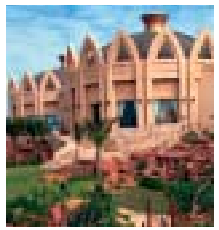
Sun International
Limited

Profit and dividend announcement
for the six months ended 31 December 2005

Highlights

- Revenue +17%
- EBITDA +23%
- Adjusted HEPS +34%
- Dividends per share +50%

Sun International
Limited



Registration no 1967/007528/06, Share code: SUI, ISIN: ZAE000054995

Group income statement

R million	Six months ended 31 December 2005 Unaudited	% change	2004 Unaudited Restated	Year ended 30 June 2005 Audited Restated
Continuing operations				
Revenue	**2 943**	17	2 512	5 139
Casino	**2 232**	19	1 873	3 857
Rooms	**334**	7	313	623
Food, beverage and other	**377**	16	326	659
Other income	**97**		78	222
Employee costs	**(610)**		(542)	(1 102)
Casino – Levies and VAT	**(468)**		(385)	(813)
Depreciation and amortisation	**(235)**		(214)	(438)
Promotional and marketing costs	**(260)**		(237)	(449)
Other operational costs	**(667)**		(598)	(1 201)
BEE transaction charge	**(218)**		–	–
Operating profit	**582**		614	1 358
Foreign exchange (losses)/profits	**(29)**		(20)	35
Interest income	**26**		19	79
Interest expense	**(113)**		(108)	(258)
Profit before taxation	**466**		505	1 214
Taxation	**(242)**		(183)	(384)
Profit for the period from continuing operations	**224**		322	830
Discontinued operations				
Profit for the period from discontinued operations	**380**		22	47
Profit for the period	**604**		344	877
Attributable to				
Minority interest	**135**		100	212
Ordinary shareholders	**469**	92	244	665
	604		344	877
Number of shares (000's)				
- in issue	**105 805**		113 777	113 777
- for EPS calculation	**108 167**		107 191	110 484
- for fully diluted EPS calculation	**109 564**		108 648	112 054
Earnings per share (cents)				
- basic earnings per share	**434**		228	602
- headline earnings per share	**98**		221	507
Fully diluted earnings per share (cents)				
- fully diluted basic earnings per share	**428**		225	618
- fully diluted headline earnings per share	**97**		218	500
Dividends declared per share (cents)	**135**	50	90	200
Interest cover (times)	**6.4**		5.1	4.5
Dividend payout (%)	**53.8**		47.9	48.6
HEADLINE EARNINGS RECONCILIATION				
Profit attributable to ordinary shareholders	**469**	92	244	665
Net loss/(profit) on disposal and closure of operations	**4**		(12)	(15)
Profit on disposal of City Lodge	**(395)**		–	–
Impairment and disposal of property, plant and equipment	**2**		–	–
Currency translation reserve realised	**–**		(1)	(104)
Taxation relief on the above items	**27**		4	4
Minority interests in the above items	**(1)**		2	10
Headline earnings	**106**	(55)	237	560

Group balance sheet

R million	31 December 2005 Unaudited	2004 Unaudited Restated	30 June 2005 Audited Restated
ASSETS			
Non current assets			
Property, plant and equipment	**5 381**	5 064	5 265
Intangible assets	**411**	457	433
Available-for-sale investment	**141**	141	141
Investments and loans	**289**	480	490
	6 222	6 142	6 329
Current assets			
Accounts receivable and other	**372**	373	341
Available-for-sale investment	**190**	349	287
Loans	**–**	3	16
Cash and cash equivalents	**705**	386	589
	1 267	1 111	1 233
Total assets	**7 489**	7 253	7 562
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	**2 894**	2 897	3 151
Minority interest	**768**	681	693
	3 662	3 578	3 844
Non current liabilities			
Deferred taxation	**397**	364	365
Borrowings	**1 718**	2 061	1 584
Other non current liabilities	**106**	42	90
	2 221	2 467	2 039
Current liabilities			
Accounts payable and other	**808**	753	933
Borrowings	**798**	455	746
	1 606	1 208	1 679
Total liabilities	**3 827**	3 675	3 718
Total equity and liabilities	**7 489**	7 253	7 562
Borrowings to total shareholders' equity (%)	**69**	70	61
Net asset value per share (Rand)	**27.35**	25.46	27.69
Capital expenditure	**350**	620	981
Capital commitments			
– contracted	**159**	254	85
– authorised but not contracted	**688**	325	729
Market value of listed investments	**190**	924	898
Directors' valuation of unlisted investments and loans	**499**	501	494
Total valuation of investments and loans and available-for-sale investments	**689**	1 425	1 392

Group cash flow statement

R million	Six months ended 31 December 2005 Unaudited	2004 Unaudited Restated	Year ended 30 June 2005 Audited Restated
Cash generated by operations before:	**950**	782	1 645
Working capital changes	**(34)**	(62)	109
Cash generated by operations	**916**	720	1 754
Investment income	**26**	39	107
Interest expense	**(108)**	(104)	(235)
Taxation paid	**(348)**	(229)	(374)
Dividends paid	**(207)**	(164)	(385)
Cash retained from operating activities	**279**	262	867
Cash utilised in investing activities	**(451)**	(1 082)	(1 490)
Cash realised from investing activities	**230**	207	337
Net cash inflow from financing activities	**59**	538	388
Consolidation of operations previously equity accounted	**9**	–	–
Translation (losses)/gains on cash balances	**(10)**	(16)	10
Increase/(decrease) in cash balances	**116**	(91)	112

Consolidated statement of changes in equity

R million	Ordinary shares and share premium	Other reserves[1]	Retained earnings	Minority interest	Total
Balances at 30 June 2005	**1 533**	**285**	**1 443**	**749**	**4 010**
Restatement ito IAS 1		(700)	700		–
Restatement ito IAS 16		2	(33)	(10)	(41)
Restatement ito IAS 39		89	(89)		–
Restatement ito SIC 12	(86)		35	(46)	(97)
Reversal of share option valuation			(28)		(28)
Balances at 30 June 2005 restated	**1 447**	**(324)**	**2 028**	**693**	**3 844**
– Share issue	248				248
– Share buy back	(627)				(627)
– Consolidation of Sun International Employee Share Trust	(180)				(180)
– Treasury share options purchased	(91)				(91)
– Treasury share options realised	76				76
– Consolidation of operations previously equity accounted				15	15
– Share option cost		11			11
– Additional minority funding				22	22
– Acquisiton of minorities' interest		5		(6)	(1)
– Net profit for the period to 31 December 2005			469	135	604
– Foreign currency translation adjustment		(23)		(4)	(27)
– Movement on valuation reserve		(17)		(8)	(25)
– Dividends paid			(128)	(79)	(207)
Balances at 31 December 2005	**873**	**(348)**	**2 369**	**768**	**3 662**

Note 1: *Included in other reserves are FCTR, fair value reserves, share based payments reserve and profit and losses on purchase and sale of non-controlling interests.*

Supplementary information

R million	Six months ended 31 December 2005 Unaudited	% change	2004 Unaudited Restated	Year ended 30 June 2005 Audited Restated
EBITDA RECONCILIATION				
Operating profit	**582**	(5)	614	1 358
Depreciation and amortisation	**235**		214	438
Other income	**(97)**		(78)	(222)
BEE transaction charge *	**218**		–	–
Property and equipment rentals	**31**		42	71
Net (losses)/profits on disposal and closure of operations *	**4**		(12)	(15)
Indirect taxes relating to prior years *	**–**		–	13
Impairment and disposal of property, plant and equipment *	**2**		–	–
Pre-opening expenses *	**5**		18	19
Reversal of Sun International Employee Share Trust consolidation	**6**		4	10
EBITDA	**986**	23	802	1 672
EBITDA margin (%)	**34**		32	33
ADJUSTED HEADLINE EARNINGS RECONCILIATION				
Headline earnings	**106**	(55)	237	560
Pre-opening expenses	**5**		18	19
Realisation of write up of KZL shares	**(81)**		(72)	(65)
Foreign exchange losses/(profits) on intercompany loans	**16**		21	(17)
Fair value adjustments on loan origination	**(16)**		–	(47)
Corporate tax rate change on deferred tax opening balance	**–**		–	(12)
Indirect taxes relating to prior years	**–**		–	13
BEE transaction charge	**218**		–	–
Profit realised on discontinued share purchase scheme	**–**		(6)	(6)
Taxation relief on the above items	**12**		–	15
Minority interests in the above items	**22**		13	14
Reversal of Sun International Employee Share Trust consolidation #	**2**		1	3
Results from discontinued operations	**(12)**		(22)	(47)
Adjusted headline earnings	**272**	43	190	430
Number of shares (000's) #				
– for adjusted headline EPS calculation	**108 400**		101 217	104 510
– for fully diluted adjusted headline EPS calculation	**109 797**		102 674	106 080
Earnings per share (cents)				
– adjusted headline earnings per share	**251**		188	411
– fully diluted adjusted headline earnings per share	**248**	34	185	405

 # The consolidation of the Sun International Employee Share Trust is reversed as the group does not receive the economic benefits of the trust.

Accounting policies

The preliminary financial information presented has been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with IAS 34, Interim Financial Reporting. The accounting policies applied are consistent with those in the annual financial statements for the year ended 30 June 2005 except for the adoption of the following standards:

- IAS 1 – Presentation of Financial Statements: The presentation of the group income statement has been changed to reflect the group's election to disclose items of income and expenditure by nature;
- IAS 16 – Property, Plant and Equipment: The reassessment of the lives and terminal values of assets did not have a material effect on either the income statement or the balance sheet;
- IAS 39 – Financial Instruments. Recognition and Measurement: This resulted in the re-allocation of unrealised gains on the revaluation of Kerzner International Limited shares to reserves, which were previously disclosed as exceptional items;
- IFRS 5 – Non Current Assets Held for Sale and Discontinued Operations. This resulted in the revised disclosure of discontinued operations in respect of the City Lodge disposal;
- SIC 12 – Consolidation Special Purpose Entities: resulted in the consolidation of the Sun International Employee Share Trust.

Earnings and dividend

The group achieved strong growth in revenue and earnings as a result of continued growth in casino revenue and a further improvement in margins. Group revenue at R2.9 billion was 17% ahead of last year, which combined with an improvement in margins resulted in a 23% increase in EBITDA to R986 million. Gaming, rooms, and food and beverage revenue was 19%, 7% and 15% higher than in the previous year respectively.

Other income of R97 million comprises a R16 million fair value adjustment on the Sun International Vacation Club interest free borrowings and an R81 million gain on the disposal of shares of Kerzner International Limited (KZL).

Employee costs increased by 13% over the previous period mainly as a result of Sibaya trading for the full period and the consolidation of the Lesotho operations for the first time. Casino levies and VAT increased by 22% over the last year due to the impact of fiscal drag in certain provinces which have a graduated casino levy structure.

The group incurred higher foreign exchange losses due to the impact of the stronger Rand on offshore cash and inter-company funding.

Taxation at R242 million was 32% higher than last year as a result of the increased profitability and STC charges on the dividends paid by the group.

Profit from discontinued operations comprises profit of R11 million from Ster Century Middle East and City Lodge Hotels Limited and the profit on the sale of the group's interest in City Lodge of R369 million.

Adjusted headline earnings of R272 million were 43% ahead of the previous year and fully diluted adjusted headline earnings per share of 248 cents were 34% above last year.

The board has declared an interim dividend of 135 cents per share, which represents a 50% increase on last year's interim dividend of 90 cents per share.

Trading

SEGMENTAL ANALYSIS

	Revenue			EBITDA			Operating Profit		
	Six months to 31 Dec		Year ended 30 June	Six months to 31 Dec		Year ended 30 June	Six months to 31 Dec		Year ended 30 June
	2005 Un-audited	2004 Un-audited	2005 Audited	2005 Un-audited	2004 Un-audited	2005 Audited	2005 Un-audited	2004 Un-audited Restated	2005 Audited Restated
GRANDWEST	689	565	1 193	290	229	501	242	178	401
SUN CITY	488	459	902	78	65	139	38	28	64
CARNIVAL CITY	389	344	697	126	110	227	97	75	162
SIBAYA/SUGARMILL	289	219	484	81	67	148	52	33	86
BOARDWALK	187	162	334	73	61	129	58	46	100
CAROUSEL	120	101	198	31	25	44	20	19	31
WILD COAST	116	110	223	21	20	45	13	13	32
MORULA	94	77	158	22	13	27	12	10	17
MEROPA	78	67	142	29	25	54	22	16	39
SWAZILAND	75	72	135	11	14	25	6	11	12
TABLE BAY	73	63	134	23	18	43	7	5	15
ZAMBIA	70	59	119	15	9	22	8	1	4
FLAMINGO	53	43	89	20	15	31	13	9	20
BOTSWANA	50	61	112	16	21	35	12	17	27
NAMIBIA	47	50	96	13	17	29	7	11	17
LESOTHO	41	–	–	6	–	–	4	–	–
WINDMILL ‡	40	–	–	14	–	–	9	–	–
SI MANAGEMENT	194	157	316	90	73	110	79	62	89
CENTRAL OFFICE AND OTHER OPERATIONS	73	80	180	27	20	63	15	8	37
ELIMINATIONS	<223>	<177>	<373>	–	–	–	–	–	–
							714	**542**	**1 153**
OTHER INCOME							97	78	222
OTHER EXPENSES †							(229)	(6)	(17)
	2 943	**2 512**	**5 139**	**986**	**802**	**1 672**	**582**	**614**	**1 358**

‡ Trading for the three months from opening on 30 September 2005
*† Items included indicated by * on EBITDA reconciliation*

Gaming

Gaming revenue was 19% ahead of the previous year with slot and table revenue up 18% and 25% respectively. This continued growth is attributable to the improvement in levels of disposable income and the continued favourable economic environment in South Africa. The group launched the exclusive and innovative "Hollywood Slots" product in December 2005, which has been extremely well received by customers and has added excitement to the group's gaming floors. The group enjoyed a particularly buoyant December, with all gaming operations achieving significant growth over last year.

GrandWest achieved excellent growth of 22% in revenue over last year, while EBITDA of R290 million grew 27%, reflecting further improvements in operating margins.

Carnival City performed well in the competitive Gauteng market, achieving market share of 19.0% for the period compared to 18.6% in the same period last year. Revenue was 13% ahead of the previous year, while EBITDA grew 15% to R126 million.

Sibaya, which opened on 1 December 2004, generated gaming revenue which was 29% ahead of last year. EBITDA of R81.0 million grew by 21%.

Boardwalk performed well, achieving growth in revenue and EBITDA of 15% and 20% over last year respectively.

Resorts and hotels

Rooms revenue of R334 million was generated in the period, 7% ahead of last year. The average room rate increased by 3% to R720 and the overall occupancy of 77% was 1.6 percentage points ahead of last year.

Sun City achieved a room occupancy of 75%, which was 2 percentage points below last year. The average room rate of R949 was 3% ahead of the previous year. Occupancy at The Palace remained under pressure as a result of the strong Rand and declined 7 percentage points to 70%. The Cascades enjoyed satisfactory revenue growth and the new Vacation Club has been extremely well received by customers.

Table Bay occupancies improved by 7 percentage points to 66% and the room rate increased 4% to R1386 in the period. This improvement was mainly due to increased volumes in the individual travel market seeking Cape Town as a destination.

The **Zambian** operations traded well in the period under review achieving a room occupancy of 69%, 4 percentage points ahead of last year at an average room rate of US$135, which was 9% better than the previous year.

Sun International Management Limited

Management fee income of R194 million was 24% ahead of last year as a result of the favourable trading conditions enjoyed by the major gaming operations. EBITDA of R90 million was 23% ahead of last year. The EBITDA margin of 46% was in line with last year after expensing costs associated with the new opportunities in the UK and elsewhere, including Africa, of R12 million (2004: R11 million).

Developments

The Windmill Casino located on the N1 highway in Bloemfontein opened successfully to the public on 30 September 2005 at a capital cost of R166 million and has performed ahead of expectations in its first three months of trading.

Construction has commenced on the new casino in Worcester, in which the group will have a 40% equity interest and a long-term management contract. The estimated cost of the development is R150 million and includes 150 slot machines, a conference facility, restaurant, entertainment bar and children's entertainment facility. The development is expected to open in November 2006.

The expansion of the GrandWest casino facilities at an estimated cost of R320 million has been approved by the Western Cape Gambling and Racing Board. The scope of the project is being reviewed to expand certain of the planned facilities and to create significant additional multi-storey parking, increasing the estimated cost to R425 million. The construction is anticipated to commence in the second quarter of calendar 2006 and will be completed within approximately 12 months.

Construction of the 118 room Sibaya Lodge hotel has commenced, remains in line with the projected cost of R83 million and is due for completion by October 2006. The insurers have rejected the insurance claim submitted in respect of the Sibaya Casino development cost overruns, on the basis that the loss has not been proven. The group will continue to pursue the claim.

A further 14 units are being added to phase 2 of the Sun City Vacation Club at a cost of R16 million which will be completed in April 2006.

Balance sheet

In September 2005 the company disposed of its entire shareholding in City Lodge under a scheme of arrangement for a consideration of R627 million, resulting in the company effectively acquiring 8 590 275 of its own shares as treasury stock.

In terms of the BEE transaction concluded in December 2005, the company transferred 2 801 793 treasury shares to Dinokana for no consideration, and a further 1 467 044 shares were sold to Dinokana by the Sun International Share Option Trust at R75.92 per share. The impact of the transaction to the group resulted in a non recurring R218 million charge to the income statement.

During the period, 319 200 KZL shares were disposed of, which realised US$21 million. At 31 December 2005 the group held an effective 320 537 shares in KZL.

Capital expenditure incurred in the period was as follows:

	Rm
Expansion projects	125
Sibaya Lodge	10
Windmill Casino	95
New casino in Worcester	4
Sun International Vacation Club at Sun City	16
Ongoing asset replacement	225
	350

The group's borrowings, before consolidating the Sun International Employee Share Trust, declined marginally with the strong cash flow generated being largely utilised for capital expenditure and increased dividend payments. The group's borrowings are summarised below:

	31 December 2005			30 June 2005
R million	Borrowings	Intragroup Borrowings	Third Party Borrowings	Third Party Borrowings
SunWest International (Pty) Ltd	483	30	453	504
Emfuleni Resorts (Pty) Ltd	171	40	131	103
Afrisun KZN (Pty) Ltd	489	75	414	431
Meropa Leisure and Entertainment (Pty) Ltd	76	–	76	74
Teemane (Pty) Ltd	48	–	48	53
Afrisun Gauteng (Pty) Ltd	214	–	214	211
Mangaung Sun (Pty) Ltd	121	–	121	–
Central Office	720	(145)	865	954
	2 322	**–**	**2 322**	**2 330**
Sun International Employee Share Trust	194	–	194	–
	2 516	**–**	**2 516**	**2 330**

Cash and cash equivalents of R705 million increased as a result of the disposal of the KZL shares and the proceeds received on the sale of shares to the BEE consortium. The increase was partly offset by the acquisition of options over Sun International shares from participants in the Sun International Share Option Scheme.

Contingent liability

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

Developments regarding shareholding in SunWest

Shareholders were advised in a business update published on SENS on 25 October 2005 that a disagreement had arisen between Grand Parade Investments (GPI) and the group regarding the exercise of an option held by GPI over "N" shares in SunWest warehoused by Sun International. An agreement in principle was reached subject to various conditions precedent whereby the group undertook to facilitate the acquisition by GPI of a 1.7% shareholding in SunWest from Sun International and the acquisition by GPI of a further 1.5% shareholding in SunWest from other shareholders for a total consideration of R36 million. The completion of this in principle agreement remains outstanding due to the conditions precedent being unfulfilled and a potential challenge from Afrisun Leisure which holds a 15.4% interest in SunWest. Afrisun Leisure claims it had a pre-emptive right over a proportion of the shares sold to GPI in terms of an agreement concluded between GPI and Sun International in 2003. The 2003 agreement increased GPI's shareholding in SunWest on a facilitated basis to 20% and significantly improved SunWest's empowerment profile. Any challenge brought by Afrisun Leisure against the group will be vigorously defended.

Directorate

Dr Lulu Gwagwa and Mr Valli Moosa were appointed to the board as non-executive directors on 30 November 2005.

Outlook

The growth in casino revenue and improved outlook for the group's hotels and resorts should continue for the second half of the year. Accordingly, the group expects good growth in adjusted headline earnings per share for the full year, although the rate of growth in the second half of the year is expected to be below that experienced in the first half. The group intends to continue increasing the level of dividends per share at a rate in excess of the adjusted headline earnings per share growth rate.

DA Hawton
Chairman
2 March 2006

PD Bacon
Chief Executive

Registered office: 27 Fredman Drive, Sandown, Sandton, 2031

Registrar: Computershare Investor Services 2005 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001

Directors: DA Hawton (Chairman), PD Bacon (Chief Executive) (British)*, DC Coutts-Trotter (Chief Executive Designate)* H Adams, RP Becker*, L Boyd, PL Campher, MP Egan, Dr NN Gwagwa, IN Matthews, LM Mojela, MV Moosa, DM Nurek, E Oblowitz, GR Rosenthal, PEI Swartz *Executive

Group Secretary: SA Bailes

Declaration of interim dividend

Notice is hereby given that an interim dividend of 135 cents (2004: 90 cents) per share for the six months ended 31 December 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 interim dividend are as follows:

	2006
Last day to trade cum interim dividend	Friday, 24 March
First day to trade ex interim dividend	Monday, 27 March
Record date	Friday, 31 March
Payment date	Monday, 3 April

No share certificates may be dematerialised or rematerialised between Monday, 27 March 2006, and Friday 31 March 2006, 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

SA Bailes
Group secretary

2 March 2006