 June 2005	Revenue		EBITDA		Operating profit	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm	2005 Rm	2004 Rm
GrandWest	1 193	1 006	501	400	402	303
Sun City	902	818	139	128	65	70
Carnival City	697	570	227	180	171	115
Sugarmill/Sibaya	484	363	148	118	85	56
Boardwalk	334	281	129	102	99	69
Wild Coast	223	202	45	37	31	21
Carousel	198	175	44	39	25	20
Morula	158	145	27	26	15	21
Meropa	142	118	54	40	36	23
Swaziland	135	134	25	18	18	12
Table Bay	134	138	43	42	15	12
Zambia	119	96	22	14	6	(3)
Botswana	112	122	35	43	26	35
Namibia	96	89	29	29	17	19
Flamingo	89	78	31	26	18	12
SI Management	316	251	110	102*	100	85*
Central office and other operations	180	177	62	63	34	19*
Elimination	(373)	(287)	–	–	–	–
	5 139	4 476	1 671	1 407	1 163	889
Exceptional items					253	336*
	5 139	4 476	1 671	1 407	1 416	1 225

* Restated for the implementation of IFRS 2 – Share Based Payments and revised IAS 27 – Consolidated and Separate Financial Statements

Gaming

Gaming revenue was 18% ahead of the previous year with slot and table revenues 19% and 16% up respectively. This growth can be attributed primarily to a continuing improvement in disposable income and consumer confidence.

GrandWest continues to trade exceptionally well with gaming revenue at R1.2 billion, 19% up on the previous year. EBITDA at R501 million was 25% up on the previous year.

Carnival City increased its marketing effort and related event and promotional activity. These resulted in an increase in its share of the competitive Gauteng market. Gaming revenues were 22% higher than last year, compared with a 14% improvement in the Gauteng market. The higher revenues resulted in a 26% increase in EBITDA to R227 million.

Sibaya has performed well since opening on 1 December 2004, with gaming revenue 36% higher than that achieved by Sugarmill for the comparable seven-month period. The combined revenue and EBITDA for Sibaya and Sugarmill were 33% and 25% ahead of last year respectively. Sibaya currently has an estimated 43% share of the Durban casino market.

Boardwalk continues to perform extremely well, benefiting from increased economic activity in the Port Elizabeth region. Revenue and EBITDA were 19% and 26% ahead of last year respectively.

Resorts and Hotels

Rooms revenue of R623 million was in line with the previous year. The growth in rooms revenue was 4% after adjusting for the disposals of Mpekweni and Zimbali Lodge.

Sun City achieved an overall occupancy of 76%, four percentage points ahead of the previous year. This improvement was largely the result of the increase in occupancy at The Cascades which was substantially refurbished in the prior year. The overall room rate of R931 was unchanged on last year, reflecting challenging market conditions resulting primarily from the strength of the Rand, which had the greatest impact at The Palace.

Table Bay's occupancy of 63% for the year was three percentage points below last year whilst the average room rate at R1 352 was 2% higher. The decline in room occupancy is the result of an increase in the Cape Town four and five star rooms inventory and the "trading down" being experienced particularly in the international group market.

The **Zambian** resort continued to enjoy increased demand, with room occupancy at 62% – nine percentage points better than last year. Rooms revenue in US dollars grew by 34% as the resort benefitted from increased regional and international demand coupled with the contribution of "Dreams", the group's in-house tour operator.

The contribution to earnings from the group's operations in Botswana, Namibia and Swaziland was well down on the previous year due to the generally weaker economic conditions in those countries, and the introduction of VAT in Botswana.

Sun International Management Limited

Management fees and related income of R316 million grew 26% over last year, mainly as a result of favourable trading conditions enjoyed by the major group operations. However, EBITDA of R110 million was only 8% ahead of the adjusted comparative as a result of additional costs incurred. These costs included an amount of R19 million (2004: R16 million) in respect of the group's share option scheme, R5 million additional lease charges relating to the straight line recognition of operating lease payments, the cost of software development at R14 million, and R25 million (2004: R18 million) incurred during the year investigating new casino license opportunities in the United Kingdom, Singapore and Africa.

Balance sheet

On 16 August 2004 the group acquired the remaining 37.6% interest in SISA. The purchase consideration of R1.4 billion was settled by the issue of 26.3 million shares and the payment of R346 million in cash.

During the year, 577 200 KZL shares were disposed of, which realised US$34 million. At 30 June 2005 the group held an effective 554 478 shares in KZL.

Capital expenditure for the year is detailed in the table below:

	Rm
Expansionary projects	585
Sibaya permanent casino	410
Windmill casino	53
Worcester casino	8
Sun International Vacation Club at Sun City	114
Upgrade and refurbishment of properties	207
Morula refurbishment and casino upgrade	77
Carousel casino refurbishment and upgrade	66
Sun City refurbishment and casino upgrade	64
Ongoing asset replacement	189
	981

The strong cash flow for the year assisted the group in funding both capital expenditure and the acquisition of SISA minorities, and providing the opportunity to increase dividends. The group's borrowings increasing marginally as summarised below:

	Borrowings	Intragroup borrowings	Third party borrowings	Third party borrowings
		30 June 2005		30 June 2004
	Rm	Rm	Rm	Rm
SunWest International (Pty) Ltd	534	30	504	602
Emfuleni Resorts (Pty) Ltd	167	64	103	70
Afrisun KZN (Pty) Ltd	503	72	431	98
Meropa Leisure and Entertainment (Pty) Ltd	74	-	74	93
Teemane (Pty) Ltd	53	-	53	67
Afrisun Gauteng (Pty) Ltd	211	-	211	242
Mangaung (Pty) Ltd	98	98	-	-
Central Office	690	(264)	954	929
	2 330	–	2 330	2 101

Developments

The first phase of the Sibaya property opened at the beginning of December 2004 at a capital cost of R733 million. The investigation into certain overruns has been completed and an insurance claim has been submitted for the recovery of R46 million. Construction of the 118-room three star hotel is expected to commence shortly at an estimated cost of R83 million, and is scheduled for completion in July 2006.

Both the Morula and Carousel casino floors were upgraded during the year with the introduction of the group's smart card technology and the installation of new slot machines. The Morula casino was substantially refurbished and the construction of a new off-ramp has commenced, which will provide direct access to the Carousel casino from the N1. Both casinos are performing well, with revenues in the last quarter of the financial year 20% ahead of last year.

The Bloemfontein casino project is on schedule for completion in October 2005 at an estimated cost of R166 million. The casino is well located on the N1 highway and will be named the Windmill Casino. In keeping with its name, the casino will feature a Moulin Rouge theme and will include an 80-room hotel and a restaurant and family entertainment centre. R96 million has been spent since inception to 30 June 2005 on the project.

Construction of the second phase of the Sun International Vacation Club at Sun City was completed in June 2005 within the budgeted cost of R130 million. Sales are well ahead of projections with 73% of units having been sold at year-end.

Winelands Casino (Pty) Ltd, in which the group holds a 40% economic interest, has been awarded the Worcester casino licence in the Western Cape. It plans to spend R150 million in developing a 150 slot machine casino, a conference facility, restaurant, entertainment bar and children's entertainment facility. The development is scheduled to open in October 2006.

Offshore expansion

The group continues to investigate a select number of offshore casino expansion opportunities. The new Gambling Act in the UK could give rise to the licensing of up to eight regional casinos. The group is well positioned to compete for two of these opportunities, although the timing will depend to a large degree on the outcome of a government process to determine the number and locations of these casinos. The group is also investigating a number of opportunities in Africa and Asia.

City Lodge

Results

Earnings attributable to Sun International of R47 million were 21% higher than last year. Average occupancy at 77% was up one percentage point on last year. Revenues were 16% up on last year as a result of room rate growth, the increase in occupancy and the inclusion of City Lodge Umhlanga Ridge and Road Lodge Rustenburg for the full year. EBITDA was 18% up on the prior year at R205 million.

Disposal of interest

Approval was obtained from Sun International's shareholders at the scheme and general meetings held on 29 August 2005 for the disposal of the 38.6% shareholding in City Lodge to Sun International shareholders in exchange for Sun International shares.

Application will therefore be made to the High Court of South Africa (Witwatersrand Local Division) on 6 September 2005 for the sanctioning of the scheme.

A further announcement will be made to shareholders regarding the fulfilment of the remaining conditions precedent and details of the purchase ratio and resultant number of Sun International shares to be acquired as determined, based on the Sun International share price on the close of business on the disposal date.

Black Economic Empowerment

The group is making good progress with the introduction of a consortium of BEE partners as shareholders at the Sun International Limited level. It is anticipated that once this transaction is implemented, and including the empowerment participation at subsidiary level, the overall economic participation in the group by previously disadvantaged groupings will exceed 25%.

Contingent liability

The challenge from the South African Revenue Service on the deductibility of pre-opening expenditure is unresolved. However, the group remains confident that it can successfully defend this matter. The potential exposure remains a tax charge of up to R60 million across the group of which R36 million would be attributable to Sun International Limited.

Directorate

Having served 33 years with the group, Peter Bacon, Chief Executive, has advised the board of his intention to retire at the end of the current financial year, when he will reach the group's retirement age.

David Coutts-Trotter has been appointed Chief Executive Designate, effective 1 September 2005.

Rob Becker joined the group on 1 July 2005 as Chief Financial Officer and was appointed to the Board on 30 July 2005.

Outlook

The group's casinos will benefit from the anticipated ongoing growth in disposable income. The outlook for the group's hotels and resorts has improved and the trend in forward bookings is up on last year. Accordingly, the group anticipates good growth in adjusted headline earnings per share in the year ahead and will again increase the level of dividends at a rate in excess of the earnings growth rate.

For and on behalf of the board

D A Hawton
Chairman

P D Bacon
Chief Executive

30 August 2005

Registered office:
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Directors: DA Hawton *(Chairman)*, PD Bacon *(Chief Executive) (British)**, DC Coutts-Trotter *(Deputy Chief Executive)**, H Adams, RP Becker*, L Boyd, PL Campher, MP Egan, IN Matthews, LM Mojela, DM Nurek, E Oblowitz, GR Rosenthal, PE Swartz

* Executive

Group Secretary: SA Bailes

Declaration of final dividend

Notice is hereby given that a final dividend of 110 cents (2004: 80 cents) per share for the year ended 30 June 2005 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 final dividend are as follows:

	2005
Last day to trade *cum* final dividend	Friday, 16 September
First day to trade *ex* final dividend	Monday, 19 September
Record date	Friday, 23 September
Payment date	Monday, 26 September

No share certificates may be dematerialised or rematerialised between Monday, 19 September 2005 and Friday, 23 September 2005, 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

S A Bailes
Group secretary

30 August 2005

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