KERSAF INVESTMENTS LIMITED / *annual report 2002*

KERSAF
Investments Limited

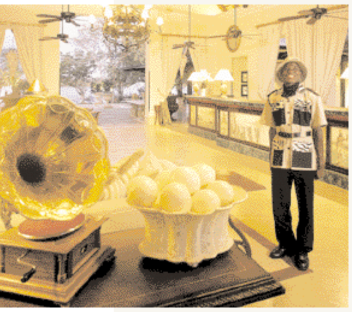
positioning STATEMENT

"... over the past few years the group has ***successfully re-positioned itself*** to remain the leading casino and luxury hotel operator in southern Africa. By restructuring its international interests and utilising its core strengths the group plans to expand its gaming and hospitality business internationally in a focused manner using the Sun International brand, which should deliver superior returns to shareholders and increased benefits to all stakeholders ..."

THE GRANDWEST CASINO – CAPE TOWN, WESTERN CAPE

our corporate FOCUS

Kersaf Investments Limited is invested in and provides management services for businesses in the leisure industry in southern Africa and internationally. The group focuses on gaming, casino resorts and hotels. Within its markets Kersaf enjoys strong to dominant positions due to its ability to take advantage of market opportunities and its innovative approach to new ideas and concepts. Both in southern Africa and internationally, the group actively pursues investment opportunities that it believes will contribute significantly to future growth.



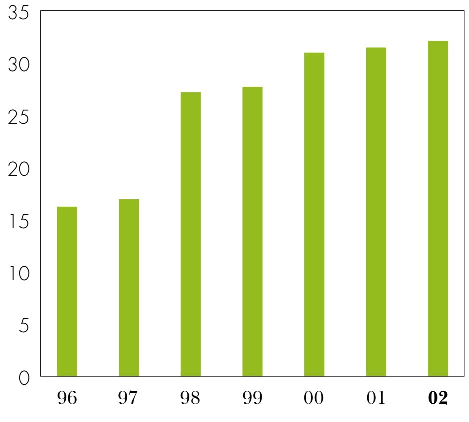
CONTENTS

FINANCIAL HIGHLIGHTS

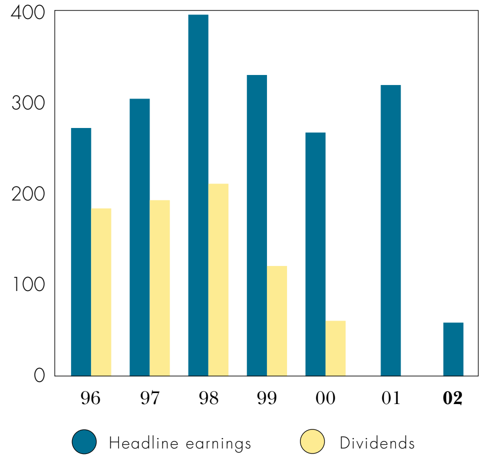
for the year ended 30 June

		2002 Rm	2001 Rm	Change %
TRADING *(excluding exceptional items and goodwill amortisation)*				
Revenue		**3 719**	3 174	17
EBITDA		**962**	872	10
Profit from operations		**503**	514	(2)
Profit before taxation		**305**	436	(30)
Headline earnings		**52**	283	(82)
ORDINARY SHARE PERFORMANCE				
Headline earnings per share	(cents)	**58**	318	(82)
Net asset value per share	(Rands)	**32,07**	31,44	2
FINANCIAL RATIOS				
Return to equity shareholders	(%)	**2**	10	
Interest bearing debt to total shareholders' funds	(%)	**62**	51	
Interest cover	(times)	**2**	4	
MARKET SHARE PRICE AT 30 JUNE	(Rands)	**29,00**	36,00	

NET ASSET VALUE PER SHARE
(Rands)



HEADLINE EARNINGS AND DIVIDENDS PER SHARE
(Cents)



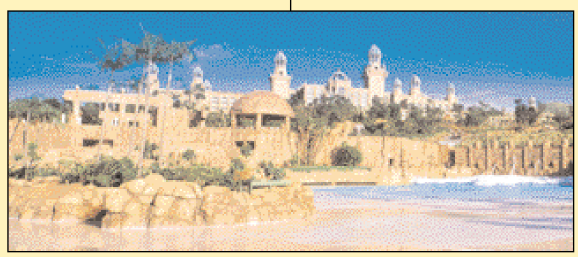
KERSAF INVESTMENTS LIMITED

73%

ROYALE RESORTS

SOUTHERN AFRICA

44%



Sun International South Africa

- 60% Afrisun Gauteng (90%)
- 49% SunWest International (87%)
- 44% Afrisun KZN (83%)
- 49% Emfuleni Resorts (87%)
- 49% Teemane (87%)
- 45% Meropa (70%)

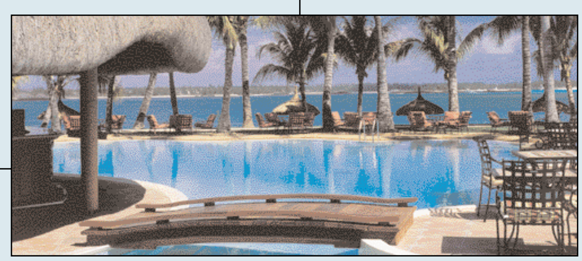
100%*

Sun International Management

INTERNATIONAL

24%

2%



Kerzner International

*Post year end Sun International Management Limited became a indirectly held wholly owned subsidiary of Kersaf Investments Limited.

the group AT A GLANCE

39%

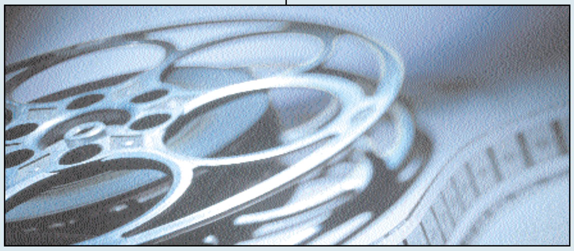
Other southern Africa

- 100% Zambia
- 100% Namibia
- 80% Botswana
- 51% Swaziland
- 47%/49% Lesotho

City Lodge Hotels

47%

50%

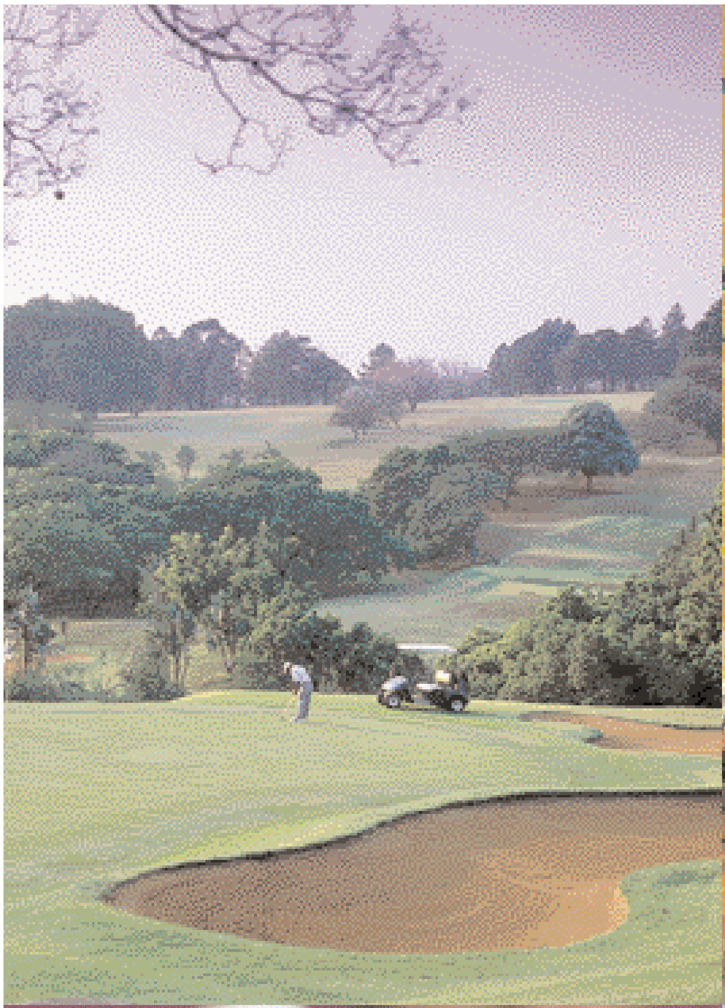


Ster Century Europe

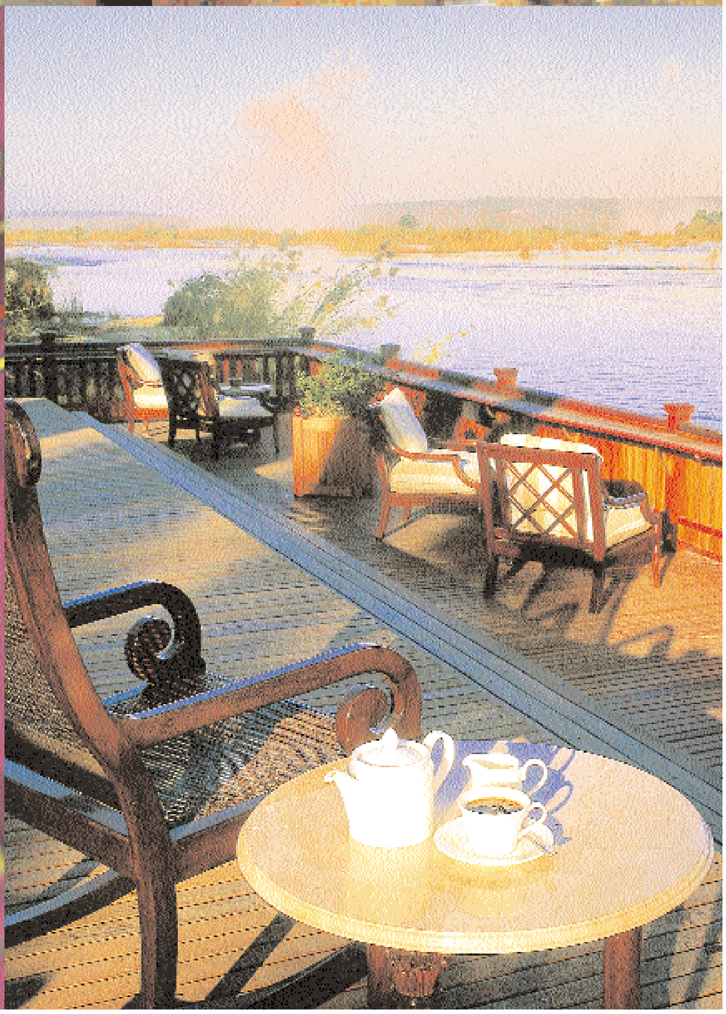
Ster Century Middle East

GROUP INFORMATION

- Kersaf Southern Africa
- Kersaf International
- Hospitality and Gaming
- Cinema
- ( ) Indicates effective economic interest




MEROPA



chairman's REVIEW

TO OUR STAKEHOLDERS

In my previous review of 2001, I touched on the likelihood of the United States slipping into recession and the rest of the world following. Global events since have been overshadowed by sluggish economic performance, the growing war on terrorism and unrest in the Middle East. This has resulted in significant volatility in financial markets and the sharp decrease in the value of equities.

Events in the United States on 11 September 2001 had an immediate negative impact on the South African economy and in particular on tourism. Since December 2001 the domestic economy has strengthened and we have witnessed a marked increase in foreign tourists to the country.

The local hospitality industry is benefiting considerably from the increase in foreign tourists whilst the gaming industry in South Africa is experiencing improved revenues due in part to the upturn in the economy.

The local economy is performing better than most other global economies being partially assisted in certain respects by the recent significant depreciation in the currency and the country's lesser dependence on certain affected first world economies. Our economy has been bolstered by an improvement in our exports and a material increase in the number of foreign tourists visiting the country.

TOP LEFT: THE ROYAL SWAZI SUN, TOP RIGHT: THE BOARDWALK CASINO, BOTTOM RIGHT: THE ROYAL LIVINGSTONE

chairman's REVIEW *(continued)*

The importance of tourism is best measured by its multiplier affect on the economy. Employment and foreign exchange which are presently so vital to our country represent a part of the considerable benefits that flow from incoming tourism.

It is encouraging that the public and private sectors are more unified and focused in their desire to improve tourism and are far more active in the marketing of the destination.

Tourism demands the preservation and conservation of our national and natural heritage. It also demands the safety of our visitors. In this regard increased resources should continue to be allocated to the recruitment, training, motivation and effectiveness of our forces involved in security.

TRADING

The group enjoyed a substantial improvement in trading over the second half of the financial year following the disappointing trading results achieved in the first six months.

Gaming revenues were up 18% on the previous year. GrandWest and SugarMill both traded particularly well over the latter part of the year. Carnival City, Morula Sun, Carousel and the Wild Coast Sun all experienced declines in revenues as a result of competitive activity. The Flamingo casino in Kimberley and the Meropa casino in Polokwane, which were opened in March 2002 and April 2002 respectively, traded in line with expectations for the periods in the year under review. Construction of the Sibaya permanent casino project at Umdloti in KwaZulu-Natal is scheduled to commence toward the end of the 2003 financial year, and to open at the end of 2004.

The hospitality division reflected an average room occupancy of 69% which was four percentage points above the previous year. Occupancies at Sun City, the Table Bay and Zimbali were significantly higher than the previous year.

Other southern African operations excluding the Zambian resort traded well. The hotels at Victoria Falls in Zambia were unable to attract any meaningful international business as a result of the political situation prevailing in neighbouring Zimbabwe.

Ster Century (SCE) reflected revenue growth of 74% primarily as a result of a combination of site openings in the prior year trading for the full year and new sites opened in the current year. During the period SCE opened five complexes. In line with the group's intention to exit from this business, the cinema interests in Hungary and Czech Republic were sold during the financial year with the cinemas in Poland and Greece having been sold subsequent to year-end.

The trading to date of Ster Century Middle East has been disappointing. The final committed project in Dubai opened during October this year. In the year ahead the operations of this business will be restructured with the intention of exiting this investment.

City Lodge had an excellent trading year with revenue up by 20% on last year. This revenue growth coupled with good cost control resulted in a two percentage point increase in operating margins.

OPPOSITE: THE PALACE OF THE LOST CITY – SUN CITY, NORTH WEST PROVINCE


Reel 'em In!

chairman's REVIEW *(continued)*

RESULTS

The group's headline earnings per share were 82% lower than last year at 58 cents. This marked decline was due to the reduced earnings arising from Sun International (South Africa) Limited (SISA) together with the higher losses attributable to the Zambian and Ster Century operations, as well as the exclusion of earnings from Kerzner International Limited (KZL) (formerly Sun International Hotels Limited). The exclusion of KZL earnings for the first time is as a consequence of the change in the accounting for this investment from an equity accounted basis to an investment basis following the restructuring consummated on 3 July 2001. In the prior year KZL contributed R109 million to attributable earnings or R1,22 to headline earnings per share.

Revenues for the year of R3,7 billion were 17% higher with gaming revenues up 18% and hospitality and other revenues up 15%. The lower level of increase in EBITA of 10% was primarily as a result of weak trading at the Zambian resort and higher offshore marketing and sales costs.

Depreciation and amortisation at R415 million and interest expense increased sharply due primarily to the casinos which were completed during the prior year attracting depreciation and interest charges for the full year.

Normal associate earnings reflected a loss this year as compared to a significant profit last year. The results this year were impacted by the losses of Ster Century and the exclusion of earnings from KZL.

The group's debt levels should reduce considerably over the next couple of years due to the strong cash flows which the casino division is projecting to generate.

ANNOUNCEMENT TO SHAREHOLDERS ON 6 NOVEMBER 2002

Shareholders were informed on 6 November 2002 that the group:

- Subject to shareholder approval proposed disposing of a majority portion of its KZL shares.
- Had concluded an agreement with KZL whereby in exchange for a payment to KZL of US$32 million:
  - the payment to KZL of US$3,2 million per annum (escalating by 3,3% per annum) would cease,
  - KZL had forgone their rights to 50% of the fee flows arising from the management of a resort to be developed on the Red Sea Coast of Egypt,
  - the outstanding litigation between the parties had been terminated.
- Had entered into an agreement to acquire the 26,7% minority shareholding in Sun International Management Limited (SIML) for approximately US$18,8 million.

The removal of uncertainty together with the benefits of total control of the management company and further simplification of the group should provide a further basis for enhanced shareholder value.

Furthermore these moves should stimulate the opportunity for selective international expansion and further group restructuring.

OPPOSITE: THE FLAMINGO CASINO – KIMBERLEY, NORTHERN CAPE

chairman's REVIEW (continued)

CORPORATE GOVERNANCE

Changes in legislation and international best practice has led to a review of the original King Report on Corporate Governance issued in 1994. The updated Code of Corporate Practices and Conduct (King II) was introduced with effect from 1 March 2002. The Code applies, inter alia, to all listed companies and is an essential component of the corporate value system of our society.

The group has adopted King II and is committed to the fulfillment of its terms and proposals.

PROSPECTS

Investec Bank Limited (Investec) have been engaged to provide financial, strategic and other advisory services to the group for the purpose of evaluating and if required by the company implementing various alternatives in order to maximise medium and long term value for our shareholders.

The group's hotels and resorts should continue to benefit significantly from the increase in inbound tourists.

The improved trading conditions experienced at some of the group's major casinos will to an extent be offset by further declines in revenues and profitability of the group's outlying casino operations and the opening of a new competitor facility in Durban at the end of November 2002.

Nevertheless expected strong future earnings growth from hotel and gaming operations together with a significant reduction in the losses from the non-core cinema operations, should result in strong future earnings growth in the group.

WELCOME AND APPRECIATION

During the latter part of the financial year Leon Campher, Stephen Mildenhall, David Nurek, Eddy Oblowitz and Graham Rosenthal joined the board. I believe their contribution will be meaningful and I wish them every success in their future relationship with the group.

I would like to thank Frank Kilbourn and Peter Venison for their past services on the board.

Finally I wish to thank the directors not named above, management and staff for their continued support and contribution during a difficult year.

DA HAWTON
Executive Chairman
4 November 2002

TOP LEFT: THE PALACE OF THE LOST CITY, BOTTOM RIGHT: THE SUGARMILL CASINO


SugarMill
Casino

review OF OPERATIONS

SUN INTERNATIONAL

Sun International is the leading casino and resort operator in southern Africa. The group trades through a number of different corporate structures and strategic partnerships to facilitate regional ownership and empowerment. All of the operations in southern Africa are managed by Sun International Management Limited (SIML), now wholly owned, which provides strategic direction and ensures efficiency, best industry practice and a high level of consistent quality. Certain of the day-to-day functions are outsourced by SIML to Kersaf. SIML's management philosophy has been to group its operations into three main areas of activity, being:

- Major gaming and entertainment complexes;
- Major resorts and hotels; and
- Smaller locally and regionally focused hotels and casinos.

The group's head office was recently moved to new premises in Fredman Drive in Sandton. The new building, which is built around an open plan concept, has created a sense of unity amongst employees and has significantly aided the sharing and exchange of information and ideas within the organisation and better reflects the image of the group.

The group recently adopted a new corporate logo, reflecting both strategic change and a preservation of the solid traditions, and inherent good qualities the group stands for, but also promising excitement and new vitality.

GAMING COMPLEXES

Sun International has extensive experience in the development and management of large gaming and entertainment facilities. The group operates the most modern slot machines and other gambling products driven by the latest technology in the industry including the in-house developed cashless technology. Over the past three years the group has built and opened six casino complexes in and around the major urban areas of South Africa. During the year under review the group opened two new casino projects: the Flamingo casino in Kimberley and the Meropa casino in Polokwane in the Northern Province were opened during March 2002.

The operational emphasis of the group over the past few years has been on the construction and opening of the new casino complexes. This emphasis has now shifted to the management of these operations. This process has involved a significant amount of restructuring, streamlining of operations, efficiency enhancements, the outsourcing of various activities and the development of new and innovative marketing strategies.

The group's casinos operate in a highly competitive market, facing direct competition from other casinos, the national lottery, bingo, the planned introduction of route and site slot operations and indirect competition from other entertainment venues, restaurants and bars. The group's gaming marketing strategy in this tough environment is to ensure that all customers enjoy the best gaming experience possible. This includes making sure that the latest and most popular machines are on the slot floors; customer service is of the highest quality; entertainment is the best in town and offers the latest acts, celebrities and trends; gaming promotions are show-stoppers; and the casinos always exude that winning feeling.

OPPOSITE: THE MEROPA CASINO – POLOKWANE, NORTHERN PROVINCE

review OF OPERATIONS *(continued)*

Significant investment in research and development provides Sun International's casinos with innovative and unique gaming products. Smart card gaming continues to be well received by customers and is unmatched by competitors. The "Mystery Jackpots" product was recently launched through a major national advertising and promotional campaign and has already proved to be extremely popular amongst customers. Other products, currently in development, will be launched in the same manner during the new year. Joint marketing campaigns between casinos allow Sun International to reward customers with innovative promotions and special offers, and to realise economies of scale made possible by the group's size and geographical spread of casinos and resorts. Sun International's knowledgeable and friendly employees, and their special relationships with customers, are the most critical component of the gaming marketing effort, and the group goes to great lengths to encourage these people and ensure their success.

The group together with the MIS Group and Universal Distribution of Nevada have undertaken a joint venture for the development of a new generation casino gaming management system with crucial applications in management information, regulatory control and marketing. MIS Group will assume responsibility for firmware and software development, Universal will provide the funding, and SIML its smartcard technology, know-how and industry experience and expertise in a venture, which will help perpetuate the group's market leadership in this area.

Following a disappointing start to the year the GrandWest casino traded particularly well in the second six months of the year, with casino revenues 20% higher than the first six months of the financial year. The growth in the latter part of the year is attributed to the strong regional economy, which has benefited from the significant increase in tourists to the Western Cape, the opening of a smoking casino in December 2001 and a more focused marketing approach. EBITDA for the year of R236 million was achieved on revenues of R741 million. The Most Valued Guest (MVG) database in the Western Cape continues to grow with more than 46 000 people joining the customer loyalty programme during the past year.

Trading at the Boardwalk was disappointing with revenues of R214 million and EBITDA of R60 million for the year. This was largely due to the stagnant local economy. However, the increase in vehicle manufacturing and assembly for export, the long awaited commencement of the Coega development and the increase in tourism to the Garden Route is beginning to aid the Eastern Cape economy and, consequently, an improvement in trading at the Boardwalk is expected.

The SugarMill temporary casino traded above expectations generating revenues of R421 million and EBITDA of R164 million. Trading in the second half of the 2003 financial year will be impacted by the opening of a competitor's facility at the Village Green in Durban which is expected to open at the end of November 2002.

The group has approved capital expenditure of R650 million for the development of its Sibaya casino project at Umdloti in KwaZulu-Natal. Construction is scheduled to commence towards the end of the 2003 financial year. The development

TOP LEFT: THE TABLE BAY HOTEL, BOTTOM RIGHT: THE GRAND HOTEL, GRANDWEST


GRAND

review OF OPERATIONS *(continued)*

will comprise a casino, a luxury 36 room hotel, a modern and flexible conference facility as well as undercover parking for 600 vehicles.

Carnival City, Carousel and Morula all experienced declines in revenues as a result of the competitive activity in the Gauteng market. Carnival City, however, regained market share over the second six months of the year as a consequence of more focused marketing and the opening of the smoking casino. Operations were restructured so as to reduce overheads, particularly over the second half of the financial year. Carnival City revenues were 13% below last year at R488 million and EBITDA was 14% below last year at R130 million. The decline in revenues and EBITDA occurred primarily in the first six months of the year. Carnival City continued to host a number of local and international celebrities and remains the leading venue for major boxing tournaments in the country. The Carousel and Morula Sun continued to experience a decline in custom and were further downsized. This resulted in a 9% reduction in headcount, a 7% reduction in the number of slot machines and a 14% reduction in the number of tables. The impact of the competition in Gauteng resulted in the combined revenues of these two units reducing by 13% to R298 million and EBITDA reducing by 42% to R49 million.

The Flamingo casino in Kimberley was opened on 4 March 2002 at a cost of R125 million. The development comprises a casino with 200 slot machines and 9 tables, as well as a 200-seat conference facility, restaurant and bars. Trading for the four months to June resulted in revenues of R25 million and EBITDA of R7 million.

The Meropa casino in Polokwane in the Northern Province opened on 22 March 2002, at a cost of R184 million. The casino has 250 slot machines and 12 tables. The complex includes a 400-seat conference facility, a restaurant, 3 bars, fast food outlets and a bird, butterfly and reptile park. In the period to June Meropa achieved revenues of R24 million and EBITDA of R8 million.

The MVG casino loyalty programme, which has over 400 000 active rated card holders, is well established in the marketplace, and is continually updated to keep it aligned with customer needs. Recent technological enhancements to the MVG database form the foundation of a Single Image Customer database strategy which will keep the group at the forefront of database marketing, unlocking additional value from existing customers and improve customer recognition at all group properties. The group's wide area progressive games continue to be a major attraction for customers. During the current year Sun International casinos paid out R57 million in jackpots of R1 million or more to 42 lucky winners bearing out the group's marketing slogan "We create more millionaires more often".

Aside from the expenditure on the Sibaya project, no significant capital expenditure is planned for any of the existing gaming complexes.

RESORTS AND HOTELS

Sun International is the only significant operator of superior luxury hotels and major resorts in southern Africa. This focus was initiated with the development of the first hotel at the internationally acclaimed Sun City resort in 1979. The success of these resorts and hotels lies in their appeal to

OPPOSITE: GRANDWEST – CAPE TOWN, WESTERN CAPE

review OF OPERATIONS *(continued)*

the international markets and their ability to continue to attract custom from the upper end of the local market.

Following the restructuring of the group's investment in KZL the group established marketing offices and developed a strong public relations presence in the UK, Germany, France, Italy and the United States. This has increased the scope for the development and promotion of a more focused and effective marketing and sales strategy.

One of the most successful products has been the recently-launched "Route of the African Sun", featuring international airport links with our premier properties – the Table Bay Hotel in Cape Town, The Palace of the Lost City at Sun City and the Royal Livingstone Hotel at the Victoria Falls in Zambia. All three hotels are members of *The Leading Hotels of the World*, with the Royal Livingstone having recently received this accolade after only one year of operation.

Sun International once again received a number of awards at the World Travel Awards. These awards included: Sun International voted as the Leading African Hotel Group, The Palace of the Lost City won the category of Africa's Leading Hotel and Sun City won the leading African Resort, Conference Hotel and Casino Resort Categories. The Table Bay was voted by Condé Nast as the best hotel in Africa and the Middle East.

Sun International recently launched a new website (suninternational.com) which more effectively exploits the opportunities offered by the Internet. The site is interactive, allowing on-line bookings, and its information-rich format offers the conference and incentive market access to virtually everything they need, from room size to menus.

The trading environment was mixed during the year. The events of 11 September, the political situation in Zimbabwe and the sluggish local economy all contributed to a weak first six months of the year. In contrast, during the second half of the year the group experienced a significant improvement in trading as a result of the combined effects of the depreciation in the currency, a changed perception regarding the safety of the country, as well as joint public and private sector initiatives aimed at stimulating interest in the destination. As a consequence the group's resorts achieved occupancies and rates well above those achieved in the previous year.

Having achieved lower occupancies for the first six months compared to the corresponding period in the previous year, Sun City ended the year with strong growth in both occupancy (4 percentage points up at 75%) and room rate (15% up to R772). The complex benefited from the increase in foreign tourists to South Africa as well as from hosting the Democratic Republic of Congo Peace talks in March and April 2002. Casino revenues, following years of decline as the result of competition in Gauteng, grew by 2% on last year despite a lower than expected slot hold percentage. Overall, Sun City achieved EBITDA of R74 million, 14% up on last year, on revenues of R694 million, 11% up on last year. Once again Sun City hosted a number of major events including the Nedbank Golf Challenge with a US$2 million first prize, still the highest prize in this sport throughout the world, the Miss South Africa and Miss World Pageants, the Kora All Africa Music Awards, the Loerie Awards and a number of international artists including Ronan Keating, UB40 and Westlife.

TOP LEFT: THE ROYAL LIVINGSTONE, BOTTOM RIGHT: ZIMBALI LODGE


DOTTO


Sun City
Titleist

review OF OPERATIONS *(continued)*

The upgraded Pilansberg Airport was granted international status during the past year which has enabled the group to launch the internationally-focused "Route of the African Sun", a network of the group's premier hotels. In the year ahead Sun City will undergo a major refurbishment of a number of rooms at a cost of R40 million and a partial upgrading of the casino equipment in order to comply with new gaming legislation at a cost of R40 million.

Excellent trading in the second half of the financial year at the Table Bay resulted in a five percentage point increase in room occupancy to 63%. International room nights sold during the last six months of the year were 36% above the corresponding period of the prior year. Revenues at R110 million were 20% up on last year and EBITDA increased by 48% to R31 million. The Table Bay remains one of the leading hotels in Cape Town and was recently honoured by Condé Nast and received two other global quality and excellence awards during the past year.

Zimbali Lodge increased revenues by 24% to R26 million as a result of a 7 percentage point increase in occupancy to 66% and a 13% increase in room rate. The lodge has become a popular weekend destination for the Gauteng market.

Gaming revenues at the Wild Coast Sun declined further as a result of a full year's competition from the group's SugarMill casino. Overall revenues declined by 38% to R173 million and EBITDA declined 58% to R32 million. Further declines in revenue are expected in the year ahead as a result of the opening of the second casino in the Durban area at the end of November 2002. Further restructuring is scheduled to take place involving the outsourcing of non-core functions and the downsizing of certain operational areas.

Owing to a 3 percentage point increase in occupancy to 54% and an 11% increase in room rate at the Swaziland hotels, revenues were 14% up on last year at R122 million and EBITDA was 9% higher at R24 million. The casino operations performed well despite a lower than expected slots win percentage with revenues up 8% to R46 million. The Lugogo restaurant and lobby were upgraded during the year.

Despite significant cost saving and revenue initiatives, both the Fish River Sun and Mpekweni Sun continued to trade poorly. Consent has been obtained from the Eastern Cape Gambling and Betting Board to convert the remainder of the Fish River Sun into Vacation club units. The first phase of 28 units has been completed and fully sold.

The Zambian operations incurred operating losses of R58 million (including depreciation charges of R23 million) before a foreign exchange gain of R30 million. Disappointing occupancy at 30% was primarily as a result of the resort being unable to attract any meaningful international business owing to the prevailing political situation in neighbouring Zimbabwe. Despite an improvement in forward bookings, the operations are forecast to incur further losses during the year ahead. The Royal Livingstone Hotel has now been accredited as one of *The Leading Hotels of the World*.

REGIONAL CASINOS AND HOTELS

Sun International operates a portfolio of smaller casinos and hotels that draw the majority of their business from local markets and regional travellers. These operations are in the main very successful and continue to produce good returns on capital invested. With the exception of the Thaba'Nchu Sun and the Naledi Sun these operations traded well reflecting strong growth in earnings. The group has secured exclusive casino rights to the Bloemfontein area for a period of ten years.

OPPOSITE: 2001 NEDBANK GOLF CHALLENGE – SUN CITY, NORTH WEST PROVINCE

review OF OPERATIONS *(continued)*

The Thaba'Nchu Sun and Naledi Sun trading was further impacted by the new casinos in the major cities of South Africa. Revenues declined by 19% to R66 million and EBITDA was minimal. As a result consideration is being given to transferring the Thaba'Nchu Sun casino license to a location closer to the Bloemfontein urban area.

The Botswana operations performed well with revenues increasing 10% to Pula91 million and EBITDA 11% up at Pula37 million. As a result of the improved trading and the depreciation of the Rand against the Pula, earnings attributable to Kersaf of R29 million were up by 28% on the prior year.

The Kalahari Sun revenues were 12% higher at R76 million and as a result of restructuring, EBITDA grew by 23% to R27 million. Kalahari Sun increased its number of slot machines by 20 to 129.

The Lesotho operations, comprising the Lesotho Sun and Maseru Sun, experienced strong growth in revenues and EBITDA. Revenues were up 18% to R70 million and EBITDA was 51% higher at R15 million.

CITY LODGE

City Lodge, the premier provider of selected services hotel accommodation in South Africa, covers the full spectrum of its market through its four brands, Courtyard Suite Hotels (four star), City Lodge (three star), Town Lodge (two star) and Road Lodge (one star). Kersaf's effective holding in City Lodge was reduced from 49% to 39% following the conversion of the City Lodge debentures into ordinary shares on 1 August 2001.

City Lodge experienced mixed trading conditions, with occupancies for the year being one percentage point above last year at 72%. Occupancies in the second six months of the year were 4 percentage points above the corresponding period of the prior year.

The increase in occupancies and good average room rate growth combined with the opening of Road Lodges at Flamingo and Meropa as well as the inclusion of the City Lodge at GrandWest and the Courtyard and Road Lodge at the Boardwalk for the full year, resulted in a 20% increase in revenues to R232 million. Operating margins were 2 percentage points higher than the prior year, whilst interest paid was 33% lower, mainly as a result of the conversion of the debentures on 1 August 2001. Net profit was 49% higher at R55 million and fully diluted headline earnings per share rose 29% to R1,34. Capital expenditure of R27 million in respect of new hotels was incurred during the year with R17 million expended on the refurbishment and replacement of existing assets. The City Lodge at the V & A Waterfront in Cape Town is to shortly undergo a R26 million upgrade. This will include a major interior and exterior overhaul as well as the addition of 44 rooms. A "Room-2000" conversion will take place at the Belville Town Lodge. Total capital expenditure for the forthcoming financial year is forecast at R68 million.

The City Lodge group continues to progress with technology advancements, including the improvement of the functionality of their website. City Lodge was recently voted the most bookable hotel group in the country in a survey undertaken by a prominent industry publication. The Bid2Stay internet auction site has now been integrated into the group website. This facility enables anyone to have easy access to 24 hour, instant confirmation reservations with a special 5% on-line booking bonus.

The group is well positioned to benefit from any further improvements in domestic and foreign business and an increase in leisure travel. The

OPPOSITE: COURTYARD SUITE HOTEL, PORT ELIZABETH – EASTERN CAPE


CREDIT WINNERS
JACKPOT
SPIN
4000
1600
SUBJECT TO POSITIVE
SUN INTERNATIONAL
PLAY 3 CREDITS
INSERT NOTES BELOW
NOTES MUST BE INSERTED FACE UP
BAR

review OF OPERATIONS *(continued)*

balance sheet remains strong with a low level of gearing.

CENTRAL OFFICE AND OTHER

At year end Kersaf had net borrowings of R53 million including the R180 million preference shares issued on 30 June 2000. The preference shares are due to be redeemed on 1 July 2003.

INTERNATIONAL

Kersaf's international interests centre on the operations of Royale Resorts Holdings Limited (Royale Resorts), in which the group holds an effective 73,3% interest. The interests of Royale Resorts comprise an investment in NYSE listed Kerzner International Limited (KZL) of 23,5%, a 47% investment in Ster Century Europe, a 50% investment in Ster Century Middle East, SIML's contracts to manage the casino and hotel operations in southern Africa. As previously indicated the group's intention is to dispose of its interests in the Ster Century cinema operations.

In addition, through 100% held Sun International Inc, the group holds a further 2,0% investment in KZL. In aggregate Kersaf's effective interest in KZL is 19,2% or 5 230 677 shares at 30 June 2002.

The group has entered into Heads of Agreement with the minority shareholder in Royale Resorts to acquire the effective 26,7% interest in SIML that the group does not already own. The acquisition is subject to a number of conditions precedent. The consideration in the event of completion will be approximately US$18,8 million (or approximately R194 million at current exchange rates) and will either be settled with KZL shares or a mix of KZL shares and cash.

As disclosed in last year's annual report, on 3 July 2001 the group entered into agreements which, inter alia, resulted in the restructuring of the group's investment in KZL and the group committing to sell 2 000 000 KZL shares by way of an underwritten public offering which was to have been completed by 30 June 2002. This date was extended to 30 October 2002 and more recently further extended to 28 February 2003. Kersaf proposes to increase the size of this public offering to include 3 500 000 of Kersaf's indirectly held KZL shares. In addition, the underwriters will require the group to make available a further 525 000 shares as a "greenshoe" which may or may not be sold after closing of the public offering depending on the market performance of the KZL stock. This increase will require the approval of Kersaf's shareholders in terms of JSE Securities Exchange South African listings requirements and the directors intend calling a general meeting to obtain such approval. It is anticipated that the approval process and the increased public offering will be completed by 31 December 2002 thereby discharging the group's obligation in terms of the compulsory sale.

The group's investment in KZL has been marked to market as at 30 June 2002 when the KZL shares were trading at US$24,78 per share. This resulted in an exceptional charge attributable to Kersaf of R27 million.

SUN INTERNATIONAL MANAGEMENT LIMITED

The activities of SIML (measured in SA Rands) generated operating management fee income 25% higher than last year with total management

TOP LEFT: THE MEROPA CASINO, TOP RIGHT: THE FLAMINGO CASINO, BOTTOM RIGHT: THE BOARDWALK CASINO

review OF OPERATIONS *(continued)*

fee income, including project fees, 7% up on last year at R202 million. The increase in operating management fee income is attributed to the full year trading of the group's new casinos in Cape Town and Durban, strong trading from most of the group's resort properties offset by decreases in fee income from Sun International South Africa's older casino operations. Project fees earned on new developments were 71% lower than last year at R10 million. Offshore marketing and sales costs were significantly up on the prior year as a result of the establishment of an offshore marketing and sales infrastructure following the separation with KZL. Despite the higher costs and lower project fees earnings attributable to management activities were 4% higher at R53 million. This was as a consequence of last year's earnings including an amount of R17 million relating to a contractual obligation to KZL, while the current year's include only an imputed interest charge of R5 million (in terms of IAS 39) relating to the US$30 million long term liability raised in respect of the contractual obligation to KZL and the settlement of the litigation between KZL and the group. The obligation arose as part of the formation of KZL in 1993. In terms of the contractual obligation SIML paid KZL US$3,1 million in the current financial year.

STER CENTURY EUROPE

Ster Century Europe (SCE) reflected revenue growth of 74% on last year as a result of a combination of site openings during the prior year which traded for the full year, new sites opened in the current year, stronger product line up and improved trading at the more established sites. Losses attributable to Kersaf amounted to R70 million. The SCE group incurred an EBITDA loss of US$1,9 million compared with last year's EBITDA loss of US$5,1 million. Attributable losses before exceptional items of US$23 million were 71% higher than last year primarily as a consequence of a currency loss of US$6 million on SCE's loans (the corresponding gain on the assets of US$12,8 million was taken directly to reserves) and sharply higher borrowing costs on the bank facilities and mezzanine debt. A further impairment provision of US$25 million was raised against the carrying value of certain cinema assets. Kersaf's effective share of this impairment provision amounted to R87 million.

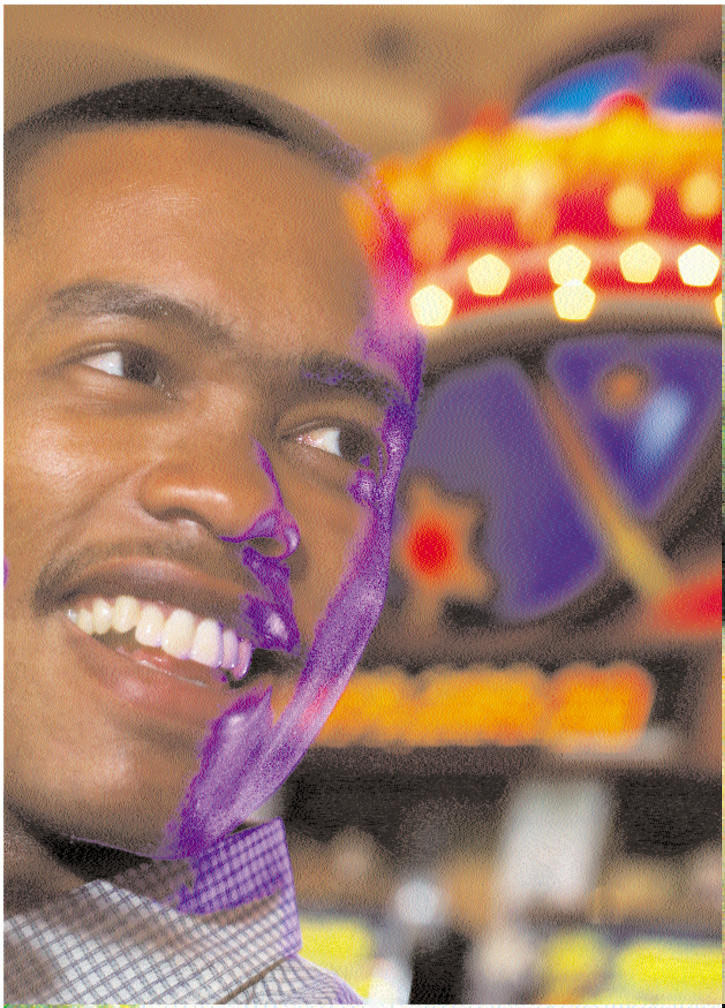
During the year, SCE opened two complexes in both Czech Republic and the UK and one in Spain.

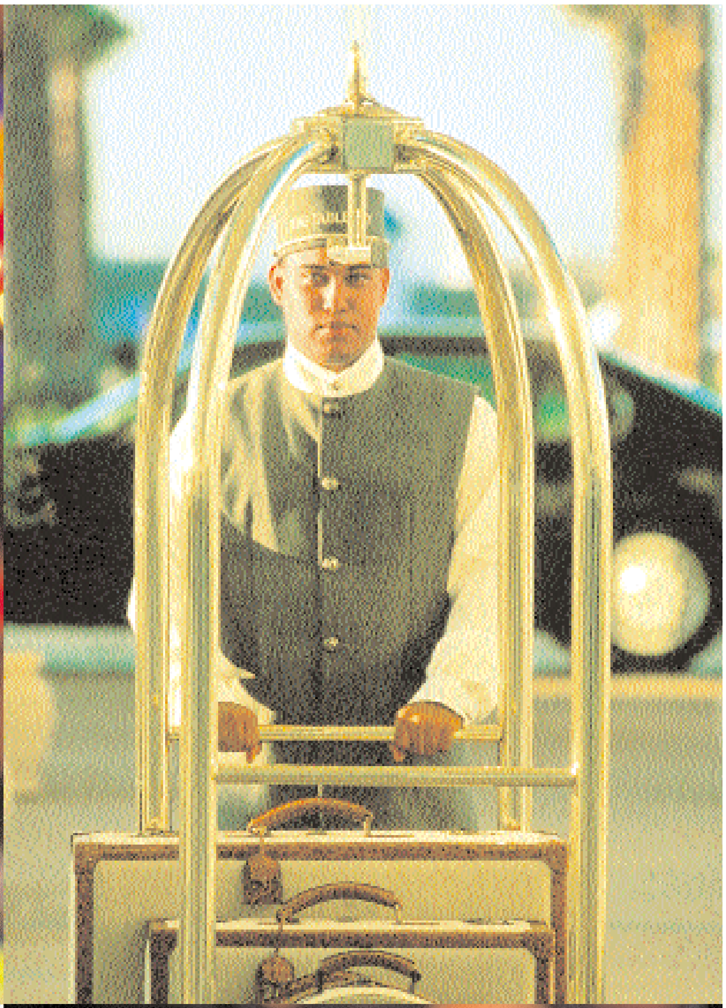
In line with the group's intention to exit from this business, SCE sold its cinema interests in Hungary and Czech Republic for a consideration of US$16,7 million. The sale of the cinema interests in Slovakia for a consideration of US$1,8 million is still subject to Slovakian competition clearance. Subsequent to year end, SCE completed the sale of its operations in Poland and Greece for a consideration of US$19,6 million and €10,8 million respectively. Separate announcements have been made to shareholders containing details of these transactions and their respective impacts on SCE.

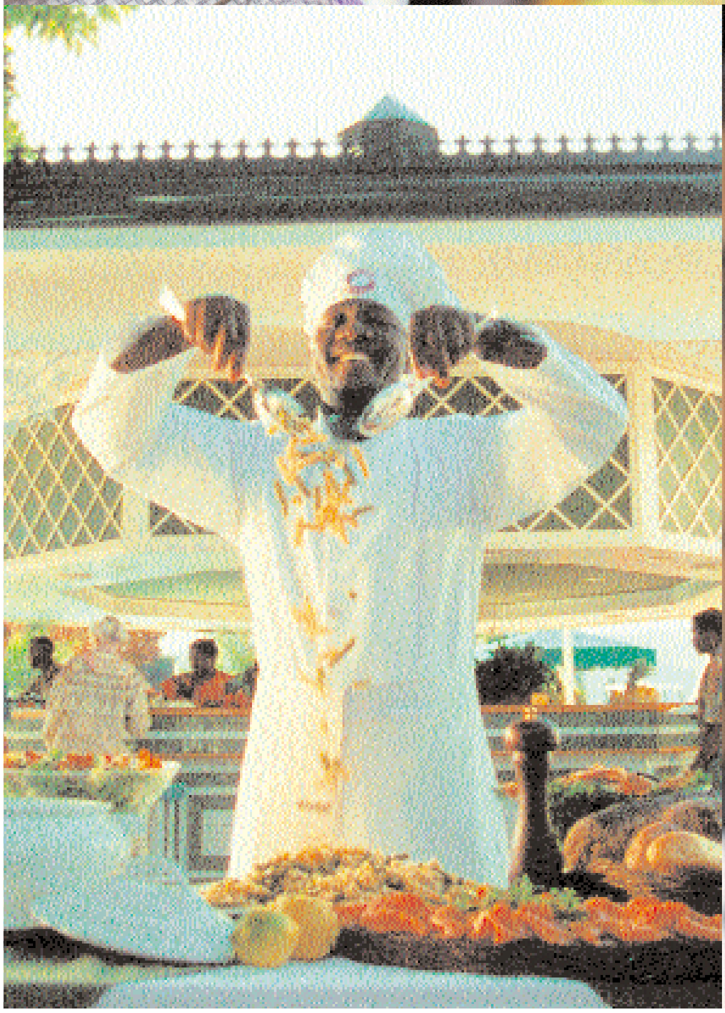
STER CENTURY MIDDLE EAST

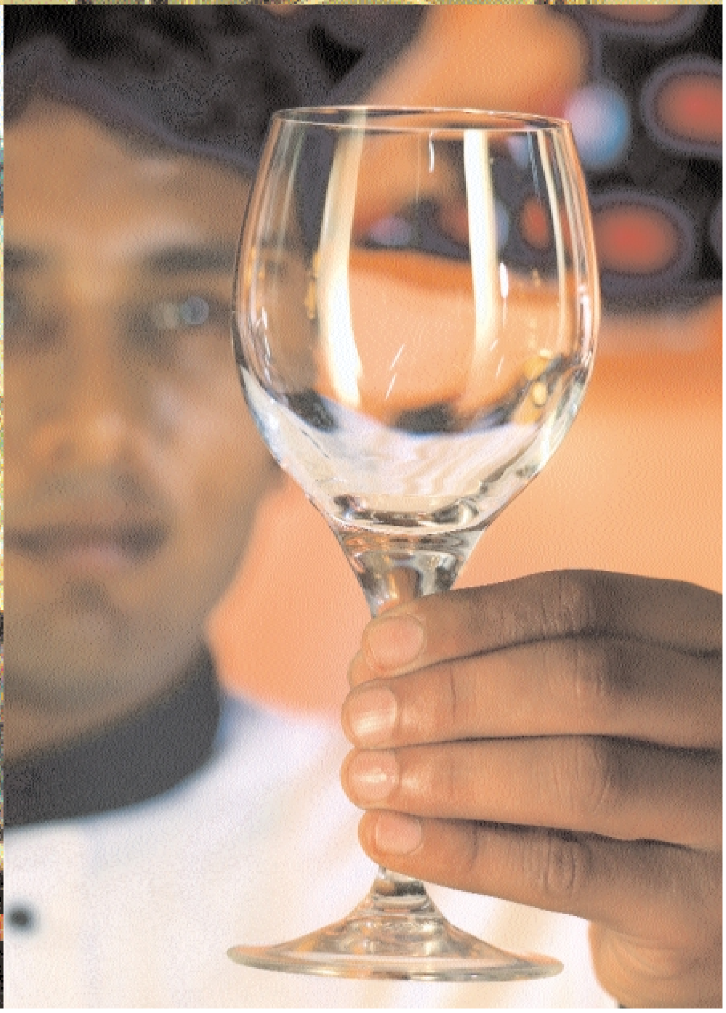
During the year Ster Century Middle East (SCME) opened three multiplexes, two in Sharjah and one in Jordan. To date trading has been well below expectations with losses attributable to Kersaf of R15 million. The final committed site is in Dubai and opened during October 2002. A comprehensive restructuring of the businesses of SCME is currently underway, which is anticipated to improve its viability. In the year ahead the group will seek to exit this business.

OPPOSITE: THE PALACE OF THE LOST CITY – SUN CITY, NORTH WEST PROVINCE









employees & CORPORATE RESPONSIBILITY

EMPLOYEES

The Kersaf group continues to be committed to the development of all its employees and actively ensures that equal opportunities and economic empowerment forms the backbone of its human resources policies, procedures and practices. We have continued to invest time and money in our people by not only uplifting their skills and knowledge levels, but also in ensuring that these skills, so vital to our competitive advantage, are retained within our organisation.

The group currently employs 8 787 people (excluding associate companies) who received 43% of total cash distributed to our stakeholders.

PEOPLE DEVELOPMENT

The group's commitment to training and development is driven by the principle that the most competitive companies are usually those where specialised investment in education and training is significant. With a ratio of one trainer per every fifteen employees, we continue to be in line with global best practice models.

During the year under review, the group invested approximately R18 million in training and development to ensure the group's competitive edge through improved efficiency and service levels. This amount is less than last year, given the pre- and post-opening training conducted at the new operations. The emphasis in the current year has been on further development, consolidation and retention of the existing knowledge base.

A major focus for Sun International has been to conform and comply with the new Skills Development Act which governs the provision of resources for the skills development and training through the implementation of a workplace skills plan. This plan was designed to meet both the needs of the existing sites and the opening of the Meropa and Flamingo casino complexes.

During the year the group conducted 313 different training programmes and modules, with a total of 14 300 man days committed. 86% of the delegates were from the Employment Equity-defined group, 52% of whom were females. The group complied with the Skills Development Act and received grants in recognition of this compliance.

A total of 205 staff members were registered on learnerships working towards National Qualifications in Hospitality, Gaming, Tourism and Service Management. The Department of Labour, the Business Trust and the Toursim and Hospitality Education and Training Authority are providing funding to companies to assist in the cost of this development.

The group continues to run its executive Management Development Programme in conjunction with the University of Cape Town's Graduate School of Business. This programme, together with a customised Leadership Development programme and various other accelerated development programmes assists the group in meeting its Employment Equity goals. This is further supplemented by a number of graduates recruited each year who are fast-tracked through the operation over a period of 18 months to be placed in supervisory and management positions.

HIV/AIDS

In the late 1980s, Sun International was one of the few companies in South Africa to commence Aids education and awareness. At that stage, little was known of this virus and our initiatives were considered innovative. In consultation with leading

TOP RIGHT: THE TABLE BAY HOTEL, BOTTOM LEFT: THE ROYAL SWAZI SUN

employees & CORPORATE RESPONSIBILITY (continued)

Aids authority, Dr Reuben Sher, Aids education sessions were conducted at every unit across the group and "Train the Trainer" programmes were held at the Institute of Medical Research in Braamfontein. In 1992, a revised group-wide initiative was launched and in 1998 a third, more aggressive campaign commenced.

Part of the education process involves encouraging employees to test for HIV and to know their status. There is no discrimination against HIV infected employees in the workplace and the group complies with the relevant labour legislation in this regard. A number of Aids awareness initiatives have been undertaken, including the following:

- distribution of posters, pamphlets, stickers and booklets;
- distribution of free condoms;
- educational and informative articles in the group newspaper;
- establishment of Aids awareness committees; and
- setting up of communication channels with local health departments and clinics.

The group recently concluded an audit of these and other Aids awareness and education measures that are in place across the group. This information will be used to plan our initiatives for the forthcoming year.

NATIONAL RESPONSIBLE GAMING PROGRAMME

The National Responsible Gaming Programme (NRGP) is the only one in the world entirely funded by the private sector, and the only one internationally in which treatment, research and education are integrated in a single initiative. The programme is jointly controlled by a public/private sector partnership and the SA Responsible Gambling Trust. This model, and the fact that contributions are voluntary, yet substantial, is unique among gambling jurisdictions worldwide. To date more than 27 000 people have called the Toll Free Help Line and 1 737 people have been referred for free treatment by a medical professional. A total amount of R10 million has been invested in the programme of which Sun International has contributed R5 million. Over 8 000 Sun International employees have completed responsible gambling training programmes.

INDUSTRIAL RELATIONS

Substantive negotiations with SACCAWU for the 2002/2003 financial year were finalised within the budgeted parameters and without major incident.

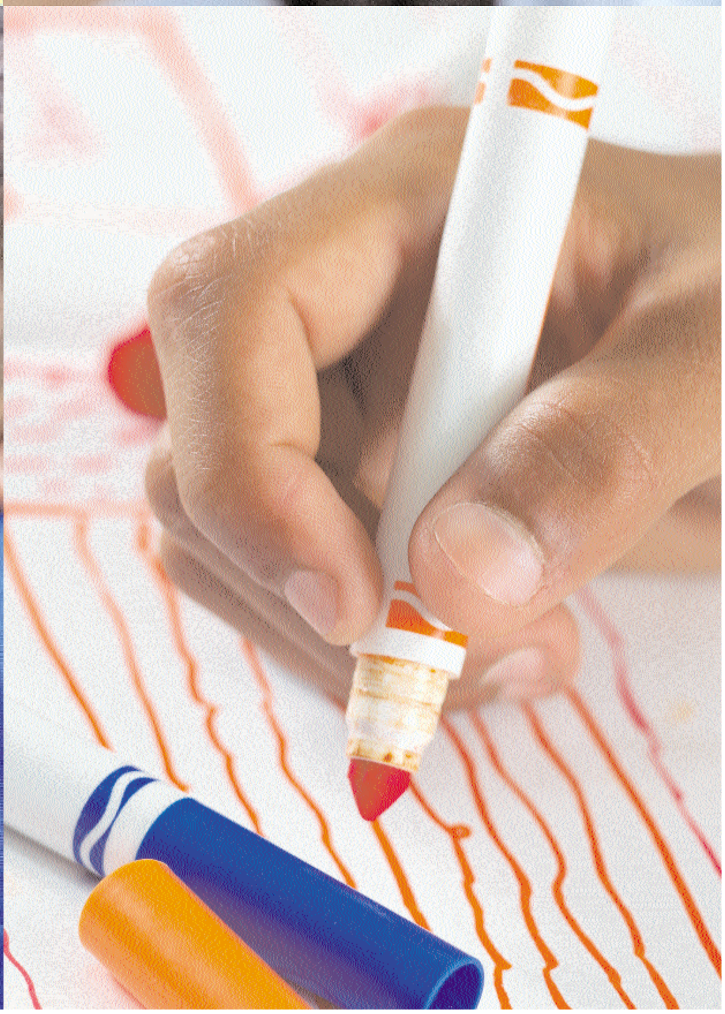
A proposed rationalisation exercise in respect of the Wild Coast Sun, Fish River Sun and Mpekweni Sun has been deferred pending the approval thereof by the Eastern Cape Gambling Board. Restructuring was carried out at The Table Bay, Thaba'Nchu, Carousel and GrandWest operations as a result of the need to align staffing levels and operational requirements.

At Carnival City, SACCAWU obtained the required representation entitling it to certain organisational rights in terms of the Labour Relations Act. Negotiations in this respect have been finalised and a relationship agreement has been signed.

The proposed amendments to the Labour Relations Act and the Basic Conditions of Employment Act are being analysed to determine the impact they will have on the group.

The court case between SACCAWU and Sun International (relating to the restructuring and retrenchment exercise which was embarked upon

TOP: THE FAMILY RESOURCE CENTRE, BOTTOM LEFT: LANGA RUGBY CLUB, BOTTOM RIGHT: THE FAMILY RESOURCE CENTRE



employees & CORPORATE RESPONSIBILITY *(continued)*

during 2000) was heard in the Labour Court during May 2002 and a ruling was handed down in favour of the group.

CORPORATE SOCIAL INVESTMENT (CSI)

The group recognises that the community is a stakeholder in our business and that it has a social responsibility to assist in the upliftment and development of these communities. The group continued with its allocation of approximately 1,5% of its post tax profits to community development projects in the arena of education, health, poverty alleviation, job creation, sports, arts and culture.

During the past year the group has invested approximately R4,4 million in projects that have benefited the local communities in which it operates. The advent of new units into the mainstream CSI process has been relatively smooth. All the units have established CSI Committees as per the existing policy.

The Carousel remains involved in helping towards a feeding scheme for the poor in the area. Morula Sun has assisted with the construction of four classrooms at the Motsile Primary School and has continued with its feeding schemes to the local impoverished communities. Among other projects, SugarMill has given support to a project which encourages secondary schools in the area to participate in community development projects. Thaba'Nchu and Naledi Sun are involved in Aids projects in the local community and have assisted high schools in the area. A significant portion of GrandWest's CSI budget has been spent on poverty alleviation projects and the unit has also made sizeable donations to both the Red Cross and Salvation Army. Sun City donated substantial funds towards the Wildlife Trust, which will contribute towards additional attractions at the Pilanesberg National Park. Sun City is also involved with the training of deaf chefs who are being trained at the Palace towards a National Qualification. Zimbali Lodge was involved in the renovation and repairing of the Sarasvati Primary School in Tongaat. In addition group companies have made a number of donations to charitable, education, health, sporting and cultural societies.

EMPLOYMENT EQUITY

Sun International's Employment Equity Plan was submitted to the Department of Labour on 1 October 2001. A total of 16 separate Employment Equity Plans and one Income Differential Statement were submitted. Monthly Employment Equity meetings are held at all the units to discuss progress against plans submitted to the Department, and units are involved in consultation processes with their Employment Equity Committees (EECs).

The introduction of new units, coupled with accelerated development programmes, has had a positive impact on Employment Equity targets, especially at managerial level. The link between the Skills Development Act and the Employment Equity Act through the establishment of a workplace skills plan has further assisted Employment Equity Plans within the group. The EECs are consulted in terms of the development and the implementation of the workplace skills plan.

The Employment Equity report for October 2001 included three new units: Boardwalk, SugarMill and GrandWest. Employment Equity awareness workshops were held in all three units, which culminated in the election and training of the EECs. Their role is to monitor and review issues pertaining to equality in the workplace as well as being consulted in the development of the Employment Plan.

OPPOSITE: THE TABLE BAY HOTEL

employees & CORPORATE RESPONSIBILITY *(continued)*

GROUP EMPLOYMENT EQUITY PLAN

Occupation level	30 June 2002 White	30 June 2002 Designated*	30 June 2002 %	Target 2005 White	Target 2005 Designated*	Target 2005 %
Legislators, senior officials and managers	55	10	15,4	25	26	51,0
Professionals	73	58	44,3	15	59	79,7
Technicians and associate professionals	599	1020	63,0	275	1136	80,5
Clerks	16	601	97,4	77	462	85,7
Service and sales workers	180	3706	95,9	548	3 589	86,8
Craft and related trades workers	22	190	89,6	18	192	91,4
Plant and machine operators and assemblers	1	4	80,0	0	6	100,0
Elementary occupations	0	38	100,0	2	37	94,9
TOTAL	946	5627	85,9	960	5507	85,2

**Designated groups include Black people (Africans, Coloured and Indians), women and people with disabilities.*

The table above summarises and consolidates the quantitative reports of the group's South African subsidiaries as submitted to the Department of Labour.

All existing South African units have established EECs. These EECs meet on a monthly basis to monitor and review progress in respect of the following areas:

- Recruitment and selection of staff in pursuance of Employment Equity targets,
- Promotions,
- Terminations,
- Training including accelerated development of staff and
- Disciplinary action.

All existing EECs have developed their own codes of conduct, which govern the roles and responsibilities of the members, including dispute issues. An elected chairperson facilitates each meeting and minutes of the EEC are distributed on all notice boards including electronic communication.

A central forum has been established where the company's representatives meet with SACCAWU to discuss strategic employment equity issues in all the units where they have bargaining rights.

The parties met during June 2002 to review progress at all the SACCAWU organised units. Given the progress reported, SACCAWU recommitted the union to supporting the process at both unit and at Central Forum level. The parties also agreed to have two further meetings, one prior to the submission of the Employment Equity Reports and the other before the end of the year.

AFFIRMATIVE PROCUREMENT PROTOCOL

The aim of the protocol is to manage the procurement of goods and services in such a way that consultants, contractors, suppliers and manufacturers who were previously disadvantaged individuals are provided with participation and skills transfer opportunities in as many areas as possible. The principles adopted in the protocol are consistent with the South African Constitution and were developed in consultation with representatives from previously disadvantaged communities.

As part of the group's policy to support local industry the group has signed a memorandum of agreement with the South African Clothing and Textiles Workers Union for the purchasing of South African manufactured clothing, textile and leather products.

ENVIRONMENTAL POLICIES

The group aligns itself with the international principles of sustainable development, and the local drive towards 'responsible tourism'. Amongst the key elements of responsible tourism are:

- Avoiding waste and over consumption of natural resources
- Using local resources sustainably
- Maintaining and encouraging natural, economic, social and cultural diversity
- Being sensitive to the host culture
- Involving the local community in planning and decision making
- Assessing environmental, social and economic impacts as a prerequisite for developing tourism
- Ensuring communities are involved in and benefit from tourism

Sustainable development integrates three key aspects, namely economic growth, conserving natural resources and the environment, and social development.

All of the group's new properties undertook environmental impact assessments, to ensure that the planning of these developments was environmentally efficient, and socially acceptable. During the construction phase, on-site environmental control officers ensured that negative environmental impacts were minimised, and that labour was exposed to environmental education seminars.

To assist with the long-term environmental sustainability of each project, the new facilities are in the process of implementing Environmental Management Systems (EMS) which takes account of both natural and social issues. By the end of December 2002, the Boardwalk, GrandWest, Carnival City and the Wild Coast Sun will have EMSs that are operative. With a view to achieving a unified approach to environmental management in all the properties, Sun City and the Table Bay Hotel will commence the implementation of EMSs during 2003 and 2004 calender years.

It is the company's intention to gain ISO14001 accreditation for these facilities during 2003. This would improve the public's awareness of the group's commitment to responsible business practices, while increasing their appeal to the environmentally conscious marketplace. The process of introducing these EMSs has also been beneficial internally, by improving the efficiency of certain operational procedures and promoting the understanding of the inter-relationship between departments. Of financial benefit are the cost saving resulting from: increasing energy efficiency, reducing water consumption and minimising the cost of waste disposal.

financial COMMENTARY

INCOME STATEMENT

The group's attributable earnings for the year were 82% lower than last year. The decline in earnings is due to the lower earnings of Sun International (South Africa) Limited (SISA) and the higher losses attributable to the Zambian and Ster Century operations which were exacerbated by the Rand weakness, as well as the exclusion of earnings from Kerzner International Limited (KZL). The exclusion of KZL earnings for the first time is as a consequence of the change in accounting for this investment from an equity accounted basis to an investment basis following the restructuring consummated on 3 July 2001. In the prior year KZL contributed R109 million to attributable earnings or R1,22 per share.

Revenues for the year of R3 719 million were 17% higher than last year, with gaming revenues up 18% and hospitality and other revenues 15% up. The increase in gaming revenues was due largely to the GrandWest and SugarMill trading for only part of the previous financial year.

EBITDA for the year of R962 million was 10% higher than last year. Weak trading at the Zambian resort at Victoria Falls, together with the higher offshore marketing and sales costs were primarily responsible for the lower EBITDA margin of 26%.

The loss before taxation for the year of R293 million was due to the significant exceptional charges incurred and the Ster Century losses, which were further impacted by the depreciation of the Rand. The most significant exceptional charges relate to the impairment in the value of certain of the multiplex cinemas of Ster Century Europe, the write down to market value of the group's investment in KZL and the raising of a US$30 million long term liability in respect of the contractual obligation to KZL and the settlement of litigation between KZL and the group. In the prior year the payment in respect of this contractual obligation amounting to US$3 was expensed.

Loss after taxation for the year was R407 million. Excluding exceptional items and goodwill amortisation profit after taxation was 75% down on last year at R117 million.

Headline earnings for the year were 82% lower than last year at R52 million, with headline earnings per share 82% lower at 58 cents.

As previously indicated to shareholders, no dividend will be declared for the 2002 financial year. It is likely that dividend payments will resume in respect of the 2003 financial year.

BALANCE SHEET

The balance sheet remains strong despite the significant capital investment made during the past few years. Significant movements in balance sheet components were as follows:

Shareholders' funds of R4,5 billion were R40 million higher with this increase due largely to the foreign currency translation gain of R514 million as a result of the significant devaluation of the Rand against the Dollar offset in part by the R407 million loss after tax incurred for the year.

Interest bearing debt of R2 797 million was R504 million higher with the percentage of interest bearing debt to total shareholders' funds at 62%, compared to the previous year's 51%. The increase in borrowings is mainly due to the GrandWest investment in the Cape Town Convention Centre, capital expenditures at the Flamingo and Meropa casinos and the raising of the liability for the onerous KZL contractual obligation and for the litigation settlement.

Property, plant and equipment was R103 million higher with this increase being the net movement of R385 million capital expenditure, a R349 million depreciation charge, net disposals, write downs and transfers of R46 million and exchange adjustments of R112 million. Capital expenditure comprised the Meropa casino in Polokwane (R159 million), the Flamingo casino in Kimberley (R102 million), and the upgrading of existing facilities and replacement of equipment. The international associates and City Lodge capital expenditures over the year are not included in the group's capital expenditures due to the equity basis of accounting for these investments.

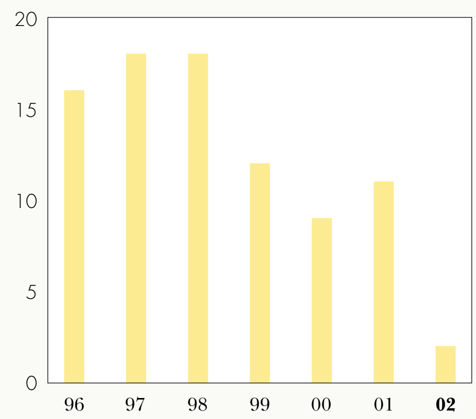
Intangible assets at R665 million were R135 million higher due mainly to the purchase of the Sun International brand name for R111 million, expenditure on bid costs of R63 million and foreign exchange gains of R11 million, offset by amortisation of R50 million.

Associate investments at R228 million was R1 750 million lower due to the reclassification of the group's investment in KZL (R1 536 million) to available for sale investments, equity accounted losses (R217 million), loss on dilution on the conversion of the City Lodge debentures (R52 million), goodwill write off (R17 million) offset by additional investment in Ster Century (R13 million) and translation gains (R56 million).

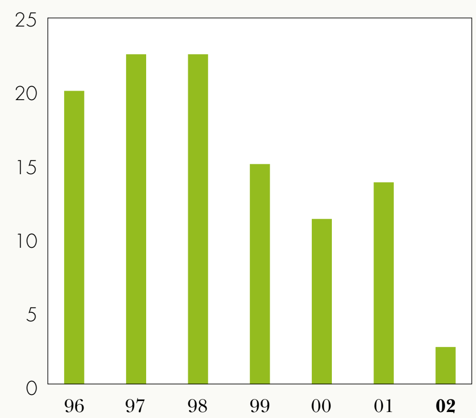
Current assets of R1 173 million were R531 million higher primarily due the inclusion of the two million KZL shares which are required to be sold by 28 February 2003 being reflected in current assets.

Interest free liabilities of R1 143 million were R32 million lower primarily due to lower level of capital creditors and taxation due to the lower current taxation charge, offset in part by higher deferred taxation.

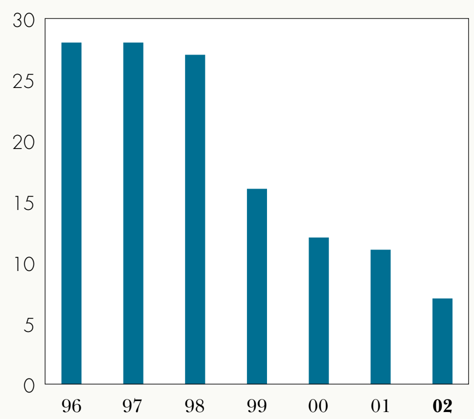
RETURN TO EQUITY SHAREHOLDERS *(%)*



RETURN ON SHAREHOLDERS' FUNDS *(%)*



RETURN ON NET ASSETS *(%)*



financial COMMENTARY *(continued)*

RETURNS

The returns for the year, as graphically depicted on page 39, continue to be disappointing. Returns were impacted by a combination of lower earnings from SISA, the higher losses attributable to the Zambian and Ster Century operations and the accounting for KZL as an investment.

It should be noted that the gains on investments on the devaluation of the Rand are not reflected in income in computing returns but are included in assets and shareholders' funds. Inclusion of this gain would increase the return to equity shareholders from 2% to 15%.

As a result of the accounting for KZL as an investment and the weak trading at the Ster Century and Zambia operations, returns are expected to remain low in the forthcoming financial year.

SEGMENTAL INFORMATION

Segmental information is presented by operating unit and grouped according to the group's main business segments. The segment result and segment assets are given for the group's associates. Kersaf's share of attributable earnings before exceptional items for each business segment is also presented below.

The group's main segments comprise:

- ***Sun International (South Africa) (SISA)***, the leading casino operator in South Africa with investments in major resorts, gaming complexes and other casinos and hotels.
- ***Other southern African operations***, with casinos and hotels in Swaziland, Botswana, Namibia and Zambia.
- ***Management activities***, being the services provided by Sun International Management Limited to the casino and hotel operations throughout southern Africa.
- ***Central office costs and other unallocated items*** comprising certain central income and expense items of Sun International Inc, Royale Resorts and Kersaf, including certain local activities undertaken on behalf of the offshore management company, administration, interest, foreign exchange differences and other central office and investment related costs and consolidation elimination entries.

The group's main associates comprise:

- Lesotho operations comprising of hotels and casinos in Lesotho.
- Cinema operations including both Ster Century Europe and Ster Century Middle East.
- City Lodge, which occupies a leading position in the selected services sector of the South African hotel market.

KERSAF'S SHARE OF ATTRIBUTABLE EARNINGS BEFORE EXCEPTIONAL ITEMS

Rm	Kersaf's share of earnings* 2002	2001
Sun International South Africa	**28**	87
Other southern African operations	**18**	25
Management activities	**53**	51
Kerzner International	**–**	109
Ster Century operations	**(85)**	(39)
City Lodge (shares and debentures)	**22**	20
Central office and other	**16**	30
	52	283

**Excludes the impact of exceptional items*

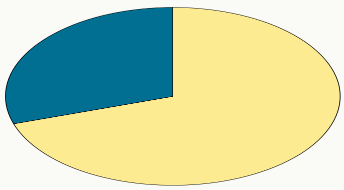
Kerzner International Limited, which was previously accounted for as an associate, has been accounted for as an investment in the current year as a result of the restructuring of the group's interest in this investment.

With the exception of City Lodge and management activities all segments of the group contributed less than in the prior year. Higher interest and depreciation charges reduced SISA's contribution to group attributable earnings by 68% to R28 million. Other southern African operations were severely impacted by the losses of the Zambian operations. Excluding Zambia other southern African operations contributed R52 million, up 36% on last year. The current year's earnings include 100% of the results of the Namibian operations following the acquisition of the 18% minority interest on 30 June 2001. Management activities generated earnings 4% higher primarily due to the contribution to KZL being treated as a loan repayment in the current year while the payment in the prior year was expensed. The cinema operations continued to disappoint with losses attributable to Kersaf more than doubling to R85 million. The decrease in contribution from the central office is due to the loss of interest on cash invested in the Zambian operations and cash utilised for the purchase of the worldwide rights to the Sun International brand late in the prior year. The pie charts provide additional information on the composition of Kersaf's revenue and net assets.

Set out below are the income statements of the major operations, namely Sun International South Africa, other southern African operations, Ster Century Europe and City Lodge Hotels, together with brief commentary on their results. These figures represent 100% of the respective operations.

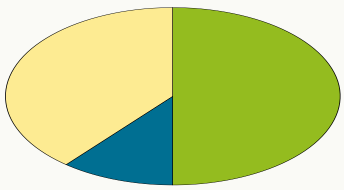
REVENUE *(%)*

Casino gaming 70% *(69%)*
Hospitality and other 30% *(31%)*



NET ASSETS *(%)*

SA Rand 50% *(49%)*
Other 11% *(7%)*
US$ 39% *(44%)*



financial COMMENTARY *(continued)*

SUN INTERNATIONAL (SOUTH AFRICA) LIMITED	2002 Rm	% change	2001 Rm
Revenue	3 294	16	2 834
EBITDA	787	13	699
Headline earnings*	65	(68)	200
Earnings per share (cents)*	5	(71)	17
Total assets	5 126	4	4 908
EBITDA margin (%)	24		25
Rooms available	2 484		2 483
Average occupancy (%)	69		65
Slot machines	8 555		8 236
Gaming tables	287		291
Employees	6 438		6 717

**Excludes the impact of exceptional items.*

Sun International (South Africa) Limited's results reflect a substantial improvement in trading over the second half of the financial year following the disappointing trading results achieved in the first half. Group revenues were 16% higher as a consequence of the GrandWest, SugarMill and Boardwalk casinos only trading for part of the previous year and the strong performance of the resort division in the second half of the year. Gaming revenues were 18% higher than last year whilst room revenues were 17% higher after being in line with last year at the interim stage. Carnival City, Morula Sun, Carousel and the Wild Coast Sun all experienced declines in revenues as a result of competitive activity. Carnival City has regained market share over the last six months of the year as a consequence of more focused marketing and the opening of a smoking casino. Both the GrandWest and SugarMill operations traded particularly well over the latter part of the year. Trading at the Boardwalk was disappointing largely as a result of the stagnant local economy. SISA's average room occupancy at 69% was four percentage points above the previous year at an average rate 14% up on last year. Occupancies at Sun City, the Table Bay and Zimbali were 4, 5 and 7 percentage points ahead of the previous year at 75%, 63% and 66% respectively. SISA's EBITDA at R787 million was 13% up on last year. As a result of increased capital charges and the high effective tax rate, headline earnings were 68% lower at R65 million.

Sun International's other southern African operations include the facilities in Botswana, Swaziland, Namibia, Lesotho and the resort at the Victoria Falls in Zambia which opened during 2001. Trading with the exception of the Zambian operations was strong with an increase in revenues and profitability at all units. The overall result was negatively impacted by the R34 million attributable loss incurred by the Zambian operations.

OTHER SOUTHERN AFRICAN OPERATIONS	2002 Rm	% change	2001 Rm
Revenue	408	37	297
EBITDA	76	(7)	82
Headline earnings*	39	(13)	45
Total assets	574	29	445
EBITDA margin (%)	19		28
Rooms available	1 474		1 514
Average occupancy (%)	49		51
Slot machines	815		760
Gaming tables	47		47
Employees	1 945		2 097

**Excludes the impact of exceptional items.*

CITY LODGE HOTELS LIMITED	2002 Rm	% change	2001 Rm
Revenue	**232**	20	193
EBITDA	**114**	25	91
Headline earnings*	**55**	45	38
Earnings per share (cents)*			
– Undiluted	**137**	1	136
– Fully diluted	**134**	29	104
Total assets	**430**	11	388
EBITDA margin (%)	**49**		47
Rooms available	**3 742**		3 461
Average occupancy (%)	**72**		71
Employees	**918**		872

**Excludes the impact of exceptional items.*

City Lodge Hotels Limited increased revenue by 20% on last year. This was achieved by a 1 percentage point increase in occupancy to 72%, good rate growth and a number of new hotel openings during this year and last year. This revenue growth coupled with good cost control resulted in a 2 percentage point increase in operating margins. Fully diluted headline earnings per share were up 29% on last year.

STER CENTURY EUROPE LIMITED	2002 $m	% change	2001 $m
Revenue	**73**	74	42
EBITDA	**(2)**	60	(5)
Headline earnings*	**(23)**	77	(13)
Total assets			92
EBITDA margin (%)	**(32)**		(12)
Number of cinemas	**13**		15

**Excludes the impact of exceptional items.*

Ster Century Europe Limited (SCE) reflected revenue growth of 74% on last year as a result of a combination of site openings in the prior year trading for the full year, new sites opened in the current year, stronger product line up and improved trading at the more established sites. Losses attributable to Kersaf amounted to R70 million. The SCE group incurred an EBITDA loss of US$1,9 million compared to last year's EBITDA loss of US$5,1 million. Attributable losses (before exceptional items) of US$23 million were 77% higher than last year primarily as a consequence of a currency loss of US$6 million on SCE's loans (the corresponding gain on the assets of US$12,8 million was taken directly to reserves) and sharply higher borrowing costs on the bank facilities and mezzanine debt.

financial COMMENTARY *(continued)*

SEGMENTAL INFORMATION

	Revenues (Rm) 2002	Revenues (Rm) 2001	EBITDA (Rm) 2002	EBITDA (Rm) 2001	Depreciation and amortisation (Rm) 2002	Depreciation and amortisation (Rm) 2001	Operating profits before exceptional items (Rm) 2002	Operating profits before exceptional items (Rm) 2001
SUN INTERNATIONAL (SOUTH AFRICA) LIMITED *(stated in Rands)*								
GrandWest	**741**	443	**236**	148	**95**	49	**141**	98
Sun City	**694**	627	**74**	65	**44**	46	**25**	15
Carnival City	**488**	559	**130**	151	**61**	59	**69**	92
SugarMill/Sibaya	**421**	163	**164**	63	**35**	14	**105**	27
Boardwalk	**214**	201	**60**	70	**33**	21	**25**	49
Wild Coast Sun	**173**	278	**32**	77	**18**	20	**13**	56
The Carousel Casino and Entertainment World	**158**	182	**16**	38	**11**	13	**5**	24
Morula Sun	**140**	159	**33**	46	**6**	9	**27**	37
The Table Bay	**110**	92	**31**	21	**13**	14	**4**	(4)
Thaba'Nchu Sun and Naledi Sun	**66**	81	**3**	15	**7**	7	**(10)**	5
Zimbali	**26**	21	**3**	1	**4**	4	**(1)**	(3)
Meropa	**24**	–	**8**	–	**4**	–	**4**	–
Flamingo	**25**	–	**7**	–	**4**	–	**4**	–
Fish River Sun and Mpekweni Sun Marine Resort	**14**	12	**(5)**	(7)	**1**	2	**(8)**	(10)
SISA central office and other	**–**	16	**(5)**	11	**4**	6	**(18)**	(8)
	3 294	2 834	**787**	699	**340**	264	**385**	378
OTHER SOUTHERN AFRICAN								
Botswana	**144**	115	**59**	47	**9**	9	**49**	37
Swaziland	**122**	107	**24**	22	**5**	5	**19**	16
Namibia	**76**	68	**27**	22	**5**	5	**18**	12
Zambia	**66**	7	**(34)**	(9)	**23**	3	**(58)**	(11)
	408	297	**76**	82	**42**	22	**28**	54
MANAGEMENT ACTIVITIES	**202**	188	**67**	66	**1**	1	**66**	65
CENTRAL OFFICE AND OTHER	**4**	6	**32**	25	**32**	37	**–**	(12)
	3 908	3 325	**962**	872	**415**	324	**479**	485
ASSOCIATES								
Lesotho								
KZL								
Ster Century Europe								
Ster Century Middle East								
City Lodge								
Net interest expense and foreign exchange profits								
Taxation								
Outside shareholders' interests								
Deferred taxation								
Borrowings								
Elimination of inter-group management fees	**(189)**	(151)						
Total	**3 719**	3 174	**962**	872	**415**	324	**479**	485

Exceptional items (Rm) 2002	Exceptional items (Rm) 2001	Operating profit after exceptional items (Rm) 2002	Operating profit after exceptional items (Rm) 2001	Assets (Rm) 2002	Assets (Rm) 2001	Liabilities (Rm) 2002	Liabilities (Rm) 2001	Capital expenditure (Rm) 2002	Capital expenditure (Rm) 2001
–	(71)	141	27	1 373	1 345	76	93	46	752
–	(7)	25	8	1 057	1 076	97	61	22	41
–	(1)	69	91	724	774	48	53	18	19
–	(26)	105	1	285	231	36	22	29	180
(3)	(20)	22	29	414	439	31	20	16	264
–	(6)	13	50	191	198	30	30	6	16
–	–	5	24	207	215	17	25	2	10
–	–	27	37	63	64	18	17	6	7
–	–	4	(4)	206	213	25	17	3	4
–	–	(10)	5	42	49	10	8	1	3
–	–	(1)	(3)	87	87	3	2	2	1
(9)	–	(5)	–	196	27	4	–	159	15
(6)	–	(2)	–	139	22	7	–	102	7
–	–	(8)	(10)	8	8	2	1	–	1
(1)	(6)	(19)	(14)	134	160	149	67	11	14
(19)	(137)	366	241	5 126	4 908	553	416	423	1 334
–	–	49	37	73	63	19	16	6	1
–	3	19	19	85	75	27	18	10	6
–	–	18	12	32	32	7	10	4	1
–	(27)	(58)	(38)	384	275	36	51	(12)	250
–	(24)	28	30	574	445	89	95	8	258
(297)	–	(231)	65	207	64	2	6	113	–
(58)	(54)	(58)	(66)	2 350	579	26	177	15	(2)
(374)	(215)	105	270	8 257	5 996	670	694	559	1 590
		(200)	(355)	228	1 977				
		6	4	10	10				
		(335)	–	1 533					
		(214)	(10)	30	204				
		(25)	(41)	–	–				
		33	27	188	230				
		(198)	(78)						
		(114)	(91)			78	104		
		110	31						
						395	376		
						2 797	2 294		
(374)	(215)	(297)	(223)	8 485	7 973	3 940	3 468	559	1 590

financial COMMENTARY *(continued)*

KEY STATISTICS

	Number of hotel rooms		Average occupancy (%)		Average room rate (Rands)	
	2002	2001	**2002**	2001	**2002**	2001
SUN INTERNATIONAL (SOUTH AFRICA) LIMITED						
GrandWest	**39**	39	**85**	79	**274**	265
Sun City	**1 301**	1301	**75**	71	**772**	669
Carnival City	**48**	48	**80**	85	**250**	262
SugarMill						
Boardwalk						
Wild Coast Sun	**246**	246	**79**	73	**301**	355
The Carousel Casino and Entertainment World	**57**	57	**63**	61	**230**	229
Morula Sun	**72**	71	**53**	58	**205**	188
The Table Bay	**329**	329	**63**	58	**1 073**	953
Thaba'Nchu Sun and Naledi Sun	**148**	148	**54**	52	**197**	200
Zimbali	**76**	76	**66**	59	**850**	749
Meropa						
Flamingo						
Fish River Sun and Mpekweni Sun Marine Resort	**168**	168	**41**	33	**182**	185
	2 484	2 483	**69**	65	**662**	581
OTHER SOUTHERN AFRICAN						
Botswana	**196**	192	**66**	64	**636**	514
Swaziland	**458**	458	**54**	51	**386**	347
Namibia	**173**	173	**61**	60	**347**	327
Zambia	**385**	385	**30**	20	**842**	547
Lesotho	**262**	306	**49**	36	**403**	362
	1474	1 514	**49**	51	**500**	383
Group total	**3 958**	3 997	**62**	60	**614**	517

Note: City Lodge's statistics are excluded from the above table as it is that group's policy not to disclose such information.

Number of slot machines		Win per machine per month (R'000s)		Number of gaming tables		Win per table per month (R'000s)		Total headcount	
2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
1 750	1 750	**26**	26	**60**	66	**166**	191	**811**	982
824	845	**13**	12	**37**	40	**133**	111	**1 649**	1 759
1 750	1 750	**18**	20	**60**	60	**110**	133	**659**	775
877	877	**28**	29	**30**	30	**286**	302	**559**	578
721	681	**19**	25	**18**	20	**112**	144	**469**	443
438	438	**20**	24	**13**	16	**93**	131	**471**	534
848	926	**12**	13	**19**	23	**75**	111	**405**	456
600	639	**14**	15	**17**	19	**120**	142	**466**	498
								210	221
297	330	**14**	17	**12**	17	**48**	49	**218**	225
								49	84
250		**26**		**12**		**118**		**179**	
200		**26**		**9**		**105**		**135**	
								158	162
8 555	8 236	**20**	19	**287**	291	**138**	139	**6 438**	6 717
234	234	**24**	19	**11**	11	**87**	92	**395**	405
197	159	**12**	12	**20**	21	**66**	56	**511**	531
129	109	**29**	27	**8**	8	**104**	108	**233**	291
85	85	**1**						**386**	463
170	173	**11**	10	**8**	7	**54**	47	**420**	407
815	760	**15**	16	**47**	47	**72**	72	**1 945**	2 097
9 370	8 996	**20**	19	**334**	338	**129**	130	**8 383**	8 814

financial COMMENTARY *(continued)*

INFLATION

In the absence of any generally applied and accepted practice regarding accounting for the effects of inflation, and recognising that the taxation system in South Africa does not provide relief in this area, the group has decided not to prepare and publish inflation adjusted financial statements. As in past years, however, in order to provide an indication of the quality of earnings, earnings have been restated below in 1994 base year terms and are set out in the table below:

DEFLATED EARNINGS

	2002 Rm	% change	2001 cents	7 year compounded annual growth (%)
Earnings per share				
Reported	58	(82)	318	(19)
Deflated	37	(81)	195	(23)
Consumer price index				
(1994:100)	173	6	163	

As per the above the decrease in earnings per share on last year of 82% reduces to 81% on the restatement of earnings of both years in 1994 base year terms. The group's annual compound earnings decline over the past seven years is 19%. In aggregate there has been a 23% decrease in earnings growth over the past seven years.

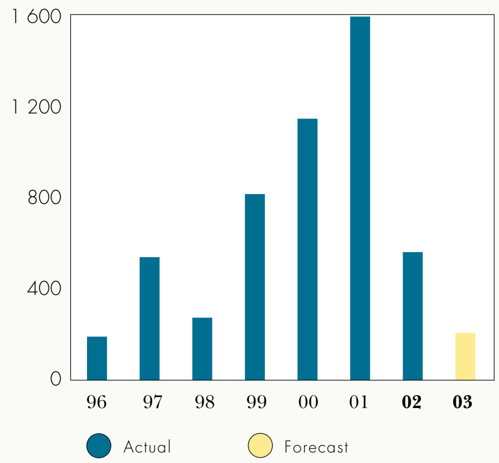
CAPITAL EXPENDITURE

Details of the group's capital expenditure for the year under review and the forecast for the year ahead are contained in the individual operational reviews preceding this review and in the cash flow statement and notes 10, 11 and 28 in the financial statements.

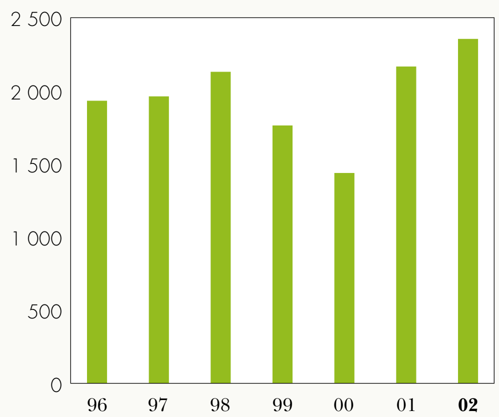
The major capital expenditure in consolidated subsidiaries over the past year was R30 million at GrandWest, R102 million at the Flamingo casino, R159 million at the Meropa casino and R111 million to acquire the Sun International brand name. This capital expenditure was funded by increased borrowings of R166 million, existing cash resources and operating cash flows.

The group currently has total capital commitments of R848 million relating primarily to the Sibaya project (R650 million). Capital expenditure for the year ahead is forecast at R206 million, including R100 million at Sun City for the partial upgrade of the casino floor and a refurbishment of rooms.

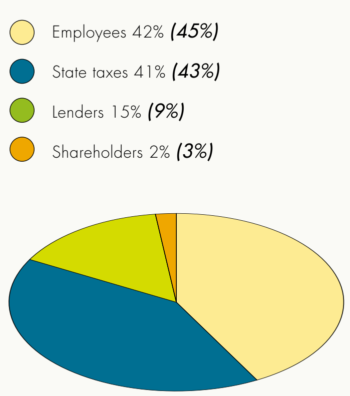
CAPITAL EXPENDITURE
(R million)



TOTAL CASH VALUE ADDED
(R million)



CASH DISTRIBUTED TO STAKEHOLDERS
(%)



cash value ADDED STATEMENT

for the year ended 30 June

	2002 Rm	2001 Rm	Change %
CASH GENERATED			
Cash derived from revenue	**3 696**	3 210	
Income from investments	**49**	36	
Cash value generated	**3 745**	3 246	15
Paid to suppliers for materials and services	**(1 374)**	(921)	
Pre-opening expenditure	**(18)**	(144)	
Total cash value added	**2 353**	2 181	8
CASH DISTRIBUTED TO STAKEHOLDERS			
Employees	**(798)**	(688)	16
State taxes	**(763)**	(652)	17
Shareholders and lenders:			
Finance costs	**(286)**	(136)	110
Dividends to shareholders	**(32)**	(53)	(40)
	(1 879)	(1 529)	23
Cash retained in the business to fund replacement of assets and facilitate future growth	**474**	652	(27)
RECONCILIATION WITH CASH GENERATION			
Total cash value added (above)	**2 353**	2 181	
Add: Pre-opening expenditure	**18**	144	
Less: Employee remuneration	**(798)**	(688)	
Employee tax	**(132)**	(132)	
Income from investments	**(49)**	(36)	
Levies and VAT on casino revenues	**(497)**	(409)	
Other taxes	**(5)**	(8)	
Cash generated by operations (per cash flow statement)	**890**	1 052	
STATE TAXES SUMMARY			
Income tax	**(124)**	(97)	
PAYE	**(132)**	(132)	
Levies and VAT on casino revenues	**(497)**	(409)	
Secondary tax on companies	**(5)**	(6)	
Other taxes	**(5)**	(8)	
	(763)	(652)	

seven YEAR FINANCIAL REVIEW

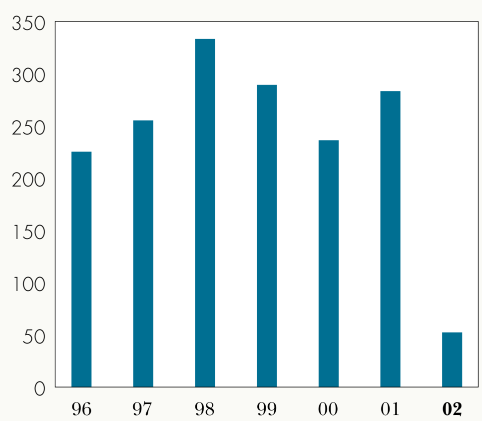
Group	2002	2001	2000	1999	1998	1997	1996
CONSOLIDATED INCOME STATEMENTS *(R million)*							
Revenue	**3 719**	3 174	2 573	2 501	2 838	2 760	2 650
EBITDA	**962**	872	671	649	977	871	800
Depreciation and amortisation	**(391)**	(295)	(194)	(155)	(160)	(153)	(141)
Property rentals	**(68)**	(63)	(42)	(38)	(26)	(37)	(30)
Profit from operations	**503**	514	435	456	791	681	629
Foreign exchange profits	**59**	26	19	21	28	6	26
Interest income	**38**	32	80	167	136	88	89
Operating profits	**600**	572	534	644	955	775	744
Interest expense	**(295)**	(136)	(61)	(78)	(59)	(46)	(71)
Profit before taxation	**305**	436	473	566	896	729	673
Taxation	**(93)**	(73)	(162)	(190)	(286)	(248)	(248)
Profit after taxation	**212**	363	311	376	610	481	425
Share of associates' (losses)/profits	**(95)**	107	91	122	92	70	47
Minority interests	**(65)**	(187)	(166)	(209)	(369)	(296)	(247)
Earnings attributable to ordinary shareholders	**52**	283	236	289	333	255	225

Note: – exceptional items and goodwill amortisation have been excluded to provide a more meaningful comparison of historical operating performance.

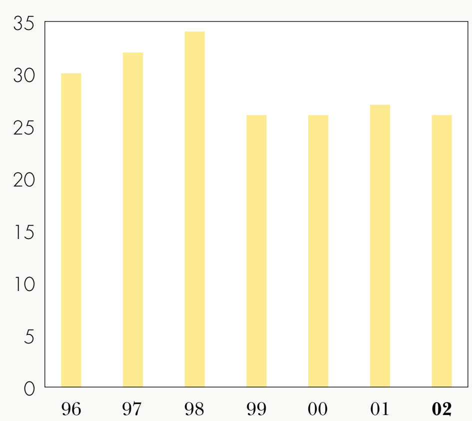
– The above figures have been restated where necessary to take account of changes in accounting policies and so as to provide a meaningful comparison of performance over the seven years.

– The 2002 figures exclude KZL which has been accounted for as an investment for the first time.

ATTRIBUTABLE EARNINGS
(R million)



EBITDA MARGIN
(%)



Group	2002	2001	2000	1999	1998	1997	1996
CONSOLIDATED BALANCE SHEETS *(R million)*							
ASSETS							
Non current assets							
Property, plant and equipment	**4 798**	4 695	3 461	3 009	2 513	2 476	2 167
Intangible assets	**664**	529	412	223	212	228	308
Investments and loans	**1 850**	2 108	2 047	1 690	1 588	1 149	708
	7 312	7 332	5 920	4 922	4 313	3 853	3 183
Current assets							
Available for sale investment	**507**	–	–	–	–	–	–
Inventory	**29**	23	21	28	36	45	25
Accounts receivable	**351**	380	531	470	238	213	255
Cash and cash equivalents	**286**	238	200	1 022	1 193	639	734
	1 173	641	752	1 520	1 467	897	1 014
Total assets	**8 485**	7 973	6 672	6 442	5 780	4 750	4 197
EQUITY AND LIABILITIES							
Capital and reserves							
Ordinary shareholders' equity	**2 888**	2 832	2 744	2 454	2 287	1 424	1 364
Outside shareholders' interest	**1 657**	1 673	1 568	1 837	1 738	1 464	1 337
	4 545	4 505	4 312	4 291	4 025	2 888	2 701
Non current liabilities							
Deferred taxation	**395**	376	430	390	438	419	408
Borrowings	**2 438**	1 858	1 231	751	467	263	1
	2 833	2 234	1 661	1 141	905	682	409
Current liabilities							
Accounts payable, accruals and provisions	**670**	695	551	836	643	719	715
Borrowings	**359**	435	67	24	20	167	108
Taxation	**78**	104	81	97	86	202	177
Dividends	**–**	–	–	53	101	92	87
	1 107	1 234	699	1 010	850	1 180	1 087
Total liabilities	**3 940**	3 468	2 360	2 151	1 755	1 862	1 496
Total equity and liabilities	**8 485**	7 973	6 672	6 442	5 780	4 750	4 197

Note: – The above figures have been restated where necessary to take account of changes in accounting policies and so as to provide a meaningful comparison of performance over the seven years.

seven YEAR FINANCIAL REVIEW *(continued)*

Group statistics		2002	2001	2000	1999	1998	1997	1996
ORDINARY SHARE PERFORMANCE								
Shares in issue	000's	**90 050**	90 050	88 650	88 650	84 223	84 223	84 223
Weighted number of shares in issue	000's	**90 050**	88 990	88 650	87 449	84 223	84 223	82 891
Headline earnings per share	cents	**58**	318	266	329	395	303	271
Dividends per share	cents	**–**	–	60	120	210	192	183
Dividend cover	times	**–**	–	4,4	2,7	1,9	1,6	1,5
Dividend payout	%	**–**	–	23	36	53	63	68
Net asset value per share	Rand	**32,07**	31,44	30,95	27,68	27,15	16,91	16,20
Market capitalisation at 30 June	Rm	**2 611**	3 242	2 358	2 394	2 274	2 657	3 740
Market capitalisation/net asset value	times	**0,9**	1,1	0,9	1,0	1,0	1,9	2,7
PROFITABILITY AND ASSET MANAGEMENT								
EBITDA margin	%	**26**	27	26	26	34	32	30
Effective tax rate	%	**30**	17	34	34	32	34	37
Return on net assets	%	**7**	11	12	16	27	28	28
Return on shareholders' funds	%	**3**	11	9	12	20	20	19
Return to equity shareholders	%	**2**	10	9	12	18	18	16
LIQUIDITY AND LEVERAGE								
Cash generated by operations	Rm	**890**	1 053	430	554	912	816	809
Interest cover	times	**2**	4	9	8	16	17	10
Interest bearing debt to total shareholders' funds	%	**62**	51	30	18	12	15	4
Total liabilities to total shareholders' funds	%	**87**	77	55	50	44	64	55
Total shareholders' funds to total assets	%	**55**	56	65	67	70	61	64
Current ratio	:1	**1,1**	0,5	1,1	1,5	1,7	0,8	0,9

* Includes interim dividends paid and final dividends declared for the year.

DEFINITIONS

EBITDA
Earnings before interest, taxation, depreciation and amortisation. EBITDA is stated before property rentals and exceptional items. Property rentals are considered to be a form of funding and are therefore categorised after EBITDA with depreciation and interest.

EBITDA MARGIN
EBITDA expressed as a percentage of revenue.

INTEREST COVER
Operating profits (including interest income and foreign exchange profits) divided by interest expense.

EFFECTIVE TAX RATE
Taxation per the income statement expressed as a percentage of profit before taxation.

HEADLINE EARNINGS PER SHARE
Headline earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

DIVIDEND COVER
Headline earnings attributable to ordinary shareholders divided by dividends paid and declared for the year.

NET ASSETS
Total assets less total liabilities.

NET ASSET VALUE PER SHARE
Shareholders' equity divided by the number of ordinary shares in issue at the end of the year.

CURRENT RATIO
Current assets divided by current liabilities.

RETURN ON NET ASSETS
The sum of operating profits and share of associate companies' profits expressed as a percentage of average net assets excluding interest bearing liabilities.

RETURN ON SHAREHOLDERS' FUNDS
Profit after taxation and share of associate companies' profits expressed as a percentage of average shareholders' funds.

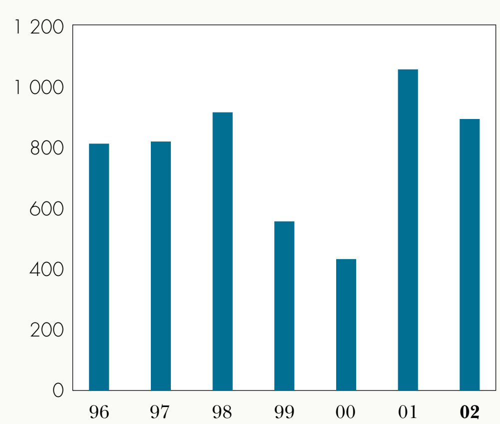
RETURN TO EQUITY SHAREHOLDERS
Headline earnings attributable to ordinary shareholders expressed as a percentage of average shareholders' equity.

Note: All ratios have been calculated excluding exceptional items and goodwill amortisation.

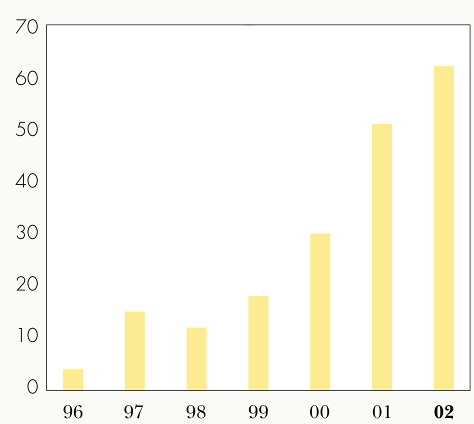
Group statistics		**2002**	2001	2000	1999	1998	1997	1996
STOCK EXCHANGE PERFORMANCE								
Market price	Rand							
– at 30 June		**29,00**	36,00	26,60	27,00	27,00	31,55	44,40
– highest		**36,50**	38,00	29,80	29,00	41,50	51,00	51,00
– lowest		**19,75**	27,00	18,40	15,00	24,00	30,00	31,00
– weighted average		**26,73**	31,97	23,44	20,85	32,84	40,71	43,42
Kersaf share price index	#	**64**	79	58	59	59	69	98
JSE actuaries' industrial index	#	**124**	126	138	121	129	141	131
Closing price earnings multiple	times	**50**	11	10	8	7	10	16
Closing dividend yield	%	**–**	–	2	4	8	6	4
Volume of shares traded	000	**33 262**	25 040	41 740	43 070	12 725	6 209	3 223
Volume of shares traded as a percentage of shares in issue	%	**37**	28	47	49	15	7	4
Value of shares traded	Rm	**889**	801	978	898	418	253	140
Number of transactions		**2 770**	3 976	4 032	8 733	1 602	1 373	1 060
GROWTH								
Reported growth per share	%							
- earnings		**(82)**	19	(19)	(17)	31	12	8
- dividends		**–**	(100)	(50)	(43)	9	5	13
Real growth per share	%							
- earnings		**(81)**	11	(23)	(22)	24	3	1
- dividends		**–**	(100)	(52)	(47)	4	(3)	5
Consumer price index	#	**173**	163	152	145	135	128	118
EMPLOYEES								
Number of employees at 30 June		**8 787**	9 326	8 333	8 415	12 583	16 112	15 815
Average number of employees		**9 057**	8 830	8 374	11 242	13 421	15 586	16 256
Revenue per employee	R000	**411**	359	307	222	211	177	163
Wealth created per employee	R000	**171**	171	171	157	159	138	123

Base for indices: 1994 = 100

CASH GENERATED BY OPERATIONS
(R million)



INTEREST BEARING DEBT TO TOTAL SHAREHOLDERS' FUNDS
(%)



directorate & ADMINISTRATION

BOARD OF DIRECTORS

Top from left to right

Buddy Hawton
Peter Bacon
David Coutts-Trotter

Middle from left to right

Leslie Boyd
Leon Campher
Mike Egan
Nigel Matthews

Bottom from left to right

Stephen Mildenhall
David Nurek
Eddy Oblowitz
Graham Rosenthal

EXECUTIVE DIRECTORS

Chairman
DA Hawton *FCIS* **(65)**
Appointed to the board in 1987
Director of Standard Bank Group, Liberty Group, Nampak Limited and Altron Limited.

† **PD Bacon** *MHCIMA (British)* **(56)**
Appointed to the board in 1994
Managing director, Sun International.
Over 30 years' experience in the hotel, resorts and gaming industries.

† **DC Coutts-Trotter** *BBus Sci, BAcc, CA(SA)* **(40)**
Appointed to the board in 1996
Executive director
Completed articles with PricewaterhouseCoopers Inc.

NON-EXECUTIVE DIRECTORS

ø **L Boyd** *CEng, FIM* **(65)**
Appointed to the board in 2001
Chairman of Datatec Limited and Imperial Holdings Limited. Holds directorships in various listed and unlisted companies, including ABSA Bank Limited, Anglo American Platinum Corporation Limited, Highveld Steel and Vanadium Corporation Limited and Tongaat-Hulett Group Limited. Past chairmanships include Anglo American Industrial Corporation Limited, Allied Technologies Limited and AECI Limited.

#ø **PL Campher** *BEcon* **(54)**
Appointed to the board in 2002
Extensive experience in investment and asset management with Old Mutual, Syfrets Managed Assets, Coronation and African Harvest. Retired from executive positions in February 2002.

#*†ø **MP Egan** *BCom, CA(SA)* **(47)**
Appointed to the board in 1992
Extensive experience in the leisure, film and entertainment industries in South Africa. Previously chairman of Ster Kinekor, Computicket and Toron Film Studios. Holds private equity investments in and provides project and consultancy services to the leisure, film and entertainment industries.

#*†ø **IN Matthews** *MA (Oxon), MBA* **(57)**
Appointed to the board in 1996
Previously chairman of Sentry Group Limited and Holiday Inns Limited.
Other non-executive responsibilities include Prism Holdings Limited (chairman), Massmart Holdings Limited and City Lodge Hotels Limited.

SC Mildenhall *BCom (Hons), CA(SA), FA* **(31)**
Appointed to the board in 2002
Joined Allan Gray in 1997 and appointed portfolio manager in 1998, director in 1999 and chief investment officer in 2001. Also head of research. Completed articles with Deloitte & Touche.

DM Nurek *Dip Law, Grad Dip Company Law* **(52)**
Appointed to the board in 2002
Executive director of Investec Bank Limited and regional chairman of Investec's various businesses in the Western Cape. Non-executive director to various listed and unlisted companies. Previously served as Chairman of legal firm Sonnenberg Hoffman & Galombik.

directorate & ADMINISTRATION (continued)

NON-EXECUTIVE DIRECTORS

*ø **E Oblowitz** *BCom, CA(SA), CPA (Isr)* **(45)**
Appointed to the board in 2002
Independent financial and business advisory consultant. Non-executive director and trustee to various companies and trusts. Previously served as senior partner with Arthur Andersen South Africa.

*†ø **GR Rosenthal** *CA(SA)* **(58)**
Appointed to the board in 2002
Serves on four audit committees and non-executive member of the group credit committee of Investec Bank Limited.
Until retirement in 2000 was a partner of Arthur Andersen where he spent his entire professional career and was in charge of their South African audit and business advisory practice for a number of years.
Also served as chairman of the South African Venture Capital Association and chairman of the Investigations Committee of the South African Institute of Chartered Accountants.

\# *Member of the remuneration committee*
* *Member of the audit committee*
† *Member of the group risk management committee*
ø *Independent director*

ADMINISTRATION

KERSAF INVESTMENTS LIMITED

Incorporated in the Republic of South Africa
Registration number 1967/007528/06

• ***Group secretary***
SA Bailes *FCIS, FCIBM*

• ***Auditors***
PricewaterhouseCoopers Inc

• ***Principal Bankers***
Nedcor Bank Limited
The Standard Bank of South Africa Limited
ABSA Bank Limited

• ***Corporate law advisers and consultants***
Edward Nathan & Friedland (Pty) Limited

• ***Sponsor***
Investec Bank Limited

• ***Registered office***
27 Fredman Drive
Sandown
Sandton 2031
Gauteng
Republic of South Africa
Telephone (+2711) 780 7000
Telefax (+2711) 783 7446

• ***Registrar***
Computershare Investor Services Limited
70 Marshall Street
Johannesburg 2001
Gauteng
Republic of South Africa

corporate GOVERNANCE STATEMENT

OUR COMMITMENT

The Kersaf group is committed to and endorses the application of the principles recommended in the King II Code of Corporate Practices and Conduct published during March 2002. The board has recorded its intention for the company to conform with the requirements of the new Code and has embarked on a process of implementation which includes the ongoing review of existing practices and structures to identify and improve levels of compliance where considered necessary. The board is satisfied that the company is compliant with the Code in most material respects and is addressing those areas which require improvement in line with best practice. Kersaf has obtained the commitment of the boards of its group companies to subscribe to the Code thereby fostering a corporate culture which recognises transparency, independence, accountability, responsibility, discipline, fairness and social responsibility.

BOARD OF DIRECTORS

The board is the focal point of the company's corporate governance system and is ultimately accountable and responsible for the performance and affairs of the company. The board is responsible for and concerned with the key elements of the governance processes, and has adopted a charter regulating how business is to be conducted by the board in accordance with the principles of good corporate governance, and defining the responsibilities to be discharged by the board collectively, and the individual roles expected. The objectives of the charter are to ensure that all directors are aware of their responsibilities as board members as well as the legislation and regulations affecting their conduct, and to ensure that the principles of good corporate governance are applied in all their dealings in respect of, and on behalf of, the company. The charter sets out, inter alia, the board's responsibilities for:

- the adoption of strategic plans;
- monitoring of performance and management, and delegation of powers and duties to management;
- the determination of policy processes to ensure integrity of management and internal controls;
- communications policy; and
- director selection, orientation and evaluation.

Kersaf has a unitary board structure comprising a mix of executive and non-executive directors. Procedures for appointment to the board are formal and transparent and a matter for the board as a whole. The board will be assisted in this process by the remuneration committee (which also acts as a nominations committee). The board is chaired by Mr DA Hawton, an executive director. The board is satisfied that there exists a strong independent non-executive director element on the board. The board comprises three executive and eight non-executive directors of whom six are considered independent. The non-executive directors have the necessary skill and experience to bring judgement independent of management on critical board issues. The composition of the board appears on pages 55 and 56 of the annual report and changes in the directorate during the financial year, on page 109.

The executive directors, under the chairmanship of the executive chairman, meet as an informal executive committee on a regular basis and, with management present, when necessary. The executive directors are individually mandated and held accountable for:

corporate GOVERNANCE STATEMENT *(continued)*

- the implementation of the strategies and key policies determined by the board;
- managing and monitoring the business and affairs of the company in accordance with approved business plans and budgets;
- prioritising the allocation of capital and other resources; and
- establishing best management and operating practices.

Structured management succession planning for the purposes of identifying, developing and advancing future leaders of the group is an important element of the management process.

Formal procedures are being implemented for the annual appraisal of the chairperson, the CEO, the directors, the company secretary, the board and the committees.

In terms of the company's articles, new directors may only hold office until the next annual general meeting at which they will be required to retire and offer themselves for re-election. Directors are subject to retirement by rotation at least once every three years.

On appointment, non-executive directors are offered the benefit of an induction programme aimed at broadening their understanding of the company and the business environment and markets in which the company operates. This process is carried out over a period of time and includes the provision of background material, meetings with senior management and visits to the group's facilities. The company secretary plays a role in the induction of new directors. All directors are expected to keep abreast of changes and trends in the business and in the company's environments and markets, including changes and trends in the economic, political, social and legal climate generally.

Procedures are in place, through the offices of the chairman and the company secretary, enabling the directors to have access, at reasonable times, to all relevant company information and to senior management, to assist them in the discharge of their duties and responsibilities and to enable them to take informed decisions. Directors are expected to strictly observe the provisions of the statutes applicable to the use and confidentiality of company information.

A procedure is in place for directors to take independent professional advice, for the furtherance of their duties, if necessary, at the company's expense, subject to prior notification to the chairman or the company secretary. The company secretary is expected to provide a central source of advice to the board and, in addition to the company secretary's statutory and other duties, provides the board as a whole, and directors individually, with guidance as to how their responsibilities should be discharged in the best interests of the company. The appointment and removal of the company secretary is a matter for the board as a whole.

Directors are required to inform the board of any conflicts or potential conflicts of interest which they may have in relation to particular items of business. Directors are required to recuse themselves from discussions or decisions on those matters where they have conflicts or potential conflicts of interest and the board may, if it deems appropriate, request a director to recuse himself/herself from the meeting for the duration of the matter under discussion.

A minimum of four board meetings is scheduled per financial year to consider and deal with, inter alia, quarterly operational performance, financial, strategic and key issues and any specific proposals for capital expenditure relative to the company and the group. Additional board meetings may be convened on an ad hoc basis, if necessary, to deal with extraordinary issues of importance which may require urgent attention or decision. Directors are requested to use their best endeavours to attend board meetings and to prepare thoroughly therefor and are expected to participate fully, frankly and constructively in discussions and to bring the benefit of their particular knowledge and expertise to the board table.

Six board meetings were held during the 2002 financial year and a further two since then and to the date of this report. Details of attendance by each director was as follows:

	31 August 2001 (quarterly)	18 September 2001 (ad hoc)	23 November 2001 (quarterly)	26 February 2002 (quarterly)	28 May 2002 (quarterly)	12 June 2002 (ad hoc)	11 July 2002 (ad hoc)	27 August 2002 (quarterly)
DA Hawton	✓	✓	✓	✓	✓	✓	✓	✓
PD Bacon	✓	✓	✓	✓	✓	✓	✓	✓
L Boyd*	–	–	✓	✓	✓	✓	✓	✓
PL Campher**	–	–	–	–	–	–	✓	✓
DC Coutts-Trotter	✓	✓	✓	✓	✓	✓	✓	✓
MP Egan	✓	✓	✓	✓	✓	✓	✓	✓
FWJ Kilbourn#	✓	X	✓	✓	✓	✓	–	–
IN Matthews	✓	✓	✓	✓	✓	✓	✓	✓
SC Mildenhall**	–	–	–	–	–	–	✓	✓
DM Nurek**	–	–	–	–	–	–	X	✓
E Oblowitz***	–	–	–	–	–	–	✓	✓
GR Rosenthal**	–	–	–	–	–	–	✓	✓
PJ Venison*##	–	–	✓	✓	✓	X	–	–

* (appointed to the board on 18 September 2001)
** (appointed to the board on 19 June 2002)
*** (appointed to the board on 4 July 2002)
\# (resigned from the board on 14 June 2002)
\## (resigned from the board on 18 June 2002)

✓ present
X absent
– not applicable

BOARD COMMITTEES

The board is authorised to form committees to assist in the execution of its duties, powers and authorities. The board has three standing committees, namely, the audit, remuneration (which also acts as a nominations committee) and group risk management committees. The terms of reference and composition of the committees are determined and approved by the board and have been adopted by the committees and are subject to review on an annual basis. The chairpersons of the committees are required to report to the board on a regular basis in terms of their committees' respective terms of reference and copies of committee minutes are circulated to all the directors.

corporate GOVERNANCE STATEMENT *(continued)*

Audit committee

Composition: Messrs MP Egan (chairman), IN Matthews, E Oblowitz and GR Rosenthal

The audit committee provides additional assurance to the board regarding the quality and reliability of both the financial information used by the board and the financial statements issued by the company.

The mandate of the audit committee includes:

- consideration of the appointment of the external auditors and audit fees;
- review of the interim report and annual financial statements, prior to submission to the board;
- discussion of problems arising from external audit and review of the external auditor's interim and final reports;
- review of the internal audit activities and programme, ensuring co-ordination between internal and external audit, and ensuring appropriate action by management in the event of major deficiencies or breakdowns in controls or procedures;
- consideration of major findings of internal investigations;
- monitoring of compliance with the group's code of conduct;
- review of the adequacy of the systems of internal control and any legal matters which could significantly impact on the group's financial statements; and
- review of compliance with the King Code and JSE Listings requirements.

All members of the audit committee are independent non-executive directors and are financially literate. The executive chairman of the board and the chief financial officer attend audit committee meetings by invitation. The chairman of the audit committee is required to attend the annual general meeting.

The audit committee is required to meet at least twice a year. Two audit committee meetings were held during the 2002 financial year and a further one since then and to the date of this report. Details of attendance by each member was as follows:

	30 August 2001 (year-end)	25 February 2002 (interim)	26 August 2002 (year-end)
MP Egan	✓	✓	✓
Dr D Konar#	X	–	–
GA Macmillan*##	✓	✓	–
IN Matthews	✓	✓	✓
E Oblowitz**	–	–	✓
GR Rosenthal**	–	–	✓

* (non-board member – appointed to the audit committee on 30 August 2001)
** (appointed to the audit committee on 18 July 2002)
# (resigned from the audit committee on 31 August 2001)
(non-board member – resigned from the audit committee on 18 July 2002)
✓ present
X absent
– not applicable

The audit committee has adopted the written terms of reference approved by the board and has satisfied its responsibilities in compliance therewith in all material respects during the financial year.

Remuneration committee

Composition: Messrs IN Matthews (chairman), PL Campher, MP Egan and DA Hawton

The remuneration committee develops and determines the policy on executive remuneration and fixes the remuneration packages for executive directors and selected senior executives of the company and the group.

As a group policy, remuneration is set at realistic levels aimed to attract, retain and motivate executive directors and senior executives of the company and group. A portion of executive remuneration is incentive based to ensure the achievement of individual and business objectives and the delivery of shareholder value and alignment with shareholder interests.

The mandate of the remuneration committee includes:

- the annual review of remuneration policies for senior executives and executive directors' remuneration, ensuring that these are reasonable, competitive and fair and in line with current industry practices;
- advising on and reviewing suitable performance related formulae as well as share option schemes, retirement and termination payments, compulsory employee benefits and fringe benefits and restraint of trade payments;
- providing independent and objective assessments of the benefits granted to senior executives and executive directors; and
- ensuring compliance and transparency with regard to emoluments and ensuring all stakeholders are informed of group policies and processes with regard to emoluments.

The remuneration committee is chaired by Mr IN Matthews, an independent non-executive director. Of the remaining members, two are also independent non-executives and one, an executive. No executive director or senior executive may be present at meetings of the remuneration committee when his/her own salary is discussed or considered. The chairman of the remuneration committee is required to attend the annual general meeting.

The remuneration committee has adopted written terms of reference approved by the board and has satisfied its responsibilities in compliance therewith in all material respects during the financial year.

The remuneration committee is required to meet at least twice a year. Four remuneration committee meetings were held during the 2002 financial year and a further one since then and to the date of this report. Details of attendance by each member was as follows:

	7 August 2001	14 August 2001	25 September 2001	18 February 2002	1 August 2002
IN Matthews	✓	✓	✓	✓	✓
PL Campher*	–	–	–	–	✓
MP Egan	X	✓	✓	✓	✓
DA Hawton	✓	✓	✓	✓	✓
GA Macmillan#	✓	✓	✓	✓	–

* (appointed to the remuneration committee on 18 July 2002) ✓ present

(non-board member – resigned from the remuneration committee on 18 July 2002) X absent – not applicable

Group risk management committee

The quality, integrity and reliability of the company's risk management processes has been delegated to a group risk management committee whose primary objective is to identify key risk areas and then to develop, communicate and oversee the processes for managing this across the group. This committee assists the board of directors in the discharge of its duties relating to corporate accountability and associated risk in terms of management, assurance and reporting.

corporate GOVERNANCE STATEMENT *(continued)*

The group risk management committee meets under the chairmanship of Mr MP Egan, an independent non-executive director. Also represented on this committee are two executive directors, Messrs PD Bacon and DC Coutts-Trotter, and two other independent non-executive directors, Messrs IN Matthews and GR Rosenthal. The committee is operational in nature. Other representatives on this committee are Mrs SA Bailes (group secretary), Mr HJ Brand (Sun International director of legal affairs), Mr PG Georgas (Sun International divisional director- resorts), Mr PR Hellings (Sun International director of finance), Mr JA Lee (Sun International director of E-commerce and technology), Mr FJ Reeder (head of group internal audit), Mr PT Reinecke (Sun International director of gaming) and Mr RG Rimmer (Sun International director of human resources).

The mandate of the group risk management committee includes:

- the review of the risk philosophy and strategy;
- the review of risk identification and measurement methodologies;
- the review of the adequacy of insurance coverage;
- monitoring the effectiveness of the company's risk management function; and
- advising the board in respect of risk aspects (including its commentary on risk in the annual report).

The group risk management committee is required to meet at least twice a year. Two meetings were held since the end of the 2002 financial year to the date of this report. Details of attendance by each member was as follows:

	5 August 2002	23 August 2002
MP Egan*	✓	✓
PD Bacon*	✓	✓
SA Bailes*	✓	✓
HJ Brand*	✓	✓
DC Coutts-Trotter*	✓	✓
PG Georgas*	✓	✓
PR Hellings*	✓	✓
JA Lee*	✓	✓
IN Matthews*	✓	✓
FJ Reeder*	✓	✓
PT Reinecke*	✓	✓
RG Rimmer**	–	–
GR Rosenthal***	–	–

* (appointed to the group risk management committee on 28 May 2002)
** (appointed to the group risk management committee on 27 August 2002)
*** (appointed to the group risk management committee on 13 September 2002)
✓ present
– not applicable

The group has committed itself to developing risk management processes around the enterprise-wide model of risk management as outlined in the King II report. The group's operations already have sophisticated risk management processes in place, but the intention of the new risk management initiative is to integrate these various activities and to align them with the company's business strategy.

The group has embarked on a high level risk identification process in collaboration with a firm of external risk management experts. This process will formalise the information about risks in the company and group. All types of risk will be examined during this ongoing process, including commercial, financial, technology, reputational, human capital, marketing and operational risks.

Every part of the group will be subjected to the enterprise risk process. Although the board believes that there is already an excellent culture of risk management and internal control within the group, the formal enterprise risk management process will provide line management with a more structured approach to risk-related decision-making.

Key performance indicators are used to monitor underlying risk in the business. The effects of risk are closely monitored in terms of how they impact upon the company's strategy, its impact on earnings growth, on the quality of assets, on core competencies and upon cost and income variables. The enterprise risk strategy is thus truly integrated with the group's business strategy.

The group intends using an enterprise risk methodology for deciding upon appropriate interventions. Line management is fully accountable for improving and enhancing the risk profile of the group. Financial solutions, process interventions, legal options and risk finance are systematically considered for all key risks. The company's internal audit function witnesses these risk management processes and provides assurance to the board via the audit committee.

It is anticipated that the enterprise risk strategy will be implemented by the end of February 2003, and the integration of risk management information systems, by June 2003. A formal review of the enterprise risk strategy will be carried out in July 2003.

DEALING IN LISTED SECURITIES

Directors, the company secretary and senior executives defined as "insiders" may not deal in the shares of the company or any of its listed subsidiaries during certain "closed periods" which fall on the following dates:

- between 1 January and the date on which the interim results are published;
- between 1 June and the date on which the year-end results are published; and
- outside of the above closed periods while the company is in the process of price sensitive negotiations, acquisitions or pending any price sensitive announcements.

Directors and the defined senior executives are requested to clear any proposed share transactions with the chairman or the company secretary before dealing outside of the "closed periods" to ensure there are no price sensitive negotiations taking place.

In terms of the JSE Listings Requirements, details of any transactions by directors in the shares of the company are required to be advised to the JSE for publication through SENS.

ACCOUNTABILITY AND AUDIT

Internal audit

The internal audit department is designed to serve management and the board of directors through independent evaluations and examinations of the group's activities and resultant business risks.

The purpose, authority and responsibility of the internal audit department is formally defined in an internal audit charter which has been approved by the board. This charter has recently been reviewed and updated.

The internal audit department is designed to respond to management's needs while maintaining an appropriate degree of independence to render impartial and unbiased judgements in performing its services. The scope of the internal audit function includes performing independent evaluations of the adequacy and effectiveness of group companies' controls, financial reporting mechanisms and records, information systems and operations, reporting on the

corporate GOVERNANCE STATEMENT *(continued)*

adequacy of these controls and providing additional assurance regarding the safeguarding of assets and financial information. Risk assessment is co-ordinated with the board's assessment of risk through interaction between internal audit, the audit and risk committees which also minimises duplication of effort. The head of internal audit reports at all audit committee meetings and has unrestricted access to the chairpersons of the company and the audit committee. The appointment or dismissal of the head of internal audit is with the concurrence of the audit committee.

Internal control

The board of directors is responsible for the group's systems of internal control. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

The controls throughout the group concentrate on critical risk areas. All controls relating to the critical risk areas in the casino and hotel control environments are closely monitored by the directors and subjected to internal audit reviews. Furthermore, assessments of the information technology environments are also performed. Continual review and reporting structures enhance the control environments.

Nothing has come to the attention of the directors to indicate that a material breakdown in the controls within the group has occurred during the year.

CODE OF ETHICS

The group has adopted an internal code of ethics, which commits management and employees to the highest ethical standards of conduct. The code articulates the group's commitment to its share owners, customers, suppliers and the broader community, as well as policies and guidelines regarding the personal conduct of management, officials and other employees. The code of ethics appears on page 68 of the annual report.

The code is being reviewed and expanded, where necessary, against the criteria contained in the King II report.

GOING CONCERN

The directors have recorded that they have reasonable expectation that the company and the group have adequate resources and the ability to continue in operation for the foreseeable future. For these reasons, the financial statements have been prepared on a going concern basis.

DIRECTORS' RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation of the annual financial statements and related financial information that fairly presents the state of affairs and the results of the company and of the group. The external auditors are responsible for independently auditing and reporting on these annual financial statements, in conformity with generally accepted auditing standards.

The annual financial statements set out in this report have been prepared by management in accordance with South African Generally Accepted Accounting Practice and International Accounting Standards. They are based on appropriate accounting policies, which have been consistently applied and which are supported by reasonable and prudent judgements and estimates.

DIRECTORS' EMOLUMENTS AND SHARE OPTIONS REPORT

Emoluments

Paid to directors of the company by the company and its subsidiaries*:

Executive directors:

	2002					
	Salary	** Bonus	Retirement contributions	Other benefits	Severance benefits	Total
	R	R	R	R	R	R
PD Bacon	3 099 356	300 000	–	249 132	–	3 648 488
DC Coutts-Trotter	1 733 900	–	166 118	185 828	–	2 085 846
DA Hawton	2 618 275	–	1 525 050	195 214	–	4 338 539
FWJ Kilbourn	1 305 403	–	95 957	127 957	865 248	2 394 565
PJ Venison	2 337 861	–	–	254 175	–	2 592 036
	11 094 795	300 000	1 787 125	1 012 306	865 248	15 059 474
Restraint payments*						
PD Bacon						3 500 000
DC Coutts-Trotter						3 500 000
FWJ Kilbourn						3 500 000
						10 500 000

Non-executive directors:

	Fees	Consultancy services	
Dr D Konar	62 000	–	62 000
MP Egan	66 500	30 000	96 500
IN Matthews	71 500	30 000	101 500
	200 000	60 000	260 000

* For the purpose of total remuneration offshore payments have been converted to Rands at the annual average exchange rate.

** Bonuses are accounted for on an accrued basis to match the amount payable to the applicable year end.

*** (The restraint period is for 2 years post leaving the employ of the group with a latest restraint date of October 2005).

Fees payable to the non-executive directors for their services as directors and for their participation in the activities of the committees are put forward by the executive directors and reviewed by the remuneration committee, for recommendation and approval by members at the annual general meeting. Executive directors do not receive fees for their services as directors. Fees are determined by financial year and have historically been paid annually in arrears, after their approval by members at the annual general meeting. Members will be requested at the forthcoming annual general meeting to consider the approval of fees in respect of both the current and the year ahead, after which fees will become payable quarterly in arrears. In the case of new appointments or resignations from the board or committees during a financial year, the annual fees are pro-rated in line with the period of tenure of office. The above fees were paid to the non-executive directors during this financial year, in respect of services provided during the year ended 30 June 2001.

corporate GOVERNANCE STATEMENT *(continued)*

Proposed increases in the level of fees payable to the non-executive directors for 2002 and 2003 appear on the table alongside. These have been recommended by the executive in order to align with fees paid by other listed companies of comparative size, and taking into consideration the enhanced involvement and onus of responsibility of non-executive directors in the affairs of the company and particularly the additional obligations imposed on them by the significant regulatory probity requirements of the gaming industry. In arriving at the proposed level of fees, the results of market surveys have been taken into consideration.

	Proposed 2003 R	Proposed 2002 R	Approved 2001 R
Services as directors: fee	90 000	75 000	35 000
Audit committee			
fees: – chairman	80 000	60 000	27 000
– members	40 000	35 000	16 500
Remuneration committee			
fees: – chairman	60 000	45 000	20 000
– members	30 000	25 000	15 000
Risk management committee			
fees: – chairman	60 000	n/a	n/a
– members	30 000	n/a	n/a

SHARE OPTIONS HELD BY DIRECTORS IN TERMS OF THEIR PARTICIPATION IN THE KERSAF EMPLOYEE SHARE INCENTIVE SCHEME AS AT 30 JUNE 2002

	Date of grant	Exercise price R	No. of options held 30.06.2001	Options exercised during year ended 30.06.2002	No. of options held 30.06.2002	Lapse date	No. of options vesting 30.06.2002
PD Bacon	17.08.1998	19,375	43 750	NIL	43 750	17.08.2008	32 812
	11.09.1998	19,050	156 375	NIL	156 375	11.09.2008	112 625
	22.09.1999	19,525	43 750	NIL	43 750	22.09.2009	21 875
	24.08.2000	31,20	43 750	NIL	43 750	24.08.2010	10 937
	04.12.2001	22,975	NIL	NIL	43 750	04.12.2011	NIL
DC Coutts-Trotter	01.03.1995	38,75	3 400	NIL	3 400	01.03.2005	3 400
	17.08.1998	19,375	17 500	NIL	17 500	17.08.2008	13 125
	11.09.1998	19,050	55 000	NIL	55 000	11.09.2008	37 500
	22.09.1999	19,525	17 500	NIL	17 500	22.09.2009	8 750
	24.08.2000	31,20	17 500	NIL	17 500	24.08.2010	4 375
	04.12.2001	22,975	NIL	NIL	17 500	04.12.2011	NIL
DA Hawton	17.08.1998	19,375	7 500	NIL	7 500	17.08.2008	3 750
	11.09.1998	19,050	117 500	NIL	117 500	11.09.2008	58 750
	22.09.1999	19,525	46 876	NIL	46 876	22.09.2009	15 626
	24.08.2000	31,20	62 500	NIL	62 500	24.08.2010	15 625
	04.12.2001	22,975	NIL	NIL	62 500	04.12.2011	NIL
			632 901		756 651		339 150

SHARE OPTIONS HELD BY DIRECTORS IN TERMS OF THEIR PARTICIPATION IN THE ROYALE RESORTS SHARE OPTION SCHEME AT THE DATE OF THIS REPORT

	Date of grant	Exercise price US$	No. of options held 30.06.2001	Options exercised during year ended 30.06.2002	No. of options held	Lapse date	No. of options vesting
PD Bacon	01.07.1998	1423,19	100	NIL	100	01.07.2008	100
	14.09.1999	1093,07	100	NIL	100	14.09.2009	100
	31.08.2000	632,98	100	NIL	100	31.08.2010	100
	05.09.2001	650,91	NIL	NIL	100	05.09.2011	100
	05.09.2002	526,90	NIL	NIL	100	05.09.2012	NIL
DC Coutts-Trotter	01.03.1996	1245,08	180	NIL	180	01.03.2006	180
	14.09.1999	1093,07	100	NIL	100	14.09.2009	100
	31.08.2000	632,98	100	NIL	100	31.08.2010	100
	05.09.2001	650,91	NIL	NIL	100	05.09.2011	100
	05.09.2002	526,90	NIL	NIL	100	05.09.2012	NIL
			680		1 080		880

Note: Prior to 30 June 2002 share options under this scheme were granted at exercise prices calculated on an eight times earnings multiple, based on Royale Resorts' consolidated earnings per its latest audited accounts as at the dates of grant. Post 30 June 2002 the basis of valuation of the grant and repurchase price of options have been changed to a combination of an eight times earnings multiple of Royale's unlisted investments, the face value of debt and cash and the market value of its listed investments, based on Royale Resorts' latest consolidated audited accounts. Options are exercisable in full after one year of date of grant. Options not exercised lapse on the tenth anniversary of the dates of grant. Royale is obliged to repurchase from participants any shares acquired by participants pursuant to the exercise of their options, at the prices ruling on the dates of repurchase.

OUR CORPORATE CODE OF ETHICS

The group recognises the vested interests of all stakeholders in the manner in which its various businesses are conducted. This code of ethics will assist in fulfilling our responsibility to these stakeholders.

The group will act in a way that will earn it and its subsidiaries and associates the reputation of being:

- Open and honest in all dealings
- Consistent in fulfilling its moral and legal obligations
- Socially responsible
- Environmentally responsible
- Non-sectional
- Non-political
- Supportive of loyalty and long standing relationships
- Protective of the quality of its services and products

As regards its people resources, the group is committed to enlightened employment policies and practices whereby:

- Discrimination is eliminated
- Training and skills development is emphasised
- Employees have an uncontested right to organise and negotiate their conditions of employment

financial STATEMENTS

DIRECTORS' APPROVAL

The annual financial statements which appear on pages 71 to 113 and the corporate governance statement on pages 57 to 67 were approved by the board of directors on 4 November 2002 and signed on its behalf by

DA HAWTON
Executive Chairman

DC COUTTS-TROTTER
Executive Director

CONTENTS

GROUP SECRETARY'S CERTIFICATE

TO THE MEMBERS OF KERSAF INVESTMENTS LIMITED

I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all returns required of a public company in terms of the South African Companies Act, 1973 in respect of the year ended 30 June 2002 and that all such returns are true, correct and up to date.

SA BAILES
Group secretary
4 November 2002

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF KERSAF INVESTMENTS LIMITED

We have audited the annual financial statements of Kersaf Investments Limited and its subsidiaries that are set out on pages 71 to 113 for the year ended 30 June 2002. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2002 and the results of their operations, and cash flows for the year then ended in accordance with Statements of Generally Accepted Accounting Practice in South Africa and International Accounting Standards, and in the manner required by the South African Companies Act, 1973.

PricewaterhouseCoopers Inc

PRICEWATERHOUSECOOPERS INC.
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
4 November 2002

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Statements of South African Generally Accepted Accounting Practice and International Accounting Standards. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, available-for-sale investments and derivative financial instruments are shown at fair value. With the exception of the adoption of AC133/IAS39 the policies used in preparing the financial statements are consistent with those of the previous year.

At 1 July 2001 the group adopted AC133/IAS39 – Financial Instruments: Recognition and Measurement. The effects of adopting this standard are summarised in the consolidated statements of changes in shareholders' equity (on page 79), and further information is disclosed in the accounting policy statements below for Investments and Financial Instruments and in Note 26.

The group has adopted the South African Rand as its reporting currency. Notwithstanding the South African Rand reporting currency, the group measures separately the transactions of each material operation using the particular currency of the primary economic environment in which the operation conducts its business.

Preparation of the financial statements in conformity with Generally Accepted Accounting Practice requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GROUP ACCOUNTING

Subsidiaries

Subsidiaries, which are those companies in which the group has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the group.

Associates

Companies over which the group has significant influence are accounted for by the equity method of accounting. Unrealised gains on transactions between the group and these companies are eliminated to the extent of the group's interest in these companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The group's investment in these companies includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in these companies reaches zero, unless the group has incurred obligations or guaranteed obligations in respect of these companies.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries occurring on or after 1 January 1995 is included in intangible assets. Goodwill on acquisitions of associates is included in the investments in these companies. Goodwill is amortised using the straight-line method over its estimated useful life up to a maximum of 20 years.

Certain goodwill on acquisitions that occurred prior to 1 January 1995, was written off against share premium as and when the group applied for authority from the Court. Any such goodwill has not been retrospectively capitalised and amortised.

Negative goodwill represents the excess of the fair value of the group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classifications as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately.

Other intangible assets

Expenditure on leasehold premiums, acquired patents, trade names and trademarks, successful gaming bids and licenses is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 20 years. Intangible assets are not revalued.

Investigative expenditure is recognised as an expense as incurred.

FOREIGN CURRENCY TRANSLATION

Transactions and balances

Transactions denominated in foreign currencies are translated at the rates of exchange ruling on the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against income.

Foreign entities

The financial statements of foreign entities are translated into South African Rands as follows:

- Assets and liabilities, at rates of exchange ruling at balance sheet date.
- Income, expenditure and cash flow items at weighted average rates.
- Goodwill and fair value adjustments arising from the acquisition of a foreign entity are reported using the exchange rate at the date of the transaction.

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

PROPERTY, PLANT AND EQUIPMENT

Freehold land is included at cost.

All other operating assets are stated at cost and depreciated over periods deemed appropriate to reduce book values to estimated residual values over their useful lives. Depreciation is calculated on the straight-line method. The principle annual depreciation rates used are as follows:

Freehold and leasehold hotel and casino properties	2 to 4%
Fixed plant and machinery	15%
Casino equipment	15 to 25%
Computer equipment and software	25 to 33%
Vehicles	25%
Furniture, fixtures, fittings, and other equipment	15 to 20%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the group and which have probable economic benefits exceeding the costs beyond one year are recognised as assets. Direct costs include staff costs of the software development team and an appropriate portion of the relevant overheads. Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Borrowing costs and certain direct costs relating to major capital projects are capitalised during the period of development or construction.

IMPAIRMENT OF ASSETS

The group periodically evaluates the carrying value of assets including goodwill and other intangible assets, when events and circumstances warrant such a review. The carrying value of an asset is considered to be impaired, when the fair market value of such an asset is less than its carrying value. In that event, a loss is recognised based on the amount by which the carrying value exceeds the fair market value of the asset. Fair market value is determined primarily using anticipated cash flows discounted at a rate commensurate with the risk involved. Assets to be disposed of are recorded at fair market value.

PRE-OPENING EXPENDITURE

Pre-opening expenditure is charged directly against income and separately identified as an exceptional item. These costs include all marketing, operating and training expenses incurred prior to the opening of a new hotel or casino development.

INVENTORY

Inventory is valued at the lower of cost and net realisable value on a first-in, first-out basis.

TRADE RECEIVABLES

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments. In the balance sheet and cash flow statement, bank overdrafts are included in borrowings.

INVESTMENTS

At 1 July 2001 the group adopted AC133/IAS39 Financial Instruments: Recognition and Measurement and classified its investments into the following categories: loans and receivables made by the group and available-for-sale assets. Loans and receivables originated by the group are included in non current assets. The portion of loans and receivables that is receivable during the next 12 months is included in current assets. Other investments are classified as available-for-sale; these are included in non current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments are subsequently carried at fair value, whilst loans and receivables originated by the group are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in the income statement in the period in which they arise.

On the adoption of AC133/IAS39 at 1 July 2001 an adjustment has been made to opening retained earnings – see Note 26 on page 101 and the statements of changes in shareholders' equity.

DEFERRED TAXATION

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax values of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted or substantively enacted tax rates by the balance sheet date are used to determine deferred taxation.

Deferred tax assets relating to the carry forward of tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised in the foreseeable future.

TAXATION

Secondary taxation on companies is provided in respect of expected dividend payments net of dividends received or receivable and is recognised as a taxation charge for the

ACCOUNTING POLICIES *(continued)*

year in which the dividend is declared. Where applicable, non-resident shareholders' taxation is provided in respect of foreign dividends receivable.

LEASES

Leases of assets where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period. The assets acquired under finance leasing contracts are depreciated over the shorter of the useful life of the asset or the lease period.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

BORROWINGS

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing.

Preference shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as long-term liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

EMPLOYEE BENEFITS

Pension obligations

The group operates a number of defined benefit and defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies, taking account of the recommendations of independent qualified actuaries.

For defined benefit plans, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of the government securities, which have terms to maturity approximating the term of the related liability. All actuarial gains and losses are spread forward over the average remaining service lives of employees.

The group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

Share options

Share options are granted to executive directors and employees (including those of certain subsidiary companies). The options are granted at the market price of the shares on the last day of trading immediately preceding the date of the grant and are exercisable at that price. No compensation cost is recognised.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Onerous contracts

The group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. For example, the present value of future payments for surplus leased properties under non-cancelable operating leases, net of estimated sub-leasing revenue, is recognised as a liability or, if lower, the costs of exiting from the contract for leased property that is no longer part of a cash generating unit.

Restructuring

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the respective board makes the final decision to restructure. Costs related to the ongoing activities of the group are not provided in advance. Any fixed assets that are no longer required for their original use are transferred to current assets and carried at the lower of the carrying amount or estimated net realisable value.

SHARE CAPITAL

Ordinary shares are classified as equity. Redeemable preference shares or preference shares, which carry a non-discretionary dividend obligation, are classified as liabilities (see accounting policy for borrowings).

External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

REVENUE RECOGNITION

Revenue includes that derived from hotel trading, casino winnings which are accounted for on a cash received basis, entertainment revenues, restaurant revenues, other fees, rental income and the invoiced value of goods and services sold, less returns and allowances. VAT and other taxes levied on casino winnings are included in revenue and treated as overhead expenses as these are borne by the group and not customers. VAT on all other revenue transactions is excluded from revenue.

EXCEPTIONAL ITEMS

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the group and which individually or, if of a similar type, in aggregate, need to be disclosed separately by virtue of their size, nature or incidence.

SEGMENTAL REPORTING

The primary segmental reporting has been prepared based on the group's method of internal reporting, which disaggregates its business by operating unit. Segmental information is set out on page 44 to 45.

FINANCIAL INSTRUMENTS

For a discussion of the effects of adopting AC133/IAS39 on investments, refer to the accounting policy above. Information about accounting for derivative financial instruments and hedging activities is included in Note 26.

COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

INCOME STATEMENTS

for the year ended 30 June

COMPANY 2001 R000's	COMPANY 2002 R000's		Notes	GROUP 2002 R000's	GROUP 2001 R000's
30 541	35 553	**Revenue**		3 719 388	3 174 192
–	–	Casino		2 594 657	2 196 741
–	–	Rooms		528 175	424 579
–	–	Food and beverage		408 610	344 830
30 541	35 553	Other		187 946	208 042
–	–	**Direct costs**		(1 692 883)	(1 450 296)
–	–	Casino – Levies and VAT		(497 215)	(409 061)
–	–	– Other		(585 033)	(510 888)
–	–	Rooms		(122 033)	(102 780)
–	–	Food and beverage		(359 477)	(308 617)
–	–	Other		(129 125)	(118 950)
30 541	35 553	**Gross profit**		2 026 505	1 723 896
(8 982)	(5 165)	**Indirect costs**		(1 064 176)	(852 102)
(7 366)	(4 006)	Administration and general		(513 023)	(403 431)
(1 616)	(1 159)	Marketing		(269 634)	(204 948)
–	–	Property		(281 519)	(243 723)
21 559	30 388	**EBITDA**	1	962 329	871 794
(8 520)	(7 826)	Depreciation and amortisation	2	(415 028)	(323 904)
–	–	Property rentals		(67 919)	(62 646)
(747)	19 478	Exceptional items	3	(373 961)	(214 920)
12 292	42 040	**Operating profits**		105 421	270 324
29	59	Foreign exchange profits		58 601	26 474
43 409	37 993	Interest income	4	38 164	32 385
(34 708)	(41 475)	Interest expense	5	(294 801)	(136 448)
21 022	38 617	**(Loss)/profit before equity accounted losses**		(92 615)	192 735
–	–	Share of associates' (losses)/profits		(200 201)	(355 853)
–	–	Normal	6	(78 501)	132 239
–	–	Exceptional	6	(121 700)	(488 092)
21 022	38 617	**(Loss)/profit before taxation**		(292 816)	(163 118)
(1 967)	(8 014)	Taxation	7	(114 196)	(90 521)
19 055	30 603	**(Loss)/profit after taxation**		(407 012)	(253 639)
–	–	Outside shareholders' interests		109 926	30 393
19 055	30 603	**Net (loss)/profit attributable to ordinary shareholders**		(297 086)	(223 246)
		Earnings per share (cents)	9		
		Headline earnings per share		58	318
		Basic loss per share		(330)	(251)
		Fully diluted earnings per share (cents)	9		
		Headline earnings per share		57	316
		Basic loss per share		(324)	(249)

BALANCE SHEETS

as at 30 June

COMPANY 2001 R000's	COMPANY 2002 R000's		Notes	GROUP 2002 R000's	GROUP 2001 R000's
		ASSETS			
		Non current assets			
34 706	31 099	Property, plant and equipment	10	4 798 098	4 694 862
–	–	Intangible assets	11	664 529	529 120
1 186 067	1 186 067	Investments in subsidiaries	12		
211 676	211 676	Investments in associates	13	227 674	1 977 369
284	284	Available for sale investments	14	1 387 213	35 685
296 554	313 802	Other non current assets	15	234 895	94 698
1 004	1 004	Deferred taxation	21	–	–
1 730 291	1 743 932			7 312 409	7 331 734
		Current assets			
–	–	Inventory	16	28 678	23 180
145 891	131 707	Accounts receivable	17	350 738	379 959
–	–	Available for sale investment	14	506 751	–
1 697	1 204	Cash and cash equivalents	18	286 404	238 031
147 588	132 911			1 172 571	641 170
1 877 879	1 876 843	**Total assets**		8 484 980	7 972 904
		EQUITY AND LIABILITIES			
		Capital and reserves			
555 175	555 175	Share capital and premium	19	555 175	555 175
–	–	Foreign currency translation reserve		1 132 058	792 740
749 913	780 516	Retained earnings	20	1 200 294	1 483 657
1 305 088	1 335 691	Ordinary shareholders' equity		2 887 527	2 831 572
–	–	Outside shareholders' interest		1 657 500	1 673 269
1 305 088	1 335 691			4 545 027	4 504 841
		Non current liabilities			
–	–	Deferred taxation	21	394 852	375 559
371 140	394 929	Borrowings	22	2 438 099	1 858 533
371 140	394 929			2 832 951	2 234 092
		Current liabilities			
121 963	82 106	Accounts payable, accruals and provisions	23	669 927	695 095
75 766	57 180	Borrowings	22	359 201	434 841
3 922	6 937	Taxation		77 874	104 035
201 651	146 223			1 107 002	1 233 971
572 791	541 152	**Total liabilities**		3 939 953	3 468 063
1 877 879	1 876 843	**Total equity and liabilities**		8 484 980	7 972 904

CASH FLOW STATEMENTS

for the year ended 30 June

COMPANY 2001 R000's	COMPANY 2002 R000's		Notes	GROUP 2002 R000's	GROUP 2001 R000's
		Cash flows from operating activities			
		Cash receipts from customers		3 695 834	3 210 316
		Cash paid to suppliers and employees		(2 806 202)	(2 157 359)
47 205	(17 349)	Cash generated/(absorbed) by operations	24.1	889 632	1 052 957
58 070	52 414	Investment income	24.2	49 421	36 168
–	–	Pre-opening expenditure		(18 103)	(144 154)
(34 708)	(35 749)	Interest paid	24.3	(286 058)	(136 448)
(26 040)	(4 999)	Taxation paid	24.4	(129 251)	(103 353)
(26 595)	–	Dividends paid	24.5	(31 917)	(53 398)
17 932	(5 683)	*Net cash inflow/(outflow) from operating activities*		473 724	651 772
		Cash flows from investing activities			
		Purchase of property, plant and equipment			
–	–	Expansion		(251 375)	(1 343 056)
(2 387)	(19 905)	Replacement		(134 021)	(138 280)
–	–	Purchase of intangible assets		(173 650)	(108 887)
–	37 443	Proceeds on disposal of operating assets		49 537	22 913
–	–	Sale of subsidiary		–	(4 116)
(2)	–	Purchase of shares in subsidiaries		–	(9 500)
–	–	Purchase of additional shares in associates		(12 607)	(65 400)
(112 664)	(3 762)	Other non current investments and loans made		(201 717)	(115 194)
5 818	10 000	Other non current investments and loans realised		120 010	17 957
(109 235)	23 776	*Net cash (outflow)/inflow from investing activities*		(603 823)	(1 743 563)
		Cash flows from financing activities			
64 048	(18 586)	Increase/(decrease) in borrowings	24.6	165 787	995 442
28 929	–	Increase in share capital		–	28 929
–	–	Increase in minority shareholder funding		1 355	85 698
92 977	(18 586)	*Net cash inflow/(outflow) from financing activities*		167 142	1 110 069
–	–	Effects of exchange rate changes on cash and cash equivalents		11 330	19 943
1 674	(493)	**Net increase/(decrease) in cash and cash equivalents**		48 373	38 221
23	1 697	Cash and cash equivalents at the beginning of the year		238 031	199 810
1 697	1 204	**Cash and cash equivalents at the end of the year**		286 404	238 031

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 June

	Notes	Share capital R000's	Share premium R000's	Foreign currency translation reserve R000's	Retained earnings R000's	Total R000's
GROUP						
Balance at 1 July 2000		**7 092**	**519 154**	**614 591**	**1 602 585**	**2 743 422**
Ordinary shares issued		112	29 173	–	–	29 285
Ordinary share issue expenses		–	(356)	–	–	(356)
Currency translation differences						
– amount arising during the year		–	–	309 062	–	309 062
– transfer to retained earnings		–	–	(130 913)	130 913	–
Net loss for the year		–	–	–	(223 246)	(223 246)
Dividend paid	8	–	–	–	(26 595)	(26 595)
Balance at 30 June 2001						
As previously reported		**7 204**	**547 971**	**792 740**	**1 483 657**	**2 831 572**
– effect of adopting AC133/IAS39	26	–	–	–	13 723	13 723
As restated		7 204	547 971	792 740	1 497 380	2 845 295
Currency translation differences						
– amount arising during the year		–	–	393 952	–	393 952
– to income statement on disposal of available-for-sale investment		–	–	(54 634)	–	(54 634)
Net loss for the year		–	–	–	(297 086)	(297 086)
Balance at 30 June 2002		**7 204**	**547 971**	**1 132 058**	**1 200 294**	**2 887 527**
COMPANY						
Balance at 1 July 2000		**7 092**	**519 154**	**–**	**757 453**	**1 283 699**
Ordinary shares issued		112	29 173	–	–	29 285
Ordinary share issue expenses		–	(356)	–	–	(356)
Net profit for the year		–	–	–	19 055	19 055
Dividend paid	8	–	–	–	(26 595)	(26 595)
Balance at 30 June 2001		**7 204**	**547 971**	**–**	**749 913**	**1 305 088**
Net profit for the year		–	–	–	30 603	30 603
Balance at 30 June 2002		**7 204**	**547 971**	**–**	**780 516**	**1 335 691**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
1. EBITDA IS STATED AFTER (CHARGING)/CREDITING THE FOLLOWING:				
Operating lease charges				
Plant, vehicles and equipment	(8 154)	(6 631)	(2 634)	(3 392)
Auditors' remuneration	(5 992)	(8 042)	(666)	(1 112)
Audit fees	(5 511)	(6 697)	(596)	(817)
Fees for other services	(362)	(1 206)	(70)	(295)
Expenses	(119)	(139)	–	–
(Loss)/profit on disposal of property, plant and equipment	(4 252)	(1 314)	707	–
Dividend income	–	–	20 147	9 784
Subsidiaries			10 428	6 699
Associates	–	–	9 719	3 085
Staff costs	(980 991)	(852 296)	(140 683)	(119 242)
Salaries and wages	(930 228)	(803 773)	(132 899)	(112 087)
Pension costs – defined contribution plans	(48 497)	(46 577)	(7 442)	(6 835)
– defined benefit plans	(2 266)	(1 946)	(342)	(320)
2. DEPRECIATION AND AMORTISATION				
Property, plant and equipment	(348 655)	(271 233)	(7 826)	(8 520)
Intangible assets	(49 821)	(31 818)	–	–
Associates' goodwill	(16 552)	(20 853)	–	–
	(415 028)	(323 904)	(7 826)	(8 520)

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
3. EXCEPTIONAL ITEMS				
Pre-opening expenditure	(18 103)	(144 154)	–	–
Net write downs due to sale and closure of operations	(14 676)	(10 666)	–	–
KZL dispute legal costs	(16 308)	–	–	–
KZL fair value adjustment	(60 002)	–	–	–
Recognition of KZL long term obligation and termination of litigation	(297 040)	–	–	–
Provision against non-recoverability of loan	(7 184)	–	–	–
Dilution loss on City Lodge debenture conversion	(37 589)	–	–	–
Costs of restructuring of the group's interests in KZL including the share registration costs	–	(39 653)	–	–
Downsizing and restructuring costs	–	(13 719)	–	–
Profit on disposal of aircraft	21 050	–	21 050	–
Currency translation reserve realised on sale of KZL shares	54 634	–	–	–
Net bid costs recouped/(expensed)	1 257	–	(1 572)	–
Investment write down	–	(747)	–	(747)
Loss on disposal of interest in subsidiaries	–	(5 981)	–	–
	(373 961)	(214 920)	19 478	(747)

The KZL fair value adjustment arose as a consequence of the adoption of AC133/IAS39 which resulted in a write down of R60 million of the group's investment in KZL to market value.

The recognition of the KZL long term obligation and the termination of the litigation arose as a consequence of the raising of a long-term liability in respect of a contractual obligation to KZL and the termination of the litigation between KZL and the group. The long-term obligation arose as part of the formation of KZL in 1993 and is considered an onerous contract and has therefore been accounted for in full in the current financial year. In prior years this payment was expensed as and when it was paid. Further details of the contractual obligation and the termination of the litigation is given in Note 34.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP		COMPANY	
	2002 R000's	2001 R000's	2002 R000's	2001 R000's
4. INTEREST INCOME				
Interest earned on cash and cash equivalents	38 164	32 385	25 847	36 243
Preference share dividends	–	–	6 420	7 166
Imputed interest on loans receivable	–	–	5 726	–
	38 164	32 385	37 993	43 409
5. INTEREST EXPENSE				
Interest paid on borrowings	(262 166)	(190 565)	(17 854)	(16 146)
Preference share dividends	(39 149)	(37 289)	(17 895)	(18 562)
Imputed interest on loans payable	(8 743)	–	(5 726)	–
Capitalised to operating assets	15 257	91 406	–	–
	(294 801)	(136 448)	(41 475)	(34 708)
6. SHARE OF ASSOCIATES' (LOSSES)/PROFITS				
Dividend income	11 257	3 783		
Equity retained (losses)/earnings	(106 137)	103 163		
Associates' taxation	16 379	25 293		
	(78 501)	132 239		
Exceptional items	(121 700)	(488 092)		
	(200 201)	(355 853)		
Associates' exceptional items comprise:				
Pre-opening expenditure	(3 782)	(37 637)		
Goodwill	–	(3 882)		
Profit on Paradise Island land sales	–	25 430		
Loss on sale of Atlantic City	–	(413 403)		
Impairment of cinema assets	(122 219)	(58 600)		
Profit on sale of cinema assets	4 301	–		
	(121 700)	(488 092)		

		GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
7. TAXATION					
Normal taxation	– South African	(72 383)	(43 732)	(8 014)	(983)
	– Foreign	(14 946)	(20 900)	–	–
		(87 329)	(64 632)	(8 014)	(983)
Current taxation	– this year	(89 737)	(134 304)	(8 014)	(8 961)
	– prior years	7 841	14 194	–	–
Deferred taxation	– this year	(10 693)	44 792	–	7 978
	– prior years	5 260	10 082	–	–
	– taxation rate change	–	604	–	–
Other taxes		(5 032)	5 870	–	–
Associates' taxation		(16 379)	(25 293)	–	–
Secondary tax on companies		(5 456)	(6 466)	–	(984)
		(114 196)	(90 521)	(8 014)	(1 967)
Estimated tax losses available for set off against future taxable income		476 616	430 624	–	–
Utilised to offset timing differences		(267 727)	(174 620)	–	–
Utilised to create deferred tax asset		(60 667)	(116 667)	–	–
		148 222	139 337	–	–
Reconciliation of rate of taxation		%	%	%	%
Standard rate – South Africa		30,0	30,0	30,0	30,0
Adjusted for:					
(Exempt income)/disallowable expenditure		(46,6)	(26,5)	(9,2)	(25,3)
Foreign tax rate variations		8,8	9,1	–	–
Other tax charges		(3,6)	(0,3)	–	4,7
Tax losses		(6,0)	3,6	–	–
Prior year over provision		4,5	8,5	–	–
Associates' taxation		(26,1)	(81,1)	–	–
Statutory rate change		–	1,2	–	–
Effective tax rate		(39,0)	(55,5)	20,8	9,4

Deferred income tax assets on estimated losses of R148 222 000 (2001: R139 337 000) have not been raised.

		GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
8. DIVIDEND PAID					
Final dividend in respect of the 2000 financial year of 30 cents per share declared on 22 August 2000		–	(26 595)	–	(26 595)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP		COMPANY	
	2002 R000's	2001 R000's	2002 R000's	2001 R000's
9. EARNINGS PER SHARE				
Attributable loss per the income statement	(297 086)	(223 246)		
Exceptional items	373 961	214 920		
Associates' exceptional items	121 700	488 092		
Goodwill (included in depreciation and amortisation)	23 913	28 654		
	222 488	508 420		
Taxation charge/(relief) on the above items	4 426	(8 142)		
Outside shareholders' interests in the above items	(174 562)	(217 102)		
Headline earnings	52 352	283 176		
Number of shares for earnings per share calculation (000's)				
Weighted average number of shares in issue	90 050	88 990		
Adjustment for dilutive share options	1 645	581		
	91 695	89 571		
Earnings per share (cents)				
Headline earnings per share	58	318		
Basic loss per share	(330)	(251)		
Fully diluted earnings per share (cents)				
Headline earnings per share	57	316		
Basic loss per share	(324)	(249)		

Basic earnings per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue.

For the diluted earnings per share calculation the weighted average number of ordinary shares in issue is adjusted to take account of potential dilutive share options granted to employees. The number of shares taken into account is determined by taking the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options. This calculation is done to determine the "unpurchased" shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit or loss.

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

10. PROPERTY, PLANT AND EQUIPMENT

At year end				
Cost:				
Freehold property	2 487 494	2 186 614	–	–
Leasehold property	1 745 659	1 657 538	–	–
Plant and equipment	2 073 324	2 105 581	56 233	65 575
Capital work in progress	74 080	124 212	–	–
	6 380 557	6 073 945	56 233	65 575
Accumulated depreciation:				
Freehold property	(110 787)	(60 327)	–	–
Leasehold property	(402 369)	(321 951)	–	–
Plant and equipment	(1 069 303)	(996 805)	(25 134)	(30 869)
	(1 582 459)	(1 379 083)	(25 134)	(30 869)
Net carrying value:				
Freehold property	2 376 707	2 126 287	–	–
Leasehold property	1 343 290	1 335 587	–	–
Plant and equipment	1 004 021	1 108 776	31 099	34 706
Capital work in progress	74 080	124 212	–	–
	4 798 098	4 694 862	31 099	34 706

A register of properties is available for inspection at the registered office of the company, a copy of which will be supplied to members of the public on request.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
10. PROPERTY, PLANT AND EQUIPMENT (continued)				
Movements for the year				
Additions:				
Freehold property	190 598	49 169	–	–
Leasehold property	32 049	32 755	–	–
Plant and equipment	147 095	205 359	19 905	2 387
Capital work in progress	15 654	1 194 053	–	–
	385 396	1 481 336	19 905	2 387
Disposals:				
Freehold property	(253)	–	–	–
Leasehold property	(6 343)	(1 646)	–	–
Plant and equipment	(24 601)	(4 278)	(15 686)	–
Capital work in progress	(1 542)	(18 303)	–	–
	(32 739)	(24 227)	(15 686)	–
Transfers from work in progress:				
Freehold property	45 525	1 283 077	–	–
Leasehold property	–	2 050	–	–
Plant and equipment	29 490	430 642	–	–
Capital work in progress	(75 015)	(1 715 769)	–	–
	–	–	–	–
Reclassifications:				
Freehold property	(25 356)	–	–	–
Leasehold property	1 529	–	–	–
Plant and equipment	23 827	–		
	–	–	–	–
Disposal of subsidiary:				
Freehold property	–	(5)	–	–
Leasehold property	–	(135)	–	–
Plant and equipment	–	(6 465)	–	–
	–	(6 605)	–	–

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
10. PROPERTY, PLANT AND EQUIPMENT (continued)				
Asset write downs:				
Plant and equipment	(13 163)	(2 000)	–	–
Currency translation adjustments	112 397	56 696	–	–
Depreciation and amortisation:				
Freehold property	(45 474)	(26 836)	–	–
Leasehold property	(51 318)	(40 666)	–	–
Plant and equipment	(251 863)	(203 731)	(7 826)	(8 520)
	(348 655)	(271 233)	(7 826)	(8 520)
Total movements for the year	103 236	1 233 967	(3 607)	(6 133)

Borrowing costs of R15 257 000 (2001: R91 406 000) were capitalised during the year and are included in "Additions" above. A capitalisation rate approximating the prime bank overdraft rate was used, representing the borrowing cost of the loans used to finance the projects.

11. INTANGIBLE ASSETS

	GROUP 2002 R000's	GROUP 2001 R000's
Net carrying value comprises:		
Goodwill	88 875	96 236
Bid costs	417 864	394 127
Sun International name*	122 700	–
Lease premiums	35 090	38 757
	664 529	529 120
Movements on intangible assets:		
Balance at the beginning of the year	529 120	425 532
Acquisition of Sun International name	111 120	–
Goodwill on additional shares acquired in subsidiary	–	23 445
Bid costs	62 530	108 887
Other additions	–	2 512
Currency translation adjustments	11 580	562
Amortised during the year:		
Goodwill	(7 361)	(7 319)
Bid costs	(38 793)	(20 832)
Lease premiums	(3 667)	(3 667)
	664 529	529 120

* The Sun International name has not been amortised as the group's rights to use the name worldwide is only effective from 1 July 2002.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
12. INVESTMENTS IN SUBSIDIARIES				
Investment in subsidiaries:				
Shares at cost			1 186 067	1 186 067
The interests of the company in the aggregate profits and losses after tax of its subsidiaries amounted to R163,4 million (2001: R162,7 million) and R579,4 million (2001: R400,4 million) respectively.				
13. INVESTMENTS IN ASSOCIATES				
Investment in associates comprise:				
Shares at cost less amortised goodwill	630 277	1 426 232	211 676	211 676
Listed	50 816	793 557	211 676	211 676
Unlisted	502 753	425 871	–	–
Goodwill	76 708	206 804	–	–
Retained (losses)/earnings	(402 603)	551 137	–	–
	227 674	1 977 369	211 676	211 676
Directors' valuation of unlisted associates	39 710	210 781		
Market value of listed associates	197 894	1 752 219		
	237 604	1 963 000		
Movements on associates:				
Balance at the beginning of the year	1 977 369	2 008 284	211 676	211 676
KZL reclassified as an available-for-sale investment	(1 536 316)	–	–	–
Reclassified as current liabilities	14 930	–	–	–
Additional shares purchased	12 607	65 400	–	–
Goodwill amortised	(16 552)	(20 853)	–	–
Loss on dilution, sale and closures	(52 265)	–	–	–
Currency translation adjustments	55 738	309 467	–	–
Associate losses	(216 580)	(381 146)	–	–
Share of loss before tax	(200 201)	(355 853)	–	–
Share of tax	(16 379)	(25 293)	–	–
Dividends received	(11 257)	(3 783)	–	–
Balance at the end of the year	227 674	1 977 369	211 676	211 676

A listing of the group's interest in its principal associates is given on page 113.

During the year City Lodge Hotels Limited's (City Lodge) convertible debentures were converted into ordinary shares. As a result the group's shareholding in City Lodge diluted from 48,5% to 38,9%. The reduction gave rise to a dilution loss of R37,6 million (including a release of goodwill of R21,2 million) which has been disclosed as an exceptional item in the financial statements.

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

13. INVESTMENTS IN ASSOCIATES (continued)

The group's investment in Kerzner International Limited (KZL) (formerly Sun International Hotels Limited) has been accounted for as an available-for-sale investment as a consequence of a restructuring of the group's investment consummated on 3 July 2001. In terms of this agreement the group relinquished its rights to board representation. In prior years the investment in KZL was accounted for as an associate.

There were no other material changes in the interests held in the equity investments in 2001 or 2002.

Significant associates
City Lodge Hotels Limited
The City Lodge Group operates and owns a wide range of quality selected service hotels in South Africa.

The net carrying value of the group's investment in City Lodge is R188 million (2001: R230 million).

	2002 R000's	2001 R000's
Summarised balance sheet		
Assets		
Property, plant and equipment	352 760	330 233
Investments and loans	39 317	39 317
Current assets	38 001	18 175
	430 078	387 725
Equity and liabilities		
Shareholders' funds	306 086	198 032
Convertible debentures	–	75 000
Non current borrowings	58 500	58 500
Deferred taxation	28 753	24 630
Current liabilities	36 739	31 563
	430 078	387 725
Summarised income statement		
Revenue	231 878	193 324
EBITDA	113 519	90 892
Depreciation	(21 659)	(18 598)
Net interest paid	(8 620)	(14 976)
Exceptional items	(753)	(1 640)
Profit before taxation	82 487	55 678
Taxation	(27 988)	(18 943)
Profit after taxation	54 499	36 735
Income from joint venture	949	430
Earnings attributable to ordinary shareholders	55 448	37 165
Fully diluted earnings per share (cents)	134	104
Market price per share (Rand)	12,15	8,50

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

13. INVESTMENTS IN ASSOCIATES (continued)

Ster Century Europe Limited

Ster Century Europe Limited (SCE) designs, develops and operates cinemas in the United Kingdom, Republic of Ireland, Spain, Slovakia, and pre-disposing of in Greece, Poland, Hungary and Czech Republic which were disposed of during the year and post the year-end. The net carrying value of the group's investment in SCE is R249 million (2001: R285 million) which includes mezzanine debt financing of R219 million (2001: R81 million).

	2002	2001
Summarised balance sheet	US$000's	US$000's
Assets		
Operating assets	61 838	74 275
Current assets	14 830	17 594
	76 668	91 869
Equity and liabilities		
Shareholders' funds	6 166	38 867
Non current liabilities	61 311	39 456
Current liabilities	9 191	13 546
	76 668	91 869
Summarised income statement	US$000's	US$000's
Revenue	73 412	42 070
EBITDA	(2 278)	(4 719)
Depreciation and amortisation	(7 763)	(5 313)
Exceptional items	(22 802)	(18 516)
Net interest paid	(5 872)	(1 527)
Loss before taxation	(38 715)	(30 075)
Taxation	(686)	(372)
Loss after taxation	(39 401)	(30 447)
Share of associates' loss	–	(267)
Loss attributable to ordinary shareholders	(39 401)	(30 714)

14. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2002	Group 2001	Company 2002	Company 2001
Available for sale investments comprise:				
KZL	1 752 924	–	–	–
Cape Town International Convention Centre Company (Pty) Ltd	140 735	35 380	–	–
Other	305	305	284	284
	1 893 964	35 685	284	284
Directors' valuation of unlisted investments	141 040	35 685		
Market value of listed investment	1 752 924	–		
	1 893 964	35 685		

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

14. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Movements on available for sale investments:				
Balance at the beginning of the year	35 685	305	284	284
Transferred from equity investments	1 536 316	–	–	–
Currency translation adjustments	394 391	–	–	–
Additions	105 355	35 380	–	–
Disposals	(117 781)	–	–	–
Revaluation loss (refer Note 3)	(60 002)	–	–	–
	1 893 964	35 685	284	284
Current portion	(506 751)	–	–	–
	1 387 213	35 685	284	284

The investment in KZL comprises 6 918 293 shares which are traded on the New York Stock Exchange, and fair value is determined by reference to the listed price.

A portion of the KZL investment comprising of 2 million shares is classified as current, as in terms of the 3 July 2001 agreement with KZL (as amended) they are to be realised within the next financial year.

The investment in the Cape Town International Convention Centre Company (Pty) Ltd of 33% forms part of the group's bid commitments in the Western Cape.

15. OTHER NON CURRENT ASSETS

Loans				
Loans in terms of share incentive schemes	12 717	8 955	8 873	5 111
Preference shares in subsidiaries	–	–	60 000	60 000
Loans to subsidiaries	–	–	244 929	231 140
Loans to associate	219 520	80 550	–	–
	232 237	89 505	313 802	296 251
Other	2 658	5 193	–	303
	234 895	94 698	313 802	296 554
Non current loans are due over the following financial years:				
2003	–	–	–	10 000
2004	232 237	89 505	48 873	45 111
2005	–	–	10 000	10 000
2006	–	–	40 000	40 000
2007 onwards	–	–	214 929	191 140
	232 237	89 505	313 802	296 251

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	R000's	R000's	**R000's**	R000's
15. OTHER NON CURRENT ASSETS (continued)				
The weighted average interest and dividend rates on non current loans were as follows:				
Loans in terms of share incentive schemes*				
Preference shares in subsidiaries	**–**	–	**12,0**	10,5
Loans to subsidiaries	**–**	–	**11,2**	7,5
Loans to associate	**7,9**	6,8	**–**	–
	7,9	6,8	**11,0**	8,0
* Non interest bearing				
16. INVENTORY				
Merchandise	**4 484**	12 470		
Consumables and hotel stocks	**24 194**	10 710		
	28 678	23 180		
17. ACCOUNTS RECEIVABLE				
Trade receivables	**138 545**	89 049	**17 210**	11 640
Less provision for doubtful debts	**(7 358)**	(5 481)	**–**	–
Net trade receivables	**131 187**	83 568	**17 210**	11 640
Prepayments	**112 491**	80 291	**19 394**	20 879
VAT	**33 303**	63 312	**2 182**	987
Capital debtors	**17 302**	12 833	**–**	–
Receivables from subsidiaries			**92 641**	110 951
Other receivables	**56 455**	139 955	**280**	1 434
	350 738	379 959	**131 707**	145 891
18. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**286 404**	238 031	**1 204**	1 697

Royale Resorts Holdings Limited has pledged R29 million (US$2,8 million) (2001: US$2,8 million) as security for lease guarantees of Ster Century Europe Limited. The group's share of this restricted cash amounts to R21 million (US$2,1 million) at 30 June 2002 (2001: R17 million (US$2,1 million)).

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
19. SHARE CAPITAL AND PREMIUM				
Authorised				
110 000 000 (2001:110 000 000) ordinary shares of 8 cents each	8 800	8 800	8 800	8 800
100 000 000 (2001:100 000 000) variable rate cumulative redeemable preference shares of 1 cent each	1 000	1 000	1 000	1 000
Issued*				
90 050 306 (2001: 90 050 306) ordinary shares of 8 cents each	7 204	7 204	7 204	7 204
Share premium	547 971	547 971	547 971	547 971
	555 175	555 175	555 175	555 175

* The issued preference shares have been included in borrowings in Note 22.

The unissued shares are under the control of the directors until the forthcoming annual general meeting.

The following ordinary shares have been placed under the specific control of the directors in terms of the Companies Act to allot and issue as follows:

– 800 000 to the holders of the preference shares

– 5 970 820 for purposes of the employee share incentive scheme

Options

Details of options under the employee share incentive scheme are disclosed in Note 31.

Options over 800 000 ordinary shares in the company expiring on 30 June 2003 at a price of R37,50 have been granted to the subscribers of the preference shares.

20. RETAINED EARNINGS

	GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
Retained earnings at the end of the year comprise:				
Company	780 516	749 913	780 516	749 913
Subsidiaries and equity investments	419 778	733 744	–	–
	1 200 294	1 483 657	780 516	749 913

Any future dividend declarations out of the retained earnings of the company or any of its subsidiaries incorporated in South Africa will be liable for secondary tax on companies at the prescribed rate which is currently 12,5% of the dividend declared.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP		COMPANY	
	2002 R000's	2001 R000's	2002 R000's	2001 R000's
21. DEFERRED TAXATION				
Balance at the beginning of the year	375 559	430 408	(1 004)	6 974
Effect of adopting IAS39/AC133	13 484	–	–	–
Income statement charge/(credit) for the year	5 433	(55 478)	–	(7 978)
Currency translation adjustments	376	556	–	–
Sale of subsidiary	–	73	–	–
Balance at the end of the year	394 852	375 559	(1 004)	(1 004)
Deferred taxation arises from the following timing differences:				
Deferred tax liabilities				
Accelerated asset allowances	499 485	495 371	3 541	3 541
Balance at the beginning of the year	495 371	434 654	3 541	4 426
Currency translation adjustments	462	629	–	–
Charged to income statement	3 652	60 088	–	(885)
Prepayments	21 948	10 804	5 271	5 271
Balance at the beginning of the year	10 804	32 899	5 271	12 403
Effect of adopting IAS39/AC133	13 484	–	–	–
Credited to income statement	(2 340)	(22 095)	–	(7 132)
	521 433	506 175	8 812	8 812
Deferred tax assets				
Assessed losses set off	(72 427)	(87 478)	–	–
Balance at the beginning of the year	(87 478)	–	–	–
Charged/(credited) to income statement	15 051	(87 478)	–	–
Disallowed accruals and provisions	(54 154)	(43 138)	(9 816)	(9 816)
Balance at the beginning of the year	(43 138)	(37 145)	(9 816)	(9 855)
Currency translation adjustments	(86)	–	–	–
(Credited)/charged to income statement	(10 930)	(5 993)	–	39
	(126 581)	(130 616)	(9 816)	(9 816)
Net deferred tax liability	394 852	375 559	(1 004)	(1 004)

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
22. BORROWINGS				
Current:				
Bank overdrafts	60 377	65 136	52 195	65 136
Term facilities	166 535	152 000	–	–
Bank borrowings	114 059	170 428	–	–
Redeemable preference shares	–	20 000	–	–
KZL	11 077	–	–	–
Loan from land vendors	–	15 000	–	–
Lease liabilities	7 153	12 277	4 985	10 630
	359 201	434 841	57 180	75 766
Non current:				
Term facilities	724 912	244 887	–	–
Bank borrowings	778 620	938 871	–	–
Transnet loan	214 929	191 140	214 929	191 140
Redeemable preference shares	380 000	380 000	180 000	180 000
KZL	306 750	–	–	–
Loan from land vendors	–	15 000	–	–
Lease liabilities	2 662	3 607	–	–
Vacation Club Members	30 226	85 028	–	–
	2 438 099	1 858 533	394 929	371 140
Total borrowings	2 797 300	2 293 374	452 109	446 906
Secured	1 184 121	1 286 993	4 985	10 630
Unsecured	1 613 179	1 006 381	447 124	436 276
	2 797 300	2 293 374	452 109	446 906
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
Net book value of property, plant and equipment encumbered by secured loans	2 033 524	1 900 395	–	–
Repayable over the following financial years:				
2003	–	522 456	–	–
2004	1 310 690	436 954	180 000	180 000
2005	400 204	186 019	–	–
2006	199 527	277 279	–	–
2007 onwards	527 678	435 825	214 929	191 140
	2 438 099	1 858 533	394 929	371 140

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
22. BORROWINGS (continued)				
	%	%	%	%
Year end interest rates				
Bank overdraft	15,7	13,1	14,0	13,5
Term facilities	13,1	13,7	–	–
Bank borrowings	13,1	13,7	–	–
Transnet loan	10,2	6,2	10,2	6,2
Redeemable preference shares	11,5	10,0	11,2	9,6
KZL	3,3	–	–	–
Loan from land vendors	–	NIB	–	–
Lease liabilities	13,0	12,0	13,0	12,0
Vacation Club Members	11,7	NIB	–	–
Weighted average	11,6	11,7	11,1	8,8
Note: NIB = non interest bearing				
Redeemable preference shares:				
Kersaf Investments Limited	180 000	180 000	180 000	180 000
Afrisun Gauteng (Pty) Ltd	100 000	120 000	–	–
SunWest International (Pty) Ltd	100 000	100 000	–	–
	380 000	400 000	180 000	180 000

Dividends on the preference shares are payable semi-annually on 31 July and 31 January. Dividends are payable at 70%, 73%, and 75% of the bank prime overdraft rate for the Kersaf, Afrisun Gauteng and SunWest preference shares respectively. The Kersaf and Afrisun Gauteng preference shares may be redeemed at the option of the company in part or in full at any time but by no later than 1 July 2003 and 31 July 2004 respectively. At the option of SunWest R50 million of the preference shares may be redeemed on or after 31 January 2004 but by no later than 31 January 2005. The balance may be redeemed on or after 31 January 2006 but by no later than 31 January 2008.

A register of non current loans is available for inspection at the registered office of the company. The group had unutilised borrowing facilities of R190 million (2001: R429 million) at 30 June. The company's borrowings are not restricted by its articles of association.

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
23. ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS				
Trade payables	71 308	94 114	15 082	73 498
Accrued expenses	316 557	358 630	65 723	48 102
Capital creditors	17 201	46 014	–	–
Other payables	140 703	92 383	1 301	363
Provisions for liabilities and charges	124 158	103 954	–	–
	669 927	695 095	82 106	121 963
Movements on provision for liabilities and charges				
Balance at the beginning of the year:				
Lease commitments on closed properties	49 200	38 000		
Retrenchment and restructure costs	8 488	14 164		
Corporate social investment	6 919	8 049		
Progressive jackpots	27 699	9 069		
Other	11 648	7 016		
	103 954	76 298		
Created during the year:				
Lease commitments on closed properties	8 800	11 200		
Equity accounted losses	14 930	–		
Retrenchment and restructure costs	5 117	13 481		
Corporate social investment	3 949	4 187		
Progressive jackpots	–	18 630		
Other	2 907	7 409		
	35 703	54 907		
Utilised during the year:				
Lease commitments on closed properties	–	–		
Retrenchment and restructure costs	(5 709)	(19 157)		
Corporate social investment	(1 541)	(5 317)		
Progressive jackpots	(3 707)	–		
Other	(4 542)	(2 777)		
	(15 499)	(27 251)		
Balance at the end of the year:				
Lease commitments on closed properties	58 000	49 200		
Equity accounted losses	14 930	–		
Retrenchment and restructure costs	7 896	8 488		
Corporate social investment	9 327	6 919		
Progressive jackpots	23 992	27 699		
Other	10 013	11 648		
	124 158	103 954		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	R000's	R000's	**R000's**	R000's

23. ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS (continued)

Lease commitments on closed properties
The provision is the net present value of future operating lease payments on properties which are not being utilised. The provision is adjusted at each year end based on the revised net present value at the time. Annual rentals of R7,5 million, escalating at 11% and expiring on 24 June 2010 are payable in respect of operating leases on such properties.

Equity accounted losses
The equity accounted losses is the group's share of the losses of Ster Century Middle East Ltd to the extent that these losses exceed the group's investment made to date and to the extent that the group will support these losses.

Retrenchment and restructure costs
The provision is for costs relating to restructuring and retrenchment exercises currently in progress and will be utilised in full within the next financial year.

Corporate social investment
A provision is raised when the group has incurred an actual obligation or commitment in respect of corporate social investment projects in which it is involved. The provision is expected to be utilised in full within the next financial year.

Progressive jackpots
Provision is made for progressive jackpots greater than R100 000. It is calculated based on the readings of the group's progressive jackpot machines. The full provision is expected to be utilised within the next financial year.

	GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
24. CASH FLOW INFORMATION				
24.1 Cash generated/(absorbed) by operations				
Operating profit	105 421	270 324	42 040	12 292
Non cash items and items dealt with separately:				
Dividend income	–	–	(20 147)	(9 784)
Depreciation and amortisation	415 028	323 904	7 826	8 520
(Profit)/loss on disposal of property, plant and equipment	(16 798)	1 314	(21 757)	–
Exceptional items of a non-cash nature	349 862	55 930	–	747
Pre-opening expenditure	18 103	144 154	–	–
Foreign exchange profits	58 601	26 474	59	29
Unrealised foreign exchange profits	(9 823)	–	–	–
Other	13 466	2 000	(4 697)	–
Cash generated from operations before working capital changes	933 860	824 100	3 324	11 804
Working capital changes	(44 228)	228 857	(20 673)	35 401
Inventory	(5 498)	(2 847)	–	–
Accounts receivable	9 510	145 263	14 184	(11 191)
Accounts payable and accruals	(48 240)	86 441	(34 857)	46 592
	889 632	1 052 957	(17 349)	47 205
24.2 Investment income				
Dividends received:				
Associates	11 257	3 783	9 719	7 962
Subsidiaries	–	–	10 428	6 699
Interest income	38 164	32 385	37 993	43 409
Imputed interest on loans receivable	–	–	(5 726)	–
	49 421	36 168	52 414	58 070
24.3 Interest paid				
Interest expense	(294 801)	(136 448)	(41 475)	(34 708)
Imputed interest on loans payable	8 743	–	5 726	–
	(286 058)	(136 448)	(35 749)	(34 708)
24.4 Taxation paid				
Liability at the beginning of the year	(104 035)	(80 370)	(3 922)	(20 017)
Current tax provided	(81 896)	(120 110)	(8 014)	(8 961)
Other taxes and secondary tax on companies	(10 488)	(596)	–	(984)
Currency translation adjustment	(10 706)	(6 312)	–	–
Liability at the end of the year	77 874	104 035	6 937	3 922
	(129 251)	(103 353)	(4 999)	(26 040)
24.5 Dividends paid				
To shareholders	–	(26 595)	–	(26 595)
To minorities in subsidiaries	(31 917)	(26 803)	–	–
	(31 917)	(53 398)	–	(26 595)
24.6 Increase/(decrease) in borrowings				
Borrowings raised/(repaid)	170 546	930 306	(5 645)	(1 088)
Increase/(decrease) in bank overdrafts	(4 759)	65 136	(12 941)	65 136
	165 787	995 442	(18 586)	64 048

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	**2002**	2001
	R000's	R000's	**R000's**	R000's

25. RETIREMENT BENEFIT INFORMATION

Group companies operate one pension and four provident schemes which are available to all employees including the executive directors and are financed by the company and employee contributions to separate trustee administered funds. 72% (2001: 73%) of employees were members of one of these schemes as at 30 June 2002.

One fund is a defined benefit fund which requires actuarial valuations every three years. The remaining four funds are defined contribution funds. Funds registered in South Africa are governed by the South African Pension Funds Act, 1956.

Contributions to these funds, which are charged against profits, are based upon actuarial advice following the periodic valuation of the funds. The latest valuation of the Pension Fund, was carried out at 1 July 2001 by an independent firm of consulting actuaries and the fund was found to be in a sound financial position. The pension fund is final salary defined and is fully funded. The fund is valued using the projected unit credit method. The next actuarial valuation will be performed as at 31 July 2004.

Group companies contributed R52,7 million (2001: R48,5 million) to these schemes during the year.

	GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
Balance at the end of the year				
Present value of funded obligations	**(97 200)**	(86 000)		
Fair value of plan assets	**158 358**	136 923		
	61 158	50 923		
Unrecognised actuarial gains	**(3 147)**	–		
Surplus	**58 011**	50 923		

No asset is recognised in respect of the surplus as the apportionment of the surplus still needs to be approved by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act, 39 of 2001.

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

25. RETIREMENT BENEFIT INFORMATION (continued)

Movement on surplus				
Balance at the beginning of the year	50 923	–		
Effect of adopting AC116/IAS19	–	50 923		
	50 923	50 923		
Contributions paid	8 957	–		
Other expenses included in staff costs	(1 869)	–		
Current service cost	(7 980)	–		
Interest cost	(10 320)	–		
Expected return on plan assets	16 431	–		
Balance at the end of the year	58 011	50 923		

The actual return on plan assets was R26,8 million (2001: R37,3 million).

The principal actuarial assumptions used were as follows:

	%	%		
Discount rate	12,00	12,00		
Expected return on plan assets	15,00	15,00		
Future salary increases	8,50	8,50		
Future pension increases	8,50	8,50		

26. FINANCIAL INSTRUMENTS

(i) Financial risk management

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars, Pound Sterling and Euros. Companies in the group use forward exchange contracts to hedge their exposure to foreign currency risk in the local reporting currency. The group has a number of investments in foreign entities, whose net assets are exposed to currency exposures. This exposure is partly managed through borrowings denominated in the relevant foreign currencies.

Credit risk

The group has no significant concentrations of credit risk. Derivative instruments are entered into with, and cash is placed with established financial institutions. The credit exposure of derivatives are represented by the net fair values of the contracts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

26. FINANCIAL INSTRUMENTS (continued)

(i) Financial risk management (continued)

Interest rate risk
The group uses hedging instruments comprising interest rate swaps and forward rate agreements in order to address interest rate exposure and risk.

Liquidity risk
The group at all times maintains adequate committed credit facilities in order to meet all its commitments as and when they fall due. Repayment of long term borrowings are structured so as to match the expected cash flows from the operations to which they relate.

Accounting for derivative financial instruments and hedging activities
Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are measured at their fair value. Changes in the fair value of any derivative instruments are recognised in the income statement.

Fair value of financial instruments
The fair value of publicly traded derivatives and available for sale securities is based on quoted market prices at the balance sheet date. The adjustments to the carrying value of originated loans to amortised cost are calculated by reference to market interest rates using the effective interest rate method. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt. Other techniques, such as the estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

26. FINANCIAL INSTRUMENTS (continued)

(ii) Financial effects				
Impact on retained earnings of adopting IAS39/AC133 at 1 July 2001:				
Adjustment to non current liabilities for the differential between current market and deal rates using the effective interest rate method.	44 944	–	18 063	–
Adjustment to non current receivables for the differential between current market and deal rates using the effective interest rate method.	–	–	(18 063)	–
Deferred taxation	(13 484)	–	–	–
	31 460	–	–	–
Outside shareholders' share	(17 737)	–	–	–
Net effect on retained earnings	13 723	–	–	–
Amounts reported in the income statement:				
Available-for-sale investments				
– Fair value adjustment	60 002	–		
Imputed interest				
Loans receivable	–	–	5 726	–
Loans payable	(8 743)	–	(5 726)	–
	(8 743)	–	–	–
Forward foreign exchange contracts	5 196	–	–	–
At 30 June 2001 and 2002 the net fair value of forward foreign exchange contracts were:				
Contracts with positive fair values (US$:16 454 000)	–	133 936		
Contracts with negative fair values (US$5 810 000)	61 894	–		

At 1 July 2001 the face values of forward exchange contracts approximated their fair values. As at 30 June 2002 the fair values of forward exchange contracts exceeded their face values by R5 million. Full provision was made for this unfavourable difference.

Interest rate swaps

As at 30 June 2002, 54% of the group's borrowings were subject to fixed interest rates. 29% of the group's borrowings are fixed for periods longer than 12 months. The interest rates on fixed borrowings approximate those currently available to the group in the market.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

27. CONTINGENCIES AND COMMITMENTS

Lease liabilities

In the event of default by the current tenants, Sun International (South Africa) Limited will be liable for lease liabilities relating to the Mmabatho Staff Flats and the Taung Staff Flats. The Mmabatho Staff Flats' current rental is R3,2 million per annum, escalating at 11% per annum and expires on 30 November 2011. The Taung Staff Flats' current rental is R2,0 million per annum, escalating at 11% per annum and expires on 31 October 2010.

Contingent liabilities that the group has incurred in relation to its interest in associates:

The group's 73,3% held subsidiary Royale Resorts Holdings Limited (RRHL) has undertaken to provide additional mezzanine debt financing of US$20 million to its associate Ster Century Europe Limited (SCE) in certain circumstances. Subsequent to 30 June 2002, US$10 million of this amount was called and provided whilst US$10 million of the existing finance was repaid to RRHL.

RRHL together with Primedia Limited have jointly and severally guaranteed four operating leases of SCE whose rental amounts to US$6,2 million annually. In addition, RRHL together with Primedia have jointly and severally guaranteed an operating lease of Ster Century Middle East (SCME) whose rental amounts to US$1,4 million annually. Full provision for RRHL's share of the losses of SCME has been made (refer Note 23).

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
28. CAPITAL EXPENDITURE AND RENTAL COMMITMENTS				
Capital expenditure				
Contracted	10 727	473 465		
Authorised by the directors but not contracted	837 089	822 911		
	847 816	1 296 376		
To be spent in the forthcoming financial year	205 816	458 376		
To be spent thereafter	642 000	838 000		
	847 816	1 296 376		

Future capital expenditure will be funded by a combination of internally generated cash flow and debt facilities.

Rental commitments

The company has a rental commitment for the company's head office in Sandton, expiring on 31 May 2014, with an annual rental of R6 268 608, escalating at 11% per annum.

Over and above the rental commitment of the company, the group has the following material rental agreements:

(i) For the Naledi Sun Hotel and staff flats, expiring on 21 May 2009, with an annual rental of R4 323 895, escalating at 11% per annum.

(ii) For the Tlhabane Sun Hotel and staff flats, expiring on 24 June 2010, with an annual rental of R8 874 300, escalating at 11% per annum. This rental commitment is considered onerous and full provision has been made.

(iii) For the land upon which The Carousel staff flats lie, expiring on 30 November 2011, with an annual rental of R14 057 000, escalating at 11% per annum.

(iv) For the Sun City staff flats with an annual rental of R11 761 278, escalating at 11% per annum, expiring on 30 April 2012.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

28. CAPITAL EXPENDITURE AND RENTAL COMMITMENTS (continued)

Rental commitments (continued)

(v) For phase 1 to 4 of the Thaba'Nchu Sun staff flats with an annual rental of R2 124 196, escalating at 9%, expiring on 5 September 2005.

For phase 5 of the Thaba'Nchu Sun staff flats with an annual rental of R585 165, escalating at 9% per annum, expiring on 30 November 2009.

(vi) For the Fish River Sun staff accommodation complex comprising 35 units, expiring in 2008, with an annual rental of R730 880, escalating at 10% per annum.

(vii) For the land upon which the Flamingo casino complex lies, expiring on 30 September 2096, with an annual rental of R100 000 to date of opening of casino and R100 000 per month thereafter, plus contribution to the maintenance cost of the golf course.

(viii) For the land building upon which the SugarMill casino lies, expiring on 30 April 2003, with a monthly rental of R4 422 967 until 1 December 2002 and R192 505 per month thereafter, until expiry.

29. RELATED PARTY TRANSACTIONS

Details of the ownership of ordinary share capital are set out on pages 114 and 115 of this annual report.

(i) Transactions with related parties

The following transactions were carried out with related parties:

Management fees were received from the following associates by Sun International Management Limited for management services:

	GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
Lesotho Sun (Pty) Ltd	1 742	730		
Sun International of Lesotho (Pty) Ltd	1 743	1 454		
	3 485	2 184		

	GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
29. RELATED PARTY TRANSACTIONS (continued)				
(i) Transactions with related parties (continued)				
At year end, an amount of R1 808 124 (2001: R745 807) was owing by the above two associates in respect of management fees.				
Management fees were received from the following associates by Royale Resorts Holdings Limited:				
Ster Century Europe Limited	2 460	1 539		
Ster Century Middle East Limited	2 033	1 539		
	4 493	3 078		
Dividends were received from the following associates:				
City Lodge Hotels Limited	9 716	3 085		
Sun International of Lesotho (Pty) Ltd	1 541	698		
	11 257	3 783		
Payment to KZL	–	23 016		
The payment to KZL is in respect of a contractual obligation (refer Note 34). In 2002 KZL is no longer considered to be a related party.				
(ii) Loans to related parties				
Loan to Ster Century Europe Limited				
Balance at the beginning of the year	80 550	–		
Repaid during year	(80 550)	–		
Advances during year	173 150	76 403		
Currency translation adjustment	46 370	4 147		
Balance at the end of the year	219 520	80 550		
Interest received	14 237	1 230		
The loan is Euro denominated, unsecured, bears interest at Euribor plus 4% and is repayable on 10 October 2003.				
Loan to KS Mthembu	451	357		
The loan bears interest at the prime overdraft rate and is repayable in instalments of R20 000 per month.				

for the year ended 30 June

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's
29. RELATED PARTY TRANSACTIONS (continued)				
Loans to directors				
In prior years housing loans were made to directors of the company in accordance with the terms and conditions specified in the group's executive housing loan scheme. In terms of this scheme, housing loans bear interest at 6% per annum. The scheme was cancelled in 2001 and all outstanding loans have been paid in full.				
Balance at the beginning of the year	–	2 520		
Advances made during the year	–	250		
Repaid during the year	–	(2 770)		
Balance at the end of the year	–	–		
(iii) Share options granted to directors				
The aggregate number of share options granted to the directors of the group during 2002 was 123 750 (2001: 141 250) at an exercise price of R22,975 (2001: 31,20). The share options were given on the same terms and conditions as those offered to other employees of the group. The number of share options held by the directors of the company at the end of the year was 756 651 (632 901 at the end of 2001).				
Gains made during the year by directors on the exercise of share options:				
7 500 options at an issue price of R19,38 issued on 17 August 1998			–	94
171 125 options at an issue price of R19,05 issued on 11 September 1998			–	2 209
15 624 options at an issue price of R19,53 issued on 22 September 1999			–	208
			–	2 511

	GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
29. RELATED PARTY TRANSACTIONS (continued)				
(iv) Directors' emoluments				
Non-executive directors				
Fees			200	195
Consulting services			60	–
			260	195
Executive directors				
Basic remuneration			11 095	7 624
Bonuses/performance related payments			300	–
Pension fund contributions			1 787	1 338
Other benefits			1 012	1 054
Severance benefits			865	–
			15 059	10 016
			15 319	10 211
Executive directors				
Restraint payments			10 500	–

The restraint period is for two years post leaving the employ of the group with a latest restraint date of October 2005.

(v) Directors' shareholdings

The directors in office at the end of each financial year held beneficial indirect share holdings as follows:

	Number of ordinary shares held 2002	Number of ordinary shares held 2001
DC Coutts-Trotter	130 000	130 000
DA Hawton	131 137	131 137
FW J Kilbourn	N/A	130 000
IN Matthews	1 500	1 500
SC Mildenhall	55 823	N/A
	318 460	392 637

There have been no changes in the directors' shareholdings between the date of the financial year end and the date of this report.

30. DIRECTORATE

Messrs L Boyd and PJ Venison were appointed non-executive and executive directors respectively on 18 September 2001, Messrs PL Campher, SC Mildenhall, DM Nurek and GR Rosenthal as non-executive directors on 19 June 2002 and Mr E Oblowitz as non-executive on 4 July 2002. Dr D Konar, Messrs FWJ Kilbourn and PJ Venison resigned as directors on 9 August 2001, 14 and 18 June 2002 respectively.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

	GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's

31. EMPLOYEE SHARE INCENTIVE SCHEME

Share options are granted to directors and to employees. Movements in the number of share options outstanding are as follows (in units):

	GROUP 2002 R000's	GROUP 2001 R000's	COMPANY 2002 R000's	COMPANY 2001 R000's
Options held by directors and employees				
Balance at the beginning of the year			5 869 333	6 071 039
Cancelled			–	(10 000)
Granted			1 176 250	1 706 250
Sold to the Trust			(639 207)	(1 477 101)
Lapsed			(212 914)	(420 855)
At the end of the year			6 193 462	5 869 333
Options held by Kersaf Employee Share Incentive Trust				
Balance at the beginning of the year			349 501	275 200
Purchased from employees			639 207	1 477 101
Exercised			–	(1 400 000)
Lapsed			–	(2 800)
Balance at the end of the year			988 708	349 501
			7 182 170	6 218 834

Share options outstanding (in units) at the end of the year have the following terms:

Financial year of lapse	Unexercised options	Vested options	Number of participants	Average exercise price	Financial year of grant
2003	1 200	1 200	1	32,00	1993
2004	132 680	132 680	42	36,04	1994
2005	54 560	54 560	31	38,51	1995
2006	580	580	1	45,50	1996
2009	3 163 814	2 089 452	198	19,13	1999
2010	1 221 836	527 005	199	20,23	2000
2011	1 438 750	359 688	205	30,62	2001
2012	1 168 750	1 168 750	225	22,92	2002
	7 182 170	4 333 915		22,70	

Share options granted prior to 1 July 1997 are exercisable on the expiry of two years from the date of grant in cumulative tranches of 20% per annum. Share options granted after that date are exercisable on the expiry of one year from the date of grant in cumulative tranches of 25% per annum. Options lapse if not exercised within ten years of their date of grant. Options under the scheme are granted at prices ruling on the JSE Securities Exchange at the date of granting those options.

	GROUP		COMPANY	
	2002	2001	2002	2001
	R000's	R000's	R000's	R000's

32. REPORT OF THE DIRECTORS

A separate report is not considered necessary as the performance of the group companies is contained in the chairman's review and the review of operations. Other required disclosures are contained in either those reviews or the annual financial statements, together with the notes thereto. The information required to be disclosed in the directors' report in terms of the Companies Act has been audited.

33. SPECIAL RESOLUTIONS PASSED BY SUBSIDIARIES

Special resolutions were passed at the annual general meeting of Sun International (South Africa) Limited (SISA) held on 26 November 2001 authorising the acquisition by SISA (or a subsidiary of SISA) of up to 20% of SISA's issued ordinary shares by way of a general authority in any one financial year, renewable at its 2002 annual general meeting, and amending its articles of association so as to regulate the giving of notices by SISA, particularly by way of any electronic medium.

34. POST BALANCE SHEET EVENTS

34.1 Disposal by Ster Century Europe (SCE) of its interests in Poland and Greece

In press and SENS announcements dated 9 July 2002 and 13 August 2002, Kersaf shareholders were advised that SCE had disposed of its interests in Poland and Greece for US$19,6 million and €10,75 million respectively. In addition, SCE called US$10 million of the additional standby mezzanine debt funding made available by Royale Resorts (refer also Note 27). As a consequence of the arrangements in place with the other shareholders of SCE on the standby funding, Royale Resorts' interest in the equity of SCE increased from 46,9% to 50,0%. SCE utilised the additional US$10 million funding and the proceeds arising from the sales to repay the outstanding balance on the Standard Bank US$30 million facility and to repay €20,2 million of the outstanding mezzanine debt of €60,3 million (50% or €10,1 million of the repayment was received by Royale Resorts).

34.2 Agreement with Kerzner International Limited

On 4 November 2002 the company entered into an agreement with Kerzner International Limited (KZL) in terms of which US$32 million will be paid to KZL in connection with the following:

- *KZL payment*

  Kersaf stated in the Reviewed Preliminary Profit Announcement for the year ended 30 June 2002, published in the press on 30 August 2002, that the group had an onerous contractual obligation to KZL, that arose as part of the formation of KZL in 1993. During the 2002 financial year the group raised a long-term liability in respect of this contractual obligation. The contractual obligation was for approximately US$3,2 million per annum (escalating by 3,3% per annum) until 2008, the present value of which was US$18,7 million at 30 June 2002. Based on further advice and reassessment, the group has reason to believe that the termination date of 2008 is not certain and is likely to be disputed by KZL on the grounds that such payment to KZL, or a portion thereof, may continue indefinitely. This could potentially have had the impact of significantly increasing this liability above the US$18,7 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

for the year ended 30 June

34. POST BALANCE SHEET EVENTS (continued)

34.2 Agreement with Kerzner International Limited (continued)

- *Litigation*

  The litigation brought by KZL against the group was based on alleged contractual contraventions and other alleged wrongful conduct on the part of the group. KZL have agreed to terminate the litigation and release and discharge the group from, inter alia, all actions and claims in terms of the litigation or any related actions.

- *Egypt project*

  As part of the 3 July 2001 restructuring agreements, Sun International Management Limited (SIML) and KZL agreed to share the proceeds arising from the management agreement which SIML has secured for a resort on the Red Sea coast in Egypt, which is expected to be completed in 2005. In terms of the agreement SIML has acquired ownership of 100% of the fee flows of the Egypt project.

The group entered into the agreement as it provides certainty in terms of the amounts payable in relation to the contractual obligation and terminates the litigation without prolonged, acrimonious and costly court hearings.

The portion of the settlement amount, which relates to the legal action and the contractual obligations, is a post balance sheet event requiring adjustment. The financial statements have accordingly been adjusted and therefore differ solely in this respect from the financial information as reported in the Preliminary Profit Announcement referred to above.

The group will settle the liability of US$32 million by the earlier of the successful completion of the mandatory sale of KZL shares (see Note 34.3 below) or 2 December 2003. In the event that the mandatory sale is not completed by 30 November 2002 the unpaid balance will be interest free until 2 December 2002 and thereafter shall bear interest at a rate of seven percent per annum for the period from 2 December 2002 to 31 May 2003 and at a rate of ten percent per annum for the period from 1 June 2003 to 2 December 2003.

34.3 Sale of KZL shares

In terms of the 3 July 2001 agreements which, inter alia, resulted in the restructuring of the group's investment in KZL, the group agreed to sell 2 000 000 KZL shares by way of an underwritten public offering which was to have been completed by 30 June 2002 (the "compulsory sale"). This date was extended to 30 October 2002 and more recently further extended to 28 February 2003. Kersaf proposes to increase the size of this public offering to include 3 500 000 of Kersaf's indirectly held KZL shares. In addition, the underwriters will require the group to make available a further 525 000 shares as a "greenshoe" which may or may not be sold after closing of the public offering depending on the market performance of the KZL stock. This increase will require the approval of Kersaf's shareholders in terms of JSE Securities Exchange South African listings requirements and the directors intend calling a general meeting to obtain such approval. It is anticipated that the approval process and the increased public offering will be completed by 31 December 2002 thereby discharging the group's obligation in terms of the compulsory sale.

34.4 Agreement to acquire effective 26,7% of Sun International Management Limited (SIML)

The group has entered into Heads of Agreement with the minority shareholder in Royale Resorts to acquire the effective 26,7% interest in SIML that the group does not already own. The acquisition is subject to a number of conditions precedent. The consideration in the event of completion will be approximately $19,4 million (or approximately R194 million at current exchange rates) and will most likely be settled with a mix of KZL shares and cash.

INTEREST IN PRINCIPAL SUBSIDIARIES AND ASSOCIATES

for the year ended 30 June

		Amount of issued capital	Effective holding		Interest of holding company Shares		Indebtedness	
		2002	2002	2001	2002	2001	2002	2001
		R000's	%	%	R000's	R000's	R000's	R000's
SUBSIDIARIES	*							
Listed								
Sun International (South Africa) Ltd	(1)	35 261	44	44	321 007	321 007	–	–
Unlisted								
Afrisun Gauteng (Pty) Ltd	(1)	199	39	39	–	–	–	–
Afrisun KZN (Pty) Ltd	(1)	–	36	36	–	–	–	–
Emfuleni Resorts (Pty) Ltd	(1)	24	38	38	–	–	40 000	50 000
Meropa Leisure and Entertainment (Pty) Ltd	(1)	–	44	–	–	–	–	–
Royale Resorts Holdings Ltd**	(11)	737	73	73	–	–	–	–
Sands Hotels Holdings (Namibia) (Pty) Ltd	(5)	1	100	100	–	–	–	–
Sun International (Botswana) (Pty) Ltd****	(2)	500	80	80	–	–	–	–
Sun International Zambia Ltd**	(1)	3 750	100	100	–	–	–	–
Sun International Inc	(6)	1 580	100	100	865 060	865 060	–	–
Sun International Management Ltd***	(7)	100	73	73	–	–	–	–
SunWest International (Pty) Ltd	(1)	337	38	38	–	–	60 000	60 000
Swazispa Holdings Ltd	(3)	3 497	51	51	–	–	–	–
Teemane (Pty) Ltd	(1)	–	44	44	–	–	–	–
Transkei Sun International Ltd	(1)	14 495	44	44	–	–	–	–
ASSOCIATES								
Listed								
City Lodge Hotels Ltd								
– Ordinary shares	(1)	4 191	39	49	211 676	185 102	–	–
– Convertible debentures	(1)	–	–	19	–	26 574	–	–
Kerzner International Ltd**	(8)	34	–	21	–	–	–	–
Unlisted								
Lesotho Sun (Pty) Ltd	(4)	1	49	49	–	–	–	–
Ster Century Europe Ltd**	(9)	100 556	34	37	–	–	–	–
Ster Century Middle East Ltd	(10)	–	37	37	–	–	–	–
Sun International of Lesotho (Pty) Ltd	(4)	–	47	47	–	–	–	–

* Country of incorporation
(1) South Africa (2) Botswana (3) Swaziland (4) Lesotho (5) Namibia (6) Panama (7) Switzerland (8) Bahamas (9) Jersey (10) Mauritius (11) Bermuda.

** Amount of share capital is stated in US$. Transferred to available-for-sale investments in 2002.

*** Amount of share capital stated in Swiss Francs.

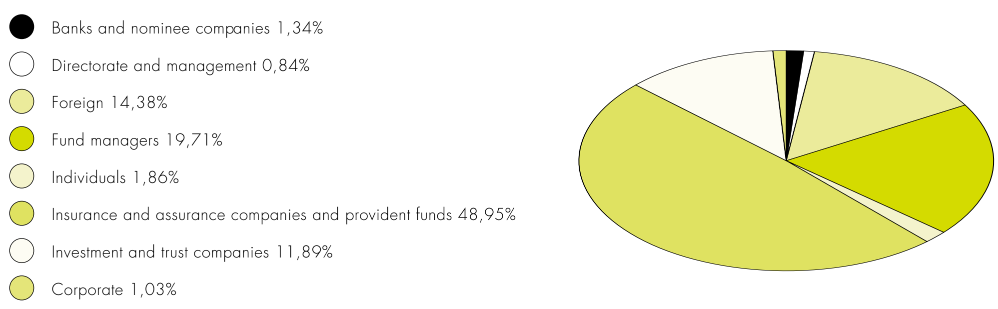
**** Amount of share capital stated in Botswana Pula.

BENEFICIAL OWNERSHIP OF ORDINARY SHARE CAPITAL

at 30 June

Number of shareholders	Category	Number of shares owned	% of total issued shares
	Size of shareholding		
1 602	1 – 500 shares	201 237	0,22
279	501 – 1 000 shares	208 788	0,23
299	1 001 – 5 000 shares	653 900	0,73
61	5 001 – 10 000 shares	441 541	0,49
86	10 001 – 50 000 shares	2 225 248	2,47
45	50 001 – 100 000 shares	3 316 325	3,68
124	100 001 + shares	83 003 267	92,18
2 496		90 050 306	100,00

TYPE OF SHAREOWNERS (%)



OWNERSHIP OF ORDINARY SHARE CAPITAL

at 30 June

Ten largest beneficial share owners at 30 June 2002	Number of shares owned	% of total issued shares
Old Mutual Life Assurance Co (SA)	16 664 593	18,51
Public Investment Commission	5 602 000	6,22
Coronation Life – Coronation Specialist Opportunity Portfolio	4 785 420	5,31
Transnet Retirement Fund – Allan Gray	3 195 900	3,55
Standard Bank Namibia	2 847 647	3,16
Boston Safe Deposit and Trust	2 688 709	2,99
J P Morgan Chase Bank	2 686 601	2,98
First National Trust Investec Unit Trusts	1 905 267	2,12
Bank of Bermuda Hamilton	1 693 491	1,88
Transnet 2nd Defined Benefit Fund	1 557 500	1,73
	43 627 128	48,45

Beneficial interests equal to or in excess of 5% of the issued ordinary shares as at 30 June 2002 appear above.

Share owner spread (beneficial)	Number of shares owned	% of total issued shares
Public:	2 487	80,73
Non-public:		
Directors of the company and its subsidiaries	7	0,31
Trustees of employee share scheme	1	0,45
Shareholders beneficially interested in 10% or more of the issued shares	1	18,51
	2 496	100,00

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighteenth annual general meeting of members of Kersaf Investments Limited ("the company") will be held in the boardroom, 4th Floor, 27 Fredman Drive, Sandown, Sandton, Gauteng, Republic of South Africa, on Wednesday, 15 January 2003 at 09H30 for the following purposes, namely:

1. To receive and consider the annual financial statements for the year ended 30 June 2002.

2. To re-elect by way of separate resolutions, Messrs PL Campher, DC Coutts-Trotter, IN Matthews, SC Mildenhall, DM Nurek, E Oblowitz and GR Rosenthal as directors, who retire in accordance with the provisions of the company's articles of association. (A brief CV of each director standing for re-election appears on pages 55 to 56 of the annual report).

3. To approve fees payable to the non-executive directors in respect of services rendered during the year ended 30 June 2002, as follows:

   3.1 for their services as directors, R75 000 each;

   3.2 to the chairman of the audit committee, R60 000;

   3.3 to the other members of the audit committee, R35 000 each;

   3.4 to the chairman of the remuneration committee, R45 000; and

   3.5 to the other members of the remuneration committee, R25 000 each.

4. To approve fees payable to the non-executive directors in respect of services rendered/to be rendered during the year ending 30 June 2003, as follows:

   4.1 for their services as directors, R90 000 each;

   4.2 to the chairman of the audit committee, R80 000;

   4.3 to the other members of the audit committee, R40 000 each;

   4.4 to the chairman of the remuneration committee, R60 000;

   4.5 to the other members of the remuneration committee, R30 000 each;

   4.6 to the chairman of the risk management committee, R60 000; and

   4.7 to the other members of the risk management committee, R30 000 each.

5. To place, by way of an ordinary resolution, the unissued shares for the time being in the capital of the company, but excluding any shares for the issue of which specific authority has been granted to the directors, under the control of the directors, who shall be authorised to allot such shares at such prices, on such terms and conditions and at such times as they deem fit, subject to the provisions of the Companies Act, and the rules and requirements of the JSE Securities Exchange South Africa.

6. To renew, by way of an ordinary resolution, the general authority granted to the directors at the previous annual general meeting authorising the directors to allot and issue ordinary shares for cash, until this authority lapses at the next annual general meeting of the company, unless it is then renewed and provided that it shall not extend beyond 15 (fifteen) months from the date of this annual general meeting, subject to the rules and requirements of the JSE Securities Exchange South Africa ("the JSE") and the approval by a 75% (seventy-five percent) majority of shareholders present or represented by proxy at the annual general meeting, on the following basis:

   – the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE and not to related parties;

- the number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen percent) of the company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced and irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were shares in issue at the date of application;

- the maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the company; and

- after the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including the effect of the issue on net asset value and earnings per share.

7. To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

   "RESOLVED that the directors be and are hereby authorised to approve and implement the acquisition by the company (or a subsidiary of the company), of shares issued by the company, by way of a general authority which shall only be valid until the company's next annual general meeting, unless it is then renewed, provided it shall not extend beyond 15 (fifteen) months from the date of this annual general meeting, in terms of the Companies Act, and the rules and requirements of the JSE Securities Exchange South Africa ("the JSE") which provide, inter alia, that the company may only make a general repurchase of its shares subject to:

- the acquisition being implemented on the open market of the JSE;

- the company being authorised thereto by its articles of association;

- acquisitions may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was agreed;

- a paid press announcement being published as soon as the company has acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition pursuant to which the 3% (three percent) threshold is reached, containing full details of such acquisitions; and

- acquisitions not exceeding 20% (twenty percent) in aggregate of the company's issued ordinary share capital in any one financial year."

The directors, having considered the effects of the acquisition of the maximum number of ordinary shares in terms of the aforegoing authority, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting:

- the company will be able, in the ordinary course of business, to pay its debts;

- the consolidated assets of the company, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company; and

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

– the company's ordinary capital, reserves and working capital will be adequate.

The directors have no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the company and its shareholders.

The reason for and effect of the special resolution is to grant the directors of the company a general authority in terms of the Companies Act and the Listings Requirements of the JSE for the acquisition by the company (or by a subsidiary of the company) of the company's shares.

Any member holding shares in certificated form or recorded on the company's sub-register in electronic form in "own name" and entitled to attend and vote, is entitled to appoint a proxy or proxies to attend, speak and vote at the annual general meeting in his stead, and the proxy so appointed need not be a member of the company. Proxy forms should be forwarded to reach the offices of the company's Registrar, Computershare Investor Services Limited, at the addresses given below, no less than 24 hours before the time appointed for the holding of the annual general meeting. A proxy form is enclosed for this purpose.

All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant (CSDP) or broker must provide the CSDP or broker with their voting instructions in terms of their custody agreement. Alternatively, they may request the CSDP or broker to provide them with a letter of representation, in terms of their custody agreement, should they wish to attend the annual general meeting.

By order of the board

SA BAILES
Group secretary
20 December 2002

Postal address
Computershare Investor Services Limited
PO Box 61051
Marshalltown
2107
Gauteng
Republic of South Africa

Delivery address
Computershare Investor Services Limited
70 Marshall Street
Johannesburg
Gauteng
Republic of South Africa

KERSAF INVESTMENTS LIMITED

(the company)

(Co. reg. no. 1967/007528/06)

FORM OF PROXY

For use by members holding shares in certificated form or recorded on the company's sub-register in electronic form in "own name" at the eighteenth annual general meeting of members to be held in the board room, 4th Floor, 27 Fredman Drive, Sandown, Sandton, Gauteng, Republic of South Africa, on Wednesday, 15 January 2003 at 09H30 ("the annual general meeting").

I/We ______________________________

(please print)

being the holder/s of ____________ ordinary shares in the company, appoint (see note 2)

1. ______________________________ or failing him

2. ______________________________ or failing him

3. the chairman of the annual general meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting, which will be held for the purpose of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s in accordance with the following instructions (see note 3):

Note: On a poll a member is entitled to one vote for each share held.

	FOR	AGAINST	ABSTAIN
	Number of votes (poll)	Number of votes (poll)	Number of votes (poll)
1. Adoption of financial statements			
2. Re-election of directors: Messrs PL Campher			
DC Coutts-Trotter			
IN Matthews			
SC Mildenhall			
DM Nurek			
E Oblowitz			
GR Rosenthal			
3.1 Fees – services as directors 30.06.02			
3.2 Fees – chairman of audit committee 30.06.02			
3.3 Fees – other members of audit committee 30.06.02			
3.4 Fees – chairman of remuneration committee 30.06.02			
3.5 Fees – other members of remuneration committee 30.06.02			
4.1 Fees – services as directors 30.06.03			
4.2 Fees – chairman of audit committee 30.06.03			
4.3 Fees – other members of audit committee 30.06.03			
4.4 Fees – chairman of remuneration committee 30.06.03			
4.5 Fees – other members of remuneration committee 30.06.03			
4.6 Fees – chairman of risk management committee 30.06.03			
4.7 Fees – other members of risk management committee 30.06.03			
5. Placing unissued shares under directors' control			
6. Renewal of general authority to issue shares for cash			
7. Special resolution: Renewal of general authority to repurchase shares			

Signed at ______________________ on ______________________ 2002/3

Signature ______________________ Assisted by me (where applicable) ______________________

Please read the notes on the reverse side hereof.

INSTRUCTIONS FOR COMPLETING AND LODGING THIS PROXY FORM

Notes

1. Any member holding shares in certificated form or recorded on the company's sub-register in electronic form in "own name" entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak and vote at the annual general meeting in his stead, and the proxy so appointed need not be a member of the company.

2. Such member may insert the name of a proxy or the names of two alternative proxies of his choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

3. Such member's instructions to the proxy must be indicated, vis-a-vis on a show of hands, by the insertion of a cross, and vis-a-vis a poll, by insertion of the relevant number of votes exercisable by him and which he desires to be exercised, in the appropriate box/es provided. On a poll, a member is not obliged to use all the votes exercisable by that member, or to cast all those votes exercised, in the same way, but the total of the votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he deems fit, in respect of the resolutions, with or without modification, in respect of all or any of the member's votes exercisable thereat.

4. To be valid, forms of proxy must be lodged at the offices of the company's Registrar, Computershare Investor Services Limited, 70 Marshall Street, Johannesburg, Gauteng, Republic of South Africa (or posted to the Registrar at PO Box 61051, Marshalltown, 2107, Gauteng, Republic of South Africa) to be received by no later than 09H30 on Tuesday, 14 January 2003.

5. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

6. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes.

7. Any alteration or correction made to the form of proxy must be initialled by the signatory/ies.

shareholders' DIARY

ANNUAL GENERAL MEETING	15 January 2003
REPORTS	
Interim for half year to December	February
Announcement of provisional audited annual results	August
Annual financial statements	November
FINANCIAL YEAR END	30 June

KERSAF
Investments Limited

27 Fredman Drive Sandown Sandton 2031 Gauteng Republic of South Africa
PO Box 782121 Sandton 2146 Gauteng Republic of South Africa
Tel (+27 11) 780 7000 Fax (+27 11) 783 7446
email info@kersaf.com

studiofive

Photography by Mike Pawley