CONTENTS

Our Corporate Focus

Kersaf Investments Limited is an investor in businesses in the leisure, hospitality and gaming industry to which the group also provides management services. The group is specifically focused on the development, operation and management of hotels, resorts and casinos in southern Africa. We will continue to position ourselves to take advantage of opportunities in those markets where we can achieve a strong market position benefiting from our innovation and depth of experience.

The Table Bay Hotel

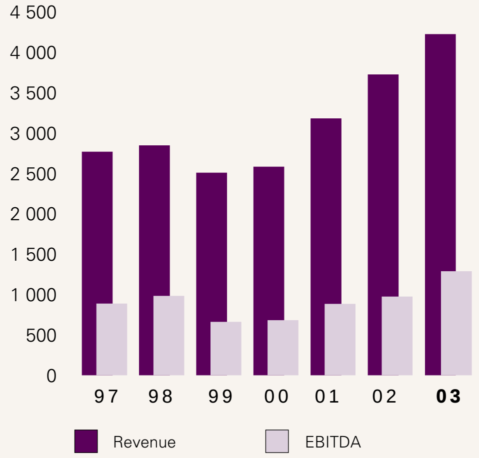
V&A WATERFRONT, CAPE TOWN – WESTERN CAPE

Financial Highlights

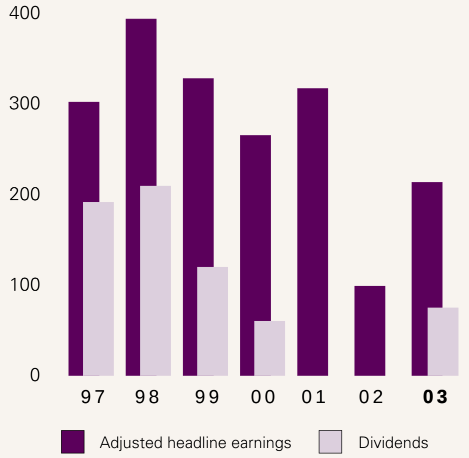
for the year ended 30 June

		2003 Rm	2002 Rm	Change %
RESULTS *(including adjusted headline earnings adjustments)*				
Revenue		**4 214**	3 719	13
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**1 283**	962	33
Profit from operations		**765**	503	52
Profit before taxation		**503**	247	104
Adjusted headline earnings		**192**	89	117
ORDINARY SHARE PERFORMANCE				
Adjusted headline earnings per share	(cents)	**214**	98	118
Dividends per share	(cents)	**75**	–	–
FINANCIAL RATIOS				
Return to equity shareholders	(%)	**7**	3	
Interest bearing debt to total shareholders' funds	(%)	**49**	62	
Interest cover	(times)	**3**	2	
MARKET SHARE PRICE AT 30 JUNE	(Rands)	**29,10**	29,00	

REVENUE AND EBITDA
(Rm)

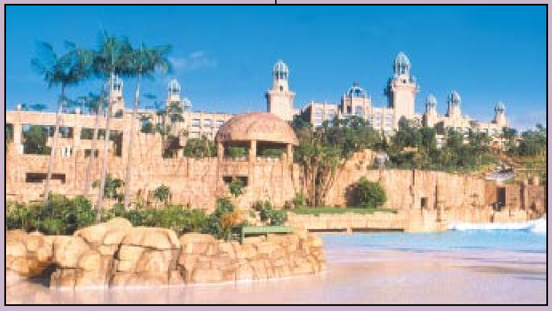


ADJUSTED HEADLINE EARNINGS AND DIVIDENDS PER SHARE
(Cents)



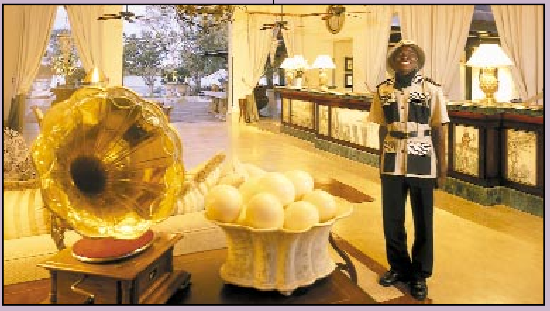
KERSAF INVESTMENTS LIMITED

44%*



Sun International South Africa

- 60% Afrisun Gauteng (87%)
- 49% SunWest International (70%)
- 44% Afrisun KZN (83%)
- 49% Emfuleni (84%)
- 49% Teemane (87%)
- 45% Meropa (70%)



Other southern Africa

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

( ) Indicates economic interest

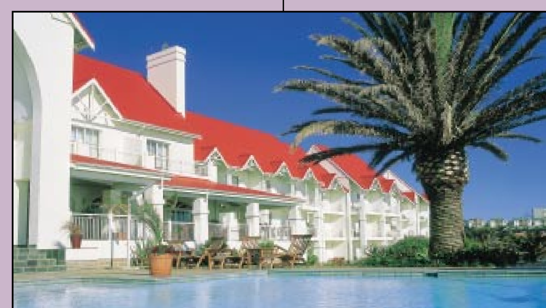
* Effective 1 September 2003 Kersaf acquired an additional 18,6% interest in SISA, increasing its effective interest from 43,8% to 62,4%

The Group at a Glance

100%

Sun International Management

39%



City Lodge

73%

Royale Resorts

6%

50%

50%

2%

Kerzner International

Ster Century Europe

Ster Century Middle East

Meropa Casino

POLOKWANE, LIMPOPO PROVINCE

2003 Group Review

BUDDY HAWTON
Chairman

PETER BACON
Chief Executive

DAVID COUTTS-TROTTER
Deputy Chief Executive

To Our Stakeholders

The group performed well with increased contributions from most operations. The first half of the year benefited from stronger demand as a result of the improvement in the local economy and an increase in foreign tourism. The second half of the year proved to be more challenging with the slowdown in the rate of growth in the local economy and high real interest rates impacting casino revenues, and the SARS pandemic and the conflict in the Middle East, impacting incoming foreign tourism.

Adjusted headline earnings per share were 118% up on the prior year primarily due to a substantially increased contribution from Sun International (South Africa) Limited (SISA) and City Lodge Hotels Limited (City Lodge) and the reduced losses incurred by the Zambian resort. Group revenue for the year at R4,2 billion was 13% up on the previous year, with gaming and hospitality revenues up 15% and 9% respectively. Costs were well contained and the EBITDA margin at 30% was four percentage points above the previous year. EBITDA at R1,3 billion was 33% up on the prior year.

STRATEGIC INITIATIVES

The group made good progress during the year in the simplification of its structure and has made additional investments in its core activities. The group disposed of the balance of its European cinema investments with the exception of its Slovakia operation, which is currently under negotiation. Ster Century Middle East has been restructured and although positive cash flows are anticipated going forward, the group will continue to seek to exit from this business in line with its strategy to concentrate on hotels, resorts and gaming.

Further simplification was achieved with the acquisition of the minority's effective 27% interest in Sun International Management Limited (SIML) on 15 November 2002 and significant progress has been made with the disposal of the group's investment in Kerzner International Limited (KZL). At year end the group had distributed or sold 67% of its investment in KZL, which included the settlement of the US$16,9 million for the purchase of the SIML interest with 850 000 KZL shares and the mandatory sale of 2,3 million KZL shares by way of a public offer in December 2002. At year end, the group held 2,3 million KZL shares, of which Kersaf effectively owned 1,8 million. In terms of the arrangement with KZL, the group may dispose of up to 500 000 KZL shares per quarter through the market and further sales will take place in the new financial year.

The acquisition of the North West Development Corporation's (NWDC) effective 18,6% interest in SISA, announced on 6 June 2003, was concluded on 1 September 2003. The acquisition has increased Kersaf's effective interest in SISA to 62,4%.

Whilst the simplification of the group's structure is an ongoing process, the good progress made over the last year will enable us to explore medium and long term opportunities in our core businesses. We are looking closely at opportunities in Africa and in the United Kingdom, where the deregulation of the gambling industry will allow for the establishment of larger international style casinos.

GROUP PERFORMANCE

SISA reported excellent results for the year with increased contributions from both the hospitality and gaming operations. The group's hotels and resorts benefited in the first half of the year from an increase in foreign tourists and, notwithstanding the impact of SARS and the conflict in the Middle East, improved room occupancy by five percentage points to 74% and increased average room rates by 18% to R781. Gaming revenues at R2,8 billion were 16% up on the previous year or 11% up excluding the Meropa and Flamingo casinos which only traded for three and four months of the previous year respectively. SISA's costs were well contained and EBITDA at R1 billion was 27% up and the EBITDA margin at 27% was three percentage points up on the previous year.

Other southern African operations had mixed performances with good results from the Swaziland and Lesotho operations and a significant reduction in the losses incurred at the Zambian resort. The Botswana hotel and casino was negatively impacted by increased competition from other entertainment facilities in the Gaborone area and the introduction of VAT in Botswana.

We are particularly encouraged by the progress achieved at the group's resort at the Victoria Falls in Zambia. The resort has performed below expectation as a result of the events in Zimbabwe creating a negative impression of the Victoria Falls as a destination. Concerted marketing efforts has to a large extent corrected the perception that the Victoria Falls are located solely in Zimbabwe. During the year the group established a dedicated outbound tour operator, Sun International Dreams, to service Zambia. This business will in due course be extended to cover the group's other resorts and is an important adjunct to the group's marketing and sales capabilities.

SIML performed well with management fee income at R241 million, 19% up on the previous year. Costs were well controlled reducing by 3%. EBITDA of R108 million was 61% up on the previous year. The amortisation of the Sun International brand and the minority share of the management contracts acquired during the year, foreign exchange losses and a significant increase in the taxation charge, however, reduced SIML's overall contribution to the group to R52 million compared to R53 million in the previous year.


200
COINS
PAID BY
MACHINE
WHEN
IS
JACKPOT
500
COINS
OR MORE
BALANCE
PAID BY
ATTENDANT
PLAY
1 TO 4
COINS
BEFORE
PULLING
HANDLE
1R
INSERT COIN


MILLION


7 28 12 35 3 26
15 19 4 21

Zimbali Lodge

ZIMBALI, KWAZULU-NATAL

2003 Group Review cont.

City Lodge's results for the year were outstanding. Revenues at R293 million were 26% higher than the previous year with average room occupancies four percentage points above the previous year at 76%. The EBITDA margin was three percentage points higher than the prior year resulting in a 35% increase in EBITDA to R153 million.

INVESTMENT IN TECHNOLOGY

The group continues to invest in new technology and new product development to keep it at the cutting edge of the industry both locally and internationally. Our systems, which include hotel reservations, casino management, procurement and employment equity are under constant review. The IT department is currently undergoing a major restructuring to ensure that we have the appropriate structure to meet the current and future needs of our businesses.

RISK MANAGEMENT

During the year a Risk Committee was formed to oversee and control the risk management processes throughout the group. The committee undertook a detailed exercise to identify risks in the businesses, at both the corporate and operational levels, to ensure that action plans are in place and that the ownership of risk management is embedded throughout the group. The scope of work of our internal audit department has been extended to cover the audit of the risk management process to assist management and the Risk Committee with compliance.

CUSTOMER FOCUS

The group has consistently endeavoured to ensure that its customers are provided with a differentiated and superior value for money experience. To this end the group has committed significant resources to the training and development of its staff at all levels and has achieved considerable progress in establishing both the Sun International and City Lodge brands in their respective markets. The Sun International brand is today synonymous with high quality hotels, resorts and casinos offering a high standard of personalised service. The City Lodge brand is synonymous with a range of superior selected service hotel products offering excellent value for money in high demand locations. The strength of the Sun International and City Lodge brands is reflected in the high level of repeat business across the group.

EMPOWERMENT

A number of transactions aimed at ensuring that there is an appropriate level of black economic empowerment throughout the group were initiated in the current year.

An employee share trust was established by SISA for its non-management employees, numbering in excess of 6 000. The trust owns 3% of SISA and 3,5% of SISA's underlying casino subsidiaries and associates. The trust has the benefit of an interest free loan from SISA and the participating group companies of R128 million, which will be repaid out of future dividends and capital gains realised on the disposal of the trust's investments.

An agreement was concluded between SISA and Grand Parade Investments Limited (GPI), its empowerment partner in SunWest International (Pty) Limited (SunWest), whereby SISA sold to GPI an additional 12% shareholding in SunWest bringing GPI's shareholding up to 20% at 30 June 2003. The acquisition was facilitated by SISA subscribing for preference shares in GPI.

SISA has further agreed to the disposal of a 30% shareholding in the Wild Coast Sun to a Community Development Trust. SISA will provide this trust with financing to acquire the 30% interest.

The group recently reached agreement in principle with Meriting Investments, its empowerment partner in the Flamingo casino near Kimberley, to provide facilitation to enable

2003 Group Review cont.

Meriting to acquire an additional 7% shareholding in Teemane, increasing their overall effective shareholding to 20%.

THE DRAFT 2003 NATIONAL GAMBLING BILL

The Casino Association of South Africa (CASA), established during the year to represent the interests of the casino industry, was given the opportunity to make representation on the final draft of the 2003 National Gambling Bill, which led to certain amendments being proposed by the Parliamentary Portfolio Committee on Trade and Industry.

Whilst the bill in its amended form goes a long way in addressing the issues of concern raised by CASA, certain sections of the bill will only become operational after the Minister of Trade and Industry issues specific regulations governing these sections. There will be a further opportunity for the group and the industry, through CASA, to comment and engage the Minister and/or the Department of Trade and Industry prior to the finalisation of such regulations.

PROSPECTS

The slowdown in the domestic economy and continued high real interest rates will place disposable income under pressure which, together with the opening of a competitor facility in Durban in November 2002 will impact the group's gaming revenues for the first half of the year ahead. Forward bookings at the group's hotels and resorts are strong and continue to benefit from the increasing popularity of South Africa as a tourist destination.

The acquisitions of the additional stakes in SIML and SISA combined with the expected increase in the contributions from the group's underlying operations should result in strong earnings growth in the year ahead.

APPRECIATION

The strong performance of the group over the past year is attributed to the efforts and dedication of the group's employees. We would like to thank them for their loyalty and professionalism which has helped the group to become the successful business that it is today. We would also like to thank our directors for their valuable contribution and counsel during the year.

DA HAWTON
Chairman

PD BACON
Chief Executive

DC COUTTS-TROTTER
Deputy Chief Executive
23 October 2003

GrandWest

GRANDWEST, CAPE TOWN – WESTERN CAPE

Review of Operations

SUN INTERNATIONAL

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

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

MAJOR GAMING COMPLEXES

Sun International has extensive experience in the development and management of major gaming and entertainment facilities.

The group's casinos operate in a highly competitive market, facing direct competition from other casinos, the national lottery, bingo, the planned introduction of limited payout machines and indirect competition from other entertainment venues, restaurants and bars. The group's gaming marketing strategy in this environment is to ensure that all customers enjoy the best "value for money" gaming experience possible. This includes ensuring that the latest and most popular machines are on our slot floors; customer service is of the highest standard; and that we provide our customers with quality entertainment and a comprehensive range of food and beverage facilities.

The Most Valued Guest (MVG) programme is the key element of the group's customer relationship strategy to provide a consistently extraordinary guest experience at all of our hotels, resorts and casinos. Central to this strategy is a comprehensive restructure of the ten year old MVG programme including a revised card structure and exciting new benefits for all card holders. These will be over and above the wider range of benefits that members already enjoy; from exclusive invitations to the annual Nedbank Golf Challenge at Sun City to regular golf days, entertainment and discounted meals and accommodation.

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 Jackpot" was introduced at all operations in September 2002. These jackpots enable operations to optimise machine capacity through the random triggering of mystery jackpots on certain slot machines or groups of machines. Mystery jackpots have paid over R80 million to 200 000 customers since their introduction.

Joint marketing campaigns between the group's casinos and resorts allow Sun International to reward customers with innovative promotions and special offers, and realise economies of scale made possible by the group's size and geographical spread.

The joint venture arrangement for the development of a new generation casino gaming management system concluded during 2002 was terminated due to the withdrawal of Universal Gaming from the joint venture. The group, together with local software developers and consultants, has decided to undertake the development of its new system internally, thereby maximising our competitive advantage and enhancing our intellectual capital base, without any increase in the total cost of ownership over the life of the system.

The GrandWest casino performed exceptionally well during the year with casino revenues 23% higher than last year. This growth can be attributed to the strong regional economy, which has benefited from a significant increase in the number of tourists visiting the Western Cape over the past year. A focus on cost control, efficiency and productivity resulted in significant improvements in GrandWest's operating margins. EBITDA reflected a 38% increase over the prior year and the EBITDA margin at 38% was six percentage points up on the previous year. GrandWest has become a major attraction in Cape Town, notably achieving the status as the seventh most recognisable brand in Cape Town by an independent survey conducted by the Destination Management Organisation. With effect from 1 July 2003 the Western Cape Provincial Government have adjusted the revenue bands used for the purpose of calculating gaming levies to recognise the effect of inflation for the 1996 to 1999 period.

Trading at the Boardwalk casino improved significantly over the previous year as a result of the growth in tourism to the Eastern Cape, in particular Port Elizabeth, and a better performing local economy particularly due to the commencement of the long awaited Coega deep-water harbour project. Casino revenues at R243 million were 27% higher than the previous year and EBITDA of R88 million was 47% higher. The significant increase in EBITDA was achieved despite a substantial increase in the effective gambling levy, as a result of a change made by the Eastern Cape Gambling and Betting Board to the method of levy computation.

SugarMill was impacted by the opening of a competitor's casino facility at the Village Green in Durban at the end of November 2002. Revenues as a consequence were 5% lower than the previous year at R402 million. SugarMill achieved more than its fair market share in the seven months of competitive trading. This was achieved through innovative marketing campaigns to all segments of the local market. An EBITDA margin of 33% was achieved for the year.

Construction of the Sibaya project at Umdloti in KwaZulu-Natal has commenced and is scheduled for completion during November 2004, at a cost of R650 million. When completed, the development will comprise a casino, a luxury 36-room hotel, a modern and flexible conference facility, a cultural village and children facilities as well as a number of restaurants, bars, and entertainment facilities.

Despite a 17% growth in casino revenues in the highly competitive Gauteng casino market, Carnival City casino revenues only grew 12% to R508 million. This disappointing growth is mostly due to sluggish economic growth prevailing in Carnival City's core market, the East Rand, which has fallen behind other areas in Gauteng. Despite this the casino maintained its fair market share of the slot market whilst experiencing a loss of its share of the tables' market. Tight cost control enabled the casino to increase EBITDA by 28% to R167 million. Carnival City hosted a number of local and international stars in the Big Top entertainment arena including the Atomic Kitten concert in June 2003. The arena remains the leading venue for boxing tournaments in the country.

Both the Carousel and Morula Sun casino revenues were in line with the previous year. This result is encouraging given that revenues at these operations have been declining over the

OPPOSITE: THE GRAND HOTEL, GRANDWEST – WESTERN CAPE • THE FLAMINGO CASINO – NORTHERN CAPE • THE CARNIVAL CITY COMPLEX – GAUTENG


GRAND
HOTEL

MACHINE


Boardwalk Casino

PORT ELIZABETH – EASTERN CAPE

past few years. Operating efficiencies were achieved on the gaming floor and focused local marketing promotions ensured that revenues were not further eroded. Combined EBITDA was in line with the previous year at R49 million. The Morula Sun and Carousel will be upgrading their casino floors in 2004 and 2005 respectively. This, together with other planned enhancements to these properties, will increase their appeal to gaming customers in a highly competitive market.

The Meropa casino traded above expectations in its first full year of operation, generating EBITDA of R34 million on revenues of R104 million. The complex has established itself as one of the most popular entertainment destinations in Polokwane.

Trading in the first full year of operation at the Flamingo casino was satisfactory in a market where the overall economic growth has fallen below that of the other major urban centres. Revenues of R73 million were generated and an EBITDA margin of 32% was achieved.

An application has been submitted to the Free State Gambling Board to relocate the Thaba'Nchu casino licence to Bloemfontein. If granted, construction on the new facility will commence in the second half of the 2004 financial year. The new location is well positioned next to the N1 highway, providing good access to local and transient customers. Capital spend is estimated at R138 million. This together with the expenditure on the Sibaya project is the only planned expenditure on new projects. No significant capital expenditure is planned for any of the existing gaming complexes during the 2004 financial year. Approximately R120 million is planned to be spent at the Morula Sun and Carousel in the 2005 financial year on the upgrading of the gaming floors and other facilities at these casinos.

RESORTS AND HOTELS

Sun International is the only major operator of superior luxury hotels and major resorts in southern Africa. 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 are all members of *The Leading Hotels of the World.*

The group has marketing offices and a strong public relations presence in the UK, Germany, France, Italy and the United States. These offices enable the group to deliver focused and effective marketing and sales strategies.

Sun International received a number of awards at the World Travel Awards held in October 2002. These included: the Leading African Hotel Group, The Palace of the Lost City winning the category of Africa's Leading Hotel and Sun City winning 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.

The group's hotels and resorts performed well during the year, particularly during the first six months, with revenues well above the previous year. During the second half of the financial year, occupancies at the group's major resorts were affected by the conflict in the Middle East and SARS. Despite these negative impacts, group occupancy at 74% was five percentage points above the previous year. The average room rate at R781 was 18% above the previous year. Forward bookings at the group's hotels and resorts are strong and the group continues to benefit from the increasing popularity of South Africa as a tourist destination.

Sun City continues to be regarded as the country's premier destination resort, achieving substantial growth in international tourists to the resort in the first half of the

Review of Operations cont.

financial year. The resort was negatively affected in the last quarter by SARS and to a lesser extent by the Iraqi conflict. All indications are that the resort will continue to enjoy meaningful growth, assisted by the signing of the Approved Destination Status agreement concluded between the South African and Chinese Governments. Occupancy at 75% for the year was in line with the previous year, and the average room rate at R922 was 19% up on the previous year. The resort's casino performed well in a highly competitive environment achieving revenues of R194 million, 5% up on last year. The slot operation at the Sun City Hotel was converted to smart card gaming during the year. Overall, Sun City achieved EBITDA of R94 million, 27% up on last year, on revenues of R790 million which were 14% up on last year. The resort again hosted the Nedbank Golf Challenge in December 2002, which attracted an elite field of players and remains Sun City's most successful promotion aimed at positioning the resort in our primary foreign markets. The resort also hosted the Miss South Africa pageant and presented a number of international stars including Ronan Keating, Remos and Dana Winner.

A substantial refurbishment of the Palace of The Lost City and the Cascades hotel commenced in the second half of the financial year. The Palace hotel's soft furnishings will be upgraded with completion during October 2003. The Cascades hotel's rooms are being completely renovated, and the hotel's Peninsula restaurant has undergone a major facelift. This refurbishment programme is expected to be completed by June 2004.

The Table Bay performed exceptionally well during the year with revenue increasing by 31% to R144 million. Cape Town saw a major influx of foreign tourists during the year, largely as a result of improved awareness campaigns by SA Tourism, the favourable exchange rate, perceptions of improved security relative to other parts of the world and increased aircraft capacity to the city. Overall room occupancy at 72% was nine percentage points up on the previous year at an average rate of R1 253, 17% up on last year. EBITDA at R46 million was 48% higher than last year.

The group believes the new Cape Town International Convention Centre will attract more business visitors to Cape Town and should benefit the hospitality industry, particularly in traditionally low tourism months.

The Zambian resort broke even at an EBITDA level for the year. Overall, the resort incurred a loss of R26 million (including depreciation charges of R23 million) before an unrealised foreign exchange loss of R64 million on the intercompany funding. Occupancies rose nine percentage points to 39% at an average room rate of US$100, 21% up on last year. Forward bookings are encouraging and an improved result is anticipated in the year ahead.

Zimbali Lodge increased revenues by 19% to R31 million as a result of a four percentage point increase in occupancy to 70% and a 14% increase in room rate to R969. The hotel benefited from an increase in foreign visitors, which accounted for 47% of the room nights sold which was five percentage points up on last year.

The impact of the new competitor facility in Durban on the Wild Coast Sun was less than expected. This was largely the result of a successful marketing campaign, which attracted customers to the resort's excellent facilities. Overall revenues were 4% ahead of the previous year at R180 million and EBITDA declined by only 3% to R31 million. Trading in late

OPPOSITE: GRANDWEST CASINO, CAPE TOWN – WESTERN CAPE


2000

The Royal Livingstone

VICTORIA FALLS, ZAMBIA

November and early December was impacted by damage to the Umtumvuna River Bridge.

Occupancy at the Swaziland hotels grew two percentage points to 56% at an average room rate of R426, 10% up on last year. Revenues were 10% up on last year at R134 million and EBITDA was 17% higher at R28 million. During the year a Kamp Kwena children's facility was constructed which has added to the appeal of the resort as a family destination.

The Fish River property continued to incur losses despite the conversion of the entire rooms inventory to "Vacation Club" units. In an effort to extract further value from the property, the group has entered into an arrangement to market the land surrounding the golf course in conjunction with the Pam Golding property group. Apart from the positive cash flows, this should generate further "critical mass" and will assist in reducing the overhead burden.

Mpekweni generated a small profit during the year, largely as a consequence of the improved tourist volumes to the region. The future of the hotel remains uncertain, as the Eastern Cape Development Corporation, the owner of the hotel, has placed the property on the market.

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 excellent returns on capital invested.

Thaba'Nchu Sun and Naledi Sun trading was disappointing with revenues marginally up on last year at R69 million. EBITDA at R6 million was 100% higher than last year. As reported above, an application has been made for the transfer of the Thaba'Nchu casino licence to Bloemfontein. The group will be required to close the Naledi Sun operation as and when the fourth casino licence in the province commences trading which is not expected to be before December 2004.

The Botswana operations were negatively impacted by increased competition from the opening of a number of restaurants and entertainment facilities in and around Gaborone as well as the introduction of VAT which increased the effective gaming taxes. As a result, revenues were 2% down on last year at Pula89 million and EBITDA 14% down at Pula32 million. Earnings attributable to Kersaf of R27 million were 10% lower than the prior year. The conference centre, Savuti restaurant and pool area were refurbished during the year at a cost of Pula7 million.

Revenues at the Kalahari Sun were 8% higher at R82 million with EBITDA of R28 million only 4% up on the prior year due to higher insurance and property costs.

The Lesotho operations, comprising the Lesotho Sun and Maseru Sun, experienced good growth in revenues and EBITDA. Combined revenues were up 14% to R80 million and EBITDA was 21% higher at R18 million.

SUN INTERNATIONAL MANAGEMENT LIMITED

On 15 November 2002, the group acquired the minority's effective 27% interest in SIML for US$16,9 million. The acquisition has resulted in the group capitalising R184 million to intangibles. R145 million of this relates to the minority's interest in the management contracts, with the balance of R39 million attributed to goodwill. The management contracts will be amortised over the life of the respective contracts (average of 13 years) and the goodwill over 20 years.

The activities of SIML generated operating management fee revenues 23% higher than last year with total management fee income, including project fees, 19% up on last year at R241 million. The increase in operating fee income is attributable to the higher revenues and profitability of the SISA operations. Project fees were 50% lower than last year at R5 million. Costs were well contained, assisted in part by lower offshore sales and marketing costs due to the stronger Rand, and as a result, EBITDA of R108 million was 61% higher than last year. Amortisation charges of R15 million were R14 million higher than last year due to a R9 million charge relating to the acquisition of the minority's interest in SIML's management contracts, and a R5 million charge relating to the amortisation of the Sun International name. Earnings attributable to Kersaf at R52 million were lower than last year as a result of the higher amortisation charges, a tax charge of R23 million in the current year against a tax credit of R8 million in 2002 and foreign exchange losses of R6 million in the current year against profits of R8 million in 2002.

CITY LODGE

City Lodge is the premier provider of selected services hotel accommodation in South Africa. The company covers the full market spectrum through its four brands, Courtyard Suite Hotels (four star), City Lodge (three star), Town Lodge (two star) and Road Lodge (one star).

City Lodge's results for the year were outstanding. Strong demand from domestic business and leisure travellers, improved inbound tourism and one-off events such as the World Summit on Sustainable Development and the Cricket World Cup helped boost occupancies over the previous year by four percentage points to 76%.

Increased demand, together with full year contributions from Road Lodge Kimberley and Town Lodge Polokwane, as well as a nine month contribution from Road Lodge Cape Town International Airport, resulted in an increase of 12% in room nights sold. The higher room nights sold and room rate growth resulted in revenues increasing by 26% to R293 million. The EBITDA margin was three percentage points higher than the prior year resulting in a 35% increase in EBITDA to R153 million. The net interest expense decreased by 77% to R1,9 million due to higher average cash balances. The contribution from the Courtyard joint venture increased from R1 million to R3,5 million. Headline earnings increased by 58% to R87 million and fully diluted earnings per share were up 56% on the prior year.

Capital expenditure of R32 million in respect of new hotels was incurred during the year and a further R24 million was spent on furniture and fittings and upgrading of existing facilities. In the year ahead, the 168-room City Lodge Umhlanga Ridge next to the Gateway Shopping and Entertainment Centre will be opened and a 90-room Road Lodge will be developed in Rustenburg. Total capital expenditure for the forthcoming financial year is forecast at R73 million.

The group is well positioned to benefit from any improvements in domestic business travel and from the country's status as an increasingly popular tourist destination. The balance sheet remains strong with a low level of gearing.

CENTRAL OFFICE AND OTHER

At year end Kersaf had cash and loans receivable of R238 million and preference share borrowings of R180 million. The date for redemption of the preference shares has been extended from 1 July 2003 to 1 July 2006. At 30 June 2003 Kersaf held 500 000 KZL shares.

OPPOSITE: ZAMBEZI SUN BOMA – ZAMBIA • SUN CITY – NORTH WEST PROVINCE • WILD COAST SUN – EASTERN CAPE

Courtyard Suite Hotel

PORT ELIZABETH – EASTERN CAPE


Review of Operations cont.

ROYALE RESORTS

As at 30 June 2003 the interests of 73,3% owned Royale Resorts comprised a 6% investment in KZL, a 50% investment in and loans to Ster Century Europe (SCE) and a 50% investment in Ster Century Middle East (SCME). The group has made significant progress in the disposal of the SCE operations and remains committed to the disposal of the SCME's cinema interests. As a consequence of the group's decision to dispose of its cinema interests, both SCE and SCME have been treated as discontinuing operations. As at 30 June 2003 Royale Resorts held cash of US$2 million.

Investment in KZL

The group's obligation to dispose of a minimum of two million KZL shares was discharged during December 2002 when Royale Resorts sold 2 300 000 shares by way of a public offer, realising US$42 million after costs. The proceeds were primarily utilised to discharge borrowings, including the US$32 million KZL liability. In addition, during the year Royale Resorts disposed of a further 1 065 051 KZL shares and Kersaf 100 000 KZL shares. The proceeds were utilised primarily in the acquisition of the minority's stake in SIML and the redemption of debt. At year end Royale Resorts held 1 793 579 KZL shares of which Kersaf effectively owns 1 314 227 (excluding the KZL shares included in "Central office and other" above). In terms of the arrangement with KZL, the group may dispose of up to 500 000 KZL shares per quarter through the market and further sales will take place in the new financial year.

Ster Century Europe

Ster Century Europe has now finalised the sale of all of its operations other than one complex located in Slovakia, which is currently the subject of a sale process. The Poland and Greece cinema interests were sold in July 2002 for US$19,6 million and the sale of the Spain operations was concluded on 30 June 2003 for €9,3 million. Subsequent to the year end, the sale of the UK and Ireland operations was concluded for a consideration of £16,9 million. Separate announcements have been made to shareholders containing details of these transactions.

Ster Century Europe generated revenues of US$55,1 million, 25% lower than last year. Excluding the revenues form sold operations, revenues were 61% higher. The strong revenue growth was achieved as a result of new cinema openings during and since the prior year, good product and a continued improvement in trading at certain of the more established sites. The SCE group incurred an EBITDA loss of US$1,6 million compared to last years loss of US$3,6 million. Losses attributable to Kersaf before exceptional items amounted to R36 million.

Ster Century Middle East

Ster Century Middle East was comprehensively restructured during the past year, resulting in the closure of one of the sites and the downsizing of the other site in Sharjah. Significant rental and cost reductions were achieved and it is anticipated that SCME will generate positive cashflows going forward.

The conflict in Iraq negatively impacted trading for much of the second half of the year. Revenues were 182% higher than last year at US$7,5 million. This significant growth was largely due to the opening of a cinema complex in Jumeirah in October 2002 and the complexes opened during the previous year, which traded for the full year. An EBITDA loss of US$2,8 million was incurred for the year. Kersaf's share of attributable losses before exceptional items amounted to R14,6 million. The group will continue to seek to exit from this business.

Employees and 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 8 181 people (excluding associate companies) who received 39% of total cash distributed to our stakeholders. In addition, the group provides 11 804 indirect jobs at its various operations, comprising various business partners, concessionaires, contractors and contract labour.

EMPLOYEE SHARE TRUST

During the year, the Sun International Employee Share Trust was established for the benefit of the group's non-management employees. Employees participate in the performance of the group through the Share Trust in two ways:

- Dividend payments which will take place twice per annum
- Distribution of profits realised on the disposal of investments held by the Share Trust

The implementation of the Employee Share Trust followed an extensive consultation process with various stakeholders, including shareholders, the relevant Gaming Boards and the South African Commercial Catering and Allied Workers Union. A detailed roll out process took place with presentations to all General Managers and Head Office heads of department who in turn communicated with their staff through personal letters and presentations. Informative brochures from the Chief Executive were distributed to each eligible staff member welcoming them as members of the Share Trust.

The creation of the Share Trust is seen as a milestone in the history of Sun International and is a direct result of Sun International's success in recent years. The group believes that it is appropriate that all staff should be able to share in the rewards that come with hard work, loyalty and service to the group. The Trust provides an excellent opportunity for employees to share in the future success of the group.

PEOPLE DEVELOPMENT

The group invested approximately R19 million in training and development in the year under review to ensure the group maintains its competitive edge through improved efficiency and service levels. The group's commitment to the ongoing development of training is driven by the principle that the most competitive companies are usually those where specialised investment in education and training is significant.

During the year the group conducted 355 different training programmes and modules, with a total of 11 397 attendees, attending these programmes. In line with our employment equity goals, 74% of the delegates were black, 49% of whom were females. Training in Money Laundering Control, the SA Host course and various Aids programmes constituted approximately 30% of all training conducted.

The Money Laundering Control programme was developed specifically to equip management to carry out the group's statutory obligations related to both the Financial Intelligence Centre Act (38 of 2001) and the Prevention of Organised Crime Act (53 of 1998). After the programme was designed and developed, "train the trainer" sessions were held for all the South African gaming units and over 50 line managers were trained to present the programme.

The Lost City

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

Employees and Corporate Responsibility cont.

The SA Host initiative, sponsored by the Business Trust, is designed to upgrade the standard of service provided to all customers and visitors in South Africa. To date over 1 000 members of staff at various units have attended the course.

The group continues to comply with the Skills Development Act and received the maximum grants available in recognition of this compliance.

During the year the Tourism Hospitality Education Training Authority (THETA), underwent major changes including the restructuring of the top management structure. This should allow THETA to refocus on its mandate to uplift skills in the sector by providing more efficient and effective service delivery mechanisms and processes in the future.

The curriculum for the group's Executive Management Development Programme (EMDP) presented by the University of Cape Town's Graduate School of Business, was revised taking into account the latest global trends and will now be presented as the Sun International Business Leadership Programme (SIBLP). The overall purpose of the programme is to develop middle managers to ensure that they have broad business acumen and an appreciation of the group strategy as a whole. The programme has been designed to enable delegates to develop a strategic view of the group and be able to manage key issues at an operational level. This programme forms part of a broader accelerated development initiative, which includes the Sun International Leadership Programme, the newly revised Management Development Programme and Supervisory Development Programme.

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 the virus and our initiatives were considered innovative. In consultation with the then leading Aids authority in the country, 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.

During the year under review, Sun International commissioned MedScheme Life to conduct an HIV/AIDS economic impact assessment in order to help the group determine current and projected HIV/AIDS prevalence rates amongst our employees, as well as illustrate the possible impact on recruitment, training and absenteeism costs. Based on the actuarial study conducted, the estimated prevalence within Sun International is lower than the national average and we believe this is, to a large extent, due to the initiatives that the group has taken over the years. It remains our challenge to ensure that the prevalence levels do not increase and that those living with HIV/AIDS lead productive and healthy lives for as long as possible.

As part of the education process the group encourages employees to test for HIV and to know their status. There is no discrimination against HIV infected employees in the work place 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 and booklets;
- Distribution of free condoms;
- Education and informative articles in the group newspaper;
- Establishment of Aids awareness committees; and
- Setting up of communications channels with local health departments and clients.

The group conducts group-wide audits of all Aids awareness and education measures that are in place across all operations in the group. We use this information to strategically plan our forthcoming initiatives.

In addition, we are closely monitoring initiatives by other large corporations in South Africa, especially those concerned with the provision of antiretroviral medication to employees. We have considered the advantages and disadvantages of providing antiretroviral medication to employees and have analysed the possible conflict with current medical aid legislation. We will continue carefully monitoring the situation.

NATIONAL RESPONSIBLE GAMING PROGRAMME

This has been the first full year for which the work of the industry-funded National Responsible Gaming Programme (NRGP) has been supervised by the SA Responsible Gambling Trust (SARGT), which is composed of an equal number of government regulators and industry representatives.

The NRGP is the only programme of its kind in the world structured as a private/public sector partnership in this way, as it is the only one internationally in which treatment, research, and public education are integrated in a single initiative. It is thus unique among gambling jurisdictions worldwide, and it has become a model, which other countries, including the United Kingdom, are to follow.

Since inception in May 2000, more than 40 000 calls have been received by the tollfree helpline (0800 006 008), and some 2 400 callers have been referred for free treatment by a medical professional. More than 2 500 additional people have received assistance telephonically. The 24 hour multilingual treatment network has been extended to 32 towns and cities in southern Africa.

Recently the NRGP, in conjunction with the National Centre for the Study of Gambling at the University of Cape Town, completed South Africa’s most comprehensive research study ever into gambling behaviour, and the incidence of problem gambling. Also in the past year, the pilot education programmes among adolescents and senior citizens were completed, and shortly will be extended nationally.

Some 10 000 industry workers have received formal training on the subject of compulsive and problem gambling. R10,5 million has been invested in the programme by the private sector, approximately half of which was contributed by Sun International, according to a formula agreed by the industry.

INDUSTRIAL RELATIONS

The substantive negotiations at a group level with SACCAWU were challenging and were finally concluded during the month of November 2002 within the prescribed mandates.

Restructuring was carried out at both the Thaba’Nchu Sun and the Carousel. Despite the fact that no final agreement was concluded with SACCAWU, the Union elected not to challenge the fairness of the proceedings, given that the outstanding issues were relatively minor in nature.

The existing Relationship Agreement concluded between SISA and SACCAWU remained unchanged during the period. At Carnival City, a separate Relationship Agreement was entered into with SACCAWU, which, amongst other issues, afforded collective bargaining rights to the Union.

SACCAWU has approached both The Boardwalk and Flamingo in an attempt to obtain organisational rights. However, in both

cases, the required threshold of representivity was not obtained and the requests were denied. The situation at both these units continues to be closely monitored.

The court case between SACCAWU and Sun International relating to the restructuring and retrenchment exercise which was embarked upon during 2000 was decided in favour of the group. No appeal to date has been lodged.

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 their upliftment and development. The group continued with its allocation of a minimum of 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 Carousel assisted in the development and upliftment of three educational institutions. Morula Sun contributed towards the ugrading of facilities at the Motsile and Tebogwana schools. Among other projects, SugarMill contributed a substantial amount to assist the Ubunye Kuzakahle Community Project to purchase brick laying equipment as part of a community self-help project. GrandWest supported the Family Life Resources Centre with monthly contributions to their counselling programme and contributed to a radio awareness project on National Aids Day. In conjunction with the Northern Cape Gambling Board, Flamingo casino provided a soup kitchen during the winter season for the elderly at pension pay points. Sun City contributed towards the upgrading of the hydroponic vegetable farms. These farms continue to play an important role in supplying fresh vegetables for consumption at the resort. The Boardwalk continues to play an active role in providing nutritional food for two pre-schools in the Vee Plaas and Joe Slovo communities on a monthly basis. The group continued its support for Acres of Love, a home for HIV/AIDS abandoned children, through the supply of a vehicle and other sponsorships. Sun International continues its strong support of NGOs and charitable organisations such as the Variety Club, The Nelson Mandela Children's Fund, Reach for a Dream, The Sports Trust and many others.

EMPLOYMENT EQUITY

The group continues to comply with all legal requirements contained in the relevant legislation. These include detailed consultations with all stakeholders on a unit and national basis, submission of all required reports and quarterly consultations with the South African Commercial Catering and Allied Workers Union on progress made in terms of Employment Equity Processes.

During the year, the group launched a Bursary Scheme, which supports previously disadvantaged students with their studies at University. While this programme forms part of the group's Corporate Social Investment, the goal is to employ these candidates in the organisation in the future, which will assist in bringing more previously disadvantaged individuals into the business.

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

OPPOSITE: PORTERS • CROUPIER • FAMILY LIFE RESOURCES CENTRE

Employees and Corporate Responsibility cont.

GROUP EMPLOYMENT EQUITY PLAN						
		30 June 2003		Target 2005		
Occupation level	White	Designated*	%	White	Designated*	%
Legislators, senior officials and managers	48	11	18,6	34	24	41,4
Professionals	68	58	46,0	56	77	57,9
Technicians and associate professionals	567	1 076	65,5	435	1 216	73,7
Clerks	13	575	97,8	21	574	86,5
Service and sales workers	155	3 524	95,8	219	3 488	94,1
Craft and related trades workers	26	186	87,7	23	182	88,8
Plant and machine operators and assemblers	1	4	80,0	1	7	87,5
Elementary occupations	0	28	100,0	0	27	100,0
TOTAL	878	5 462	86,2	789	5 595	87,6

** 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 that 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
- 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 as well as via e-mails.

A central forum has been established where the group's representatives meet with SACCAWU to discuss strategic employment equity issues in all the units where they have bargaining rights. Employment Equity Committees have also been established in these units where, apart from Union members, other staff members have been elected to participate in the Unit Employment Equity Committees. These staff members consist of a cross section of all occupational categories, levels, gender and race.

The Department of Labour has recently started employment equity audits on all companies and the group has been subjected to two of these, with positive results. The focus for the upcoming financial year will be to implement a diversity management programme, which will create awareness amongst staff as to the value of a diverse workforce, and how that would support the implementation of employment equity.

AFFIRMATIVE PROCUREMENT

In line with government's Black Economic Empowerment strategy, the group intends adopting the balanced score card approach to achieve its goals and objectives in this regard. Specifically with regard to procurement, we will implement an affirmative procurement policy which:

- Allows us to deliver quality products and services at the most optimal price;

- Addresses the principle and policy objective of BEE as proposed by government; and
- Leverages our purchasing power through volumes and technology.

Our targeted BEE procurement spend is 15% out of the total spend for the 2004 financial year. It is currently envisaged that this spend will increase by 5% per annum and reach 30% by 2007. Total spend includes all operating expenditures in a financial year (excluding payroll and statutory charges).

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. In the past year GrandWest, the Boardwalk and Carnival City all launched a Environmental Awareness Training Programmes, one of the key components of an ISO14001 management system. To date, over 400 staff members from these three units have undertaken the training programme. With a view to achieving a unified approach to environmental management in all the properties, Flamingo and Meropa will commence the implementation of EMSs during 2004.

The process of introducing 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 is the cost saving resulting from increasing energy efficiency, reducing water consumption and minimising the cost of waste disposal.

Financial Commentary

INCOME STATEMENT

Adjusted headline earnings per share were 118% higher than last year at 214 cents. This substantial improvement was largely due to the higher earnings of Sun International South Africa and City Lodge and the reduced losses incurred in the Zambia resort.

Ster Century Europe Limited and Ster Century Middle East Limited have been treated as discontinuing operations and as a consequence, the earnings and results from these operations have been disclosed separately and excluded from adjusted headline earnings.

Revenues for the year of R4 214 million were 13% higher, with gaming revenues up 15% and hospitality and other revenues up 9%. The increase in gaming revenues was due largely to the strong trading at both Boardwalk and GrandWest and to Meropa and Flamingo trading for the full year.

EBITDA for the year of R1,3 billion was 33% higher than last year. The good revenue growth and tight cost control resulted in a four percentage point increase in the EBITDA margin to 30%.

Profit before tax for the year was R390 million. Depreciation and amortisation charges increased by 6% whilst net interest paid of R224 million was 13% lower than last year. Foreign exchange losses of R116 million, versus profits last year of R59 million, relate primarily to unrealised losses on inter-company loans. Associate earnings from continuing operations at R58 million were 52% up on last year as a result of the excellent trading of the City Lodge group.

The group incurred a number of exceptional charges during the year. The most significant of these were a R64 million fair value adjustment in respect of the interest free loan to the Sun International Employee Share Trust, a charge of R40 million for post retirement medical aid funding, and a fair value adjustment in respect of the group's investment in Kerzner International Limited (KZL) of R74 million. R213 million of the foreign currency translation reserve was transferred to retained income by way of exceptional income as a consequence of the sale of KZL shares.

Profit after tax for the year was R200 million. Including adjusted headline earnings adjustments, profit after taxation was 97% higher than last year at R301 million.

Adjusted headline earnings for the year were 117% higher than last year at R192 million.

In view of the strong cash flows and growth in adjusted headline earnings, the board has declared a final dividend of 50 cents per share (2002: nil) bringing the total dividends declared in respect of the year to 75 cents per share (2002: nil).

BALANCE SHEET

The group's balance sheet remains strong assisted by the strong operating cash flows, which offset the negative impacts of the stronger Rand. Significant movements in balance sheet components were as follows:

Shareholders' funds of R4 070 million were R475 million lower. This decrease is largely due to the foreign currency translation and hedge accounted losses totalling R400 million, dividend distributions of R428 million (including the R347 million distribution of KZL shares to the minority shareholder in Royale Resorts), the R13 million loss for the year (after adding back the R213 million exceptional income which was transferred from the foreign currency translation reserve) offset by an increase in minority shareholder funding of R176 million and the minority's profit on the sale of their interest in SIML of R184 million (distributed to the minority as indicated above).

Interest bearing debt of R1 995 million was R675 million lower with the percentage of interest bearing debt to total shareholders' funds at 49%, compared to the previous year's 57%. The decrease in borrowings is mainly due to the utilisation of the proceeds from the sale of KZL shares to settle borrowings and the strong cash flows from operations.

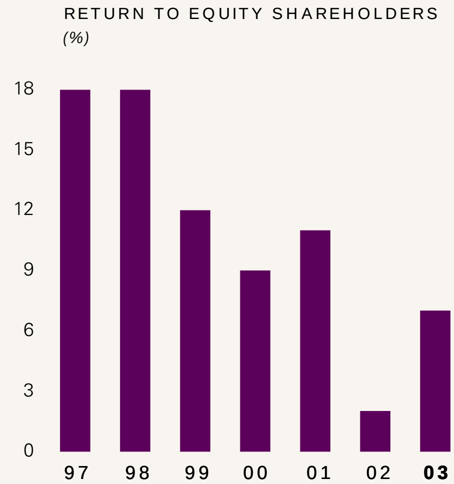
Property, plant and equipment was R203 million lower. This reflects the net movement of R327 million of capital expenditure, a R374 million depreciation charge, net disposals, write downs and transfers of R35 million and exchange adjustments of R120 million. Capital expenditure comprised the Sun City refurbishment and ongoing capex of R120 million, the Sibaya project of R60 million and the upgrading of existing facilities and replacement of equipment in the group.

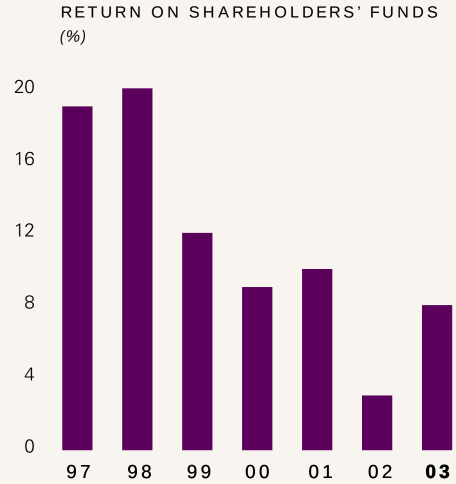
Intangible assets at R723 million were R58 million higher due mainly to the acquisition of the minority's interest in SIML, resulting in capitalising R145 million relating to the management contracts and R39 million being goodwill. The impact of this acquisition was partially offset by a foreign exchange translation loss of R33 million and amortisation and write downs of R94 million.

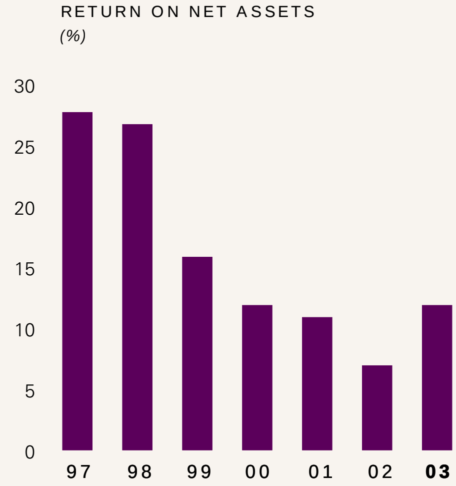
Investments in associates at R211 million were R20 million lower due to dividends received (R20 million), goodwill amortised (R8 million), net associate losses due to the discontinuing cinema operations (R94 million) offset in part by additional funding to Ster Century Europe (R8 million), translation gains (R8 million) and the reclassification of the negative carrying value of SCE and SCME to loans receivable and current liabilities respectively (R87 million).

Available-for-sale investments of R699 million (non current and current) were R1 195 million lower due to the realisation of R804 million of the group's investment in KZL, currency translation adjustments of R319 million and the write down of R74 million on the marking to market of the investment in KZL.

Current assets of R1 199 million were R26 million higher. The increase in current assets is due to the classification of loans receivable of R143 million in current assets (comprising mainly of a R123 million receivable from SCE), higher cash balances of R63 million due mainly to the proceeds from the sale of KZL







shares, in part offset by the decrease in the available-for-sale assets of R143 million, and lower accounts receivable.

Interest free liabilities of R1 226 million were R80 million higher primarily due to the recognition of the post retirement medical liability of R40 million and the net higher level of other payables.

RETURNS

The returns for the year, as graphically depicted on page 37, improved but still remain below expectation. Returns were impacted by a combination of higher earnings from SISA and City Lodge and the lower losses attributed to the Zambian resort. The significant holding in KZL on which no accounting income is realised remains a significant factor depressing the calculated returns.

The reduction in the foreign currency translation reserve as a result of the stronger Rand had a positive impact on returns as it impacts net assets and shareholders' funds on which returns are calculated. The utilisation of the proceeds from the sale of KZL shares to settle debt or to acquire assets which should provide accounting income has had and will continue to have a positive impact on returns.

As a result of the acquisition of the minority's interest in SIML, the recently announced acquisition of an additional 18,6% interest in SISA, the utilisation of proceeds from the sale of KZL shares and the expected increase in the contributions from the group's underlying operations, returns are expected to improve significantly 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 adjusted headline earnings adjustments for each segment is also presented.

The group's main segments are:

- **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,** which are 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, La Coupe and Kersaf. These include certain local activities undertaken on behalf of the offshore management company, administration, insurance underwriting profits (current year only), interest, foreign exchange differences and other central office and investment related costs and consolidation elimination entries.

The group's main associates are:

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

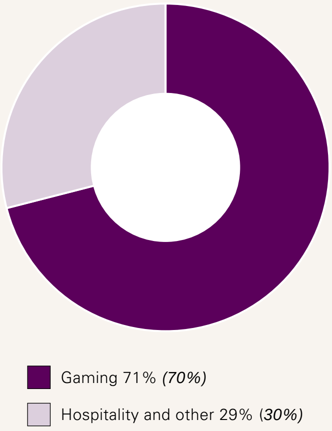
With the exception of management activities, all other segments made an improved contribution to earnings than in the prior year. The higher revenues and profitability of the SISA operations increased SISA's contribution to group adjusted attributable earnings by 178% to R78 million. Other southern African operations contributed R26 million as against last year's loss of R12 million. The significant turnaround is due to the reduced loss at the Victoria Falls hotels, where losses have reduced from R65 million to the current year's loss of R26 million. Excluding Zambia, other southern African operations contributed R52 million, which was in line with last year. Despite improved revenues and EBITDA, earnings from management activities of R52 million were R1 million lower than last year. This was due to the higher amortisation and taxation charges and the foreign exchange losses against profits in the prior year. The increase in the contribution from central office and other is due to an insurance underwriting profit made by the group's offshore insurance captive of R16 million, offset by foreign exchange losses on offshore cash balances. The insurance captive underwrites a portion of the group's fidelity cover.

KERSAF'S SHARE OF ADJUSTED HEADLINE EARNINGS

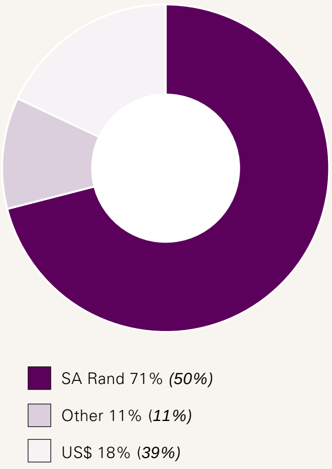
	2003 Rm	2002 Rm
Sun International South Africa	**78**	28
Other southern African operations*	**26**	(12)
Management activities	**52**	53
City Lodge	**34**	22
Central office and other	**2**	(2)
	192	89

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

REVENUE



NET ASSETS



SUN INTERNATIONAL (SOUTH AFRICA) LIMITED	2003 Rm	% change	2002 Rm
Revenue	**3 762**	14	3 294
EBITDA	**1 003**	27	787
Adjusted headline earnings	**176**	107	85
Adjusted headline earnings per share (cents)	**15,0**	108	7,2
Total assets	**5 207**	2	5 129
EBITDA margin (%)	**27**		24
Rooms available	**2 375**		2 484
Average occupancy (%)	**74**		69
Slot machines	**8 540**		8 555
Gaming tables	**285**		290
Employees	**6 178**		6 438

Sun International (South Africa) Limited experienced improved trading over the past year, in particular during the first half of the financial year. The group's hotels and resorts benefited from the increase in foreign visitor numbers and the group's casinos benefited from the strength of the South African economy. Overall group revenues were 14% higher, with gaming revenues 16% up and rooms revenues 20% up on last year. Food and beverage revenues were lower than last year primarily due to changes to certain of the group's outsourcing arrangements and hence a change in accounting for these revenues. Average room occupancy at 74% was five percentage points ahead of last year, with Sun City in line with last year and The Table Bay occupancy nine percentage points up. SISA's average achieved room rate at R781 was 18% up on last year. The increase in gaming revenues was due to strong trading at the GrandWest and the Boardwalk casinos, and the inclusion for the full year of the Meropa and Flamingo casinos. Margins increased as a result of both the increase in revenues and cost containment, with a 27% increase in EBITDA to R1 billion. Net interest costs were R5 million below the previous year, reflecting the strong cash flows and improved profitability. Adjusted headline earnings of R176 million were 107% ahead of the previous year.

Sun International's other southern African operations include the hotels and casinos in Botswana, Swaziland, Namibia, Lesotho and the resort at the Victoria Falls in Zambia.

Other southern African operations had mixed fortunes, with strong trading in Swaziland and Lesotho, offset in part by weaker trading in Botswana. The performance of the hotels in Zambia remained disappointing, albeit the results were significantly better than last year with occupancy nine percentage points higher at 39%. Losses attributable to Kersaf of R26 million were R39 million lower than the loss incurred in the prior year (excluding foreign exchange gains and losses on inter-company loans). The Zambian resort incurred a loss of R26 million (including depreciation charges of R23 million) before a foreign exchange loss of R64 million.

OTHER SOUTHERN AFRICAN OPERATIONS	2003 Rm	% change	2002 Rm
Revenue	**439**	8	408
EBITDA	**106**	39	76
Adjusted headline earnings	**41**	5	39
Total assets	**556**	(3)	574
EBITDA margin (%)	**24**		19
Rooms available	**1 474**		1 474
Average occupancy (%)	**53**		49
Slot machines	**816**		815
Gaming tables	**47**		47
Employees	**1 899**		1 945

* *Includes the results of the Lesotho operations*

SUN INTERNATIONAL MANAGEMENT LIMITED	2003 Rm	% change	2002 Rm
Revenue	**241**	19	202
Operating management fees	**236**	23	192
Project fees	**5**	(50)	10
EBITDA	**108**	61	67
Adjusted headline earnings	**60**	(17)	72
EBITDA margin (%)	**45**		33
Number of employees	**356**		342

Sun International Management Limited increased revenues by 19% to R241 million, largely as a result of the increase in SISA revenues and profitability. The EBITDA margin improved by 12 percentage points to 45% and EBITDA by 61% to R108 million. Adjusted headline earnings were, however, 17% below last year at R60 million. This was due to higher amortisation charges, foreign exchange losses against profits in the previous year and a taxation charge in the current year against a tax provision release in the prior year.

City Lodge Hotels Limited increased revenues by 26% on last year. This was achieved by a four percentage point increase in occupancy to 76%, rate growth and full year contributions from Road Lodge Kimberley and Town Lodge Polokwane, as well as a nine month contribution from Road Lodge Cape Town International Airport. This revenue growth, together with good cost control, resulted in a three percentage point increase in the EBITDA margin to 52%. Headline earnings increased by 58% to R87 million and fully diluted earnings per share were up 56% on the prior year.

CITY LODGE HOTELS LIMITED	2003 Rm	% change	2002 Rm
Revenue	**293**	26	232
EBITDA	**153**	35	113
Headline earnings	**87**	58	55
Headline earnings per share (cents)			
Undiluted	**209**	54	136
Fully diluted	**207**	56	133
Total assets	**480**	12	430
EBITDA margin (%)	**52**		49
Rooms available	**3 785**		3 742
Average occupancy (%)	**76**		72
Employees	**930**		918

Financial Commentary cont.

SEGMENTAL INFORMATION

	Revenues (Rm)		EBITDA (Rm)		Depreciation and amortisation (Rm)		Operating profits before exceptional Items (Rm)	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
SUN INTERNATIONAL (SOUTH AFRICA) LIMITED								
(stated in Rands)								
GrandWest	**866**	741	**324**	236	**97**	95	**228**	141
Sun City	**790**	694	**94**	74	**51**	44	**38**	25
Carnival City	**532**	488	**167**	130	**62**	61	**98**	69
SugarMill / Sibaya (capex only)	**402**	421	**134**	164	**34**	35	**76**	105
Boardwalk	**256**	214	**88**	60	**32**	33	**56**	25
Wild Coast Sun	**180**	173	**31**	32	**16**	18	**14**	13
The Carousel Casino and Entertainment World	**158**	158	**21**	16	**9**	11	**5**	5
The Table Bay	**144**	110	**46**	31	**13**	13	**14**	4
Morula Sun	**140**	140	**28**	33	**5**	6	**22**	27
Meropa	**104**	24	**34**	8	**17**	4	**17**	4
Flamingo	**73**	25	**23**	7	**13**	4	**10**	4
Thaba'Nchu Sun and Naledi Sun	**69**	66	**6**	3	**6**	7	**(5)**	(10)
Zimbali	**31**	26	**4**	3	**3**	4	**–**	(1)
Fish River Sun and Mpekweni Sun Marine Resort	**17**	14	**(5)**	(5)	**2**	1	**(8)**	(8)
SISA central office and other	**–**	–	**8**	(5)	**5**	4	**(6)**	(18)
Total	**3 762**	3 294	**1 003**	787	**365**	340	**559**	385
OTHER SOUTHERN AFRICAN								
Botswana	**139**	144	**50**	59	**8**	9	**40**	49
Swaziland	**134**	122	**28**	24	**6**	5	**20**	19
Zambia	**84**	66	**–**	(34)	**23**	23	**(23)**	(58)
Namibia	**82**	76	**28**	27	**5**	5	**18**	18
	439	408	**106**	76	**42**	42	**55**	28
MANAGEMENT ACTIVITIES	**241**	202	**108**	67	**14**	1	**92**	66
CENTRAL OFFICE AND OTHER	**5**	4	**66**	32	**19**	32	**50**	–
Total	**4 447**	3 908	**1 283**	962	**440**	415	**756**	479
ASSOCIATES								
Lesotho								
Ster Century Europe								
Ster Century Middle East								
City Lodge								
Net interest expense and foreign exchange profit								
Taxation								
Outside shareholders' interest								
Deferred taxation								
Borrowings								
Elimination of intra-group revenues	**(233)**	(189)						
	4 214	3 719	**1 283**	962	**440**	415	**756**	479

Exceptional items (Rm)		Segment result (Rm)		Assets (Rm)		Liabilities (Rm)		Capital expenditure (Rm)	
2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
(7)	–	**221**	141	**1 299**	1 373	**64**	76	**25**	46
–	–	**38**	25	**1 087**	1 057	**116**	97	**120**	22
(4)	–	**94**	69	**677**	724	**54**	48	**27**	18
(3)	–	**73**	105	**312**	285	**39**	36	**73**	29
(10)	(3)	**46**	22	**402**	414	**29**	31	**5**	16
(20)	–	**(6)**	13	**185**	191	**27**	30	**7**	6
–	–	**5**	5	**203**	207	**12**	17	**3**	2
–	–	**14**	4	**204**	206	**56**	25	**6**	3
–	–	**22**	27	**66**	63	**12**	18	**7**	6
(1)	(9)	**16**	(5)	**185**	196	**8**	4	**6**	159
(1)	(6)	**9**	(2)	**125**	139	**4**	7	**5**	102
–	–	**(5)**	(10)	**36**	42	**7**	10	**2**	1
–	–	**–**	(1)	**73**	87	**3**	3	**1**	2
–	–	**(8)**	(8)	**9**	8	**2**	2	**–**	–
(18)	(1)	**(24)**	(19)	**344**	137	**117**	148	**6**	11
(64)	(19)	**495**	366	**5 207**	5 129	**550**	552	**293**	423
–	–	**40**	49	**73**	73	**13**	19	**15**	6
(1)	–	**19**	19	**89**	85	**21**	27	**5**	10
–	–	**(23)**	(58)	**364**	384	**13**	36	**(1)**	(12)
–	–	**18**	18	**30**	32	**6**	7	**2**	4
(1)	–	**54**	28	**556**	574	**53**	89	**21**	8
–	–	**92**	66	**295**	207	**3**	2	**22**	2
76	(355)	**126**	(355)	**902**	2 130	**135**	12	**12**	126
11	(374)	**767**	105	**6 960**	8 040	**741**	655	**348**	559
		(38)	(200)	**331**	448	**30**	19		
		7	6	**9**	10	**–**	–		
		(71)	(214)	**123**	250	**–**	–		
		(25)	(25)	**–**	–	**30**	19		
		51	33	**199**	188	**–**	–		
		(340)	(198)						
		(190)	(114)			**52**	78		
		(74)	110						
						403	395		
						1 995	2 797		
11	(374)	**125**	(297)	**7 291**	8 488	**3 221**	3 944	**348**	559

Financial Commentary cont.

KEY STATISTICS

	Number of hotel rooms		Average occupancy (%)		Average room rate (Rands)	
	2003	2002	**2003**	2002	**2003**	2002
SUN INTERNATIONAL (SOUTH AFRICA) LIMITED						
GrandWest	**39**	39	**90**	85	**285**	274
Sun City	**1 301**	1301	**75**	75	**922**	772
Carnival City	**48**	48	**95**	80	**184**	250
SugarMill						
Boardwalk						
Wild Coast Sun	**246**	246	**84**	79	**303**	301
The Carousel Casino and Entertainment World	**57**	57	**62**	63	**245**	230
The Table Bay	**329**	329	**72**	63	**1 253**	1 073
Morula Sun	**35**	72	**81**	53	**307**	205
Meropa						
Flamingo						
Thaba'Nchu Sun and Naledi Sun	**148**	148	**65**	54	**197**	197
Zimbali	**76**	76	**70**	66	**968**	850
Fish River Sun and Mpekweni Sun Marine Resort	**96**	168	**49**	41	**202**	182
	2 375	2 484	**74**	69	**781**	662
OTHER SOUTHERN AFRICAN						
Botswana	**196**	196	**60**	66	**652**	636
Swaziland	**458**	458	**56**	54	**426**	386
Zambia	**385**	385	**39**	30	**866**	842
Namibia	**173**	173	**61**	61	**401**	347
Lesotho	**262**	262	**48**	49	**456**	403
	1 474	1 474	**53**	49	**549**	500
Group total	**3 849**	3 958	**67**	62	**725**	614

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	
2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
1 767	1 750	**34**	26	**60**	60	**201**	166	**816**	811
797	824	**15**	13	**37**	37	**132**	133	**1 624**	1 649
1 750	1 750	**27**	18	**61**	60	**142**	110	**659**	659
878	877	**30**	28	**30**	30	**268**	286	**443**	559
721	721	**26**	19	**18**	18	**164**	112	**466**	469
438	438	**21**	20	**16**	16	**92**	93	**471**	471
829	848	**13**	12	**15**	19	**118**	75	**329**	405
								213	210
607	600	**16**	14	**16**	17	**89**	120	**461**	466
257	250	**29**	26	**12**	12	**111**	118	**177**	179
200	200	**34**	26	**9**	9	**107**	105	**128**	135
296	297	**16**	14	**11**	12	**51**	48	**198**	218
								50	49
								143	158
8 540	8 555	**25**	20	**285**	290	**155**	138	**6 178**	6 438
234	234	**25**	24	**11**	11	**95**	87	**340**	395
196	197	**15**	12	**20**	20	**68**	66	**507**	511
85	85	**2**	1					**388**	386
129	129	**29**	29	**8**	8	**106**	104	**236**	233
172	170	**13**	11	**8**	8	**69**	54	**428**	420
816	815	**18**	15	**47**	47	**81**	72	**1 899**	1 945
9 356	9 370	**25**	20	**332**	337	**146**	129	**8 077**	8 383

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 1996 base year terms and are set out in the table below:

DEFLATED EARNINGS

	2003 Rm	% change	2002 Rm	seven year compounded annual growth (%)
Adjusted headline earnings per share				
Reported	214	118	98	(3)
Deflated	135	99	68	(9)
Consumer price index				
(1996: 100)	158	9	145	

As per the above the increase in adjusted headline earnings per share on last year of 118% reduces to 99% on the restatement of earnings of both years in 1996 base year terms. The group's annual compound earnings decline over the past seven years is 3%. In aggregate there has been a 9% compound decrease in deflated earnings per share over the past seven years.

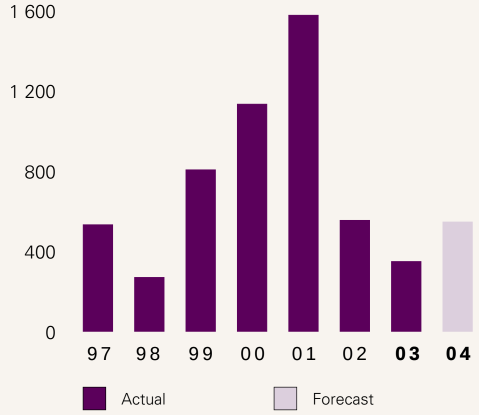
CAPITAL EXPENDITURE

Capital expenditure for the year of R327 million (excluding expenditure on intangible assets) was incurred on various projects, including the establishment of a smoking casino and refurbishments at Sun City and R60 million invested in the group's Sibaya project. This capital expenditure was funded by existing cash resources and operating cash flows.

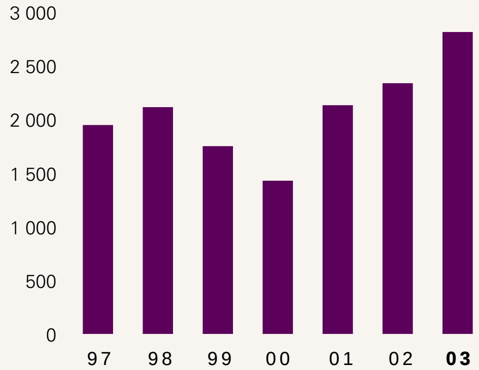
Further details of the group's capital expenditure for the year under review and that forecast for the year ahead are contained in the individual operational reviews preceding this review and in the cash flow statement and notes 10 and 30 in the financial statements.

The group currently has total capital commitments of R1 056 million relating largely to the Sibaya project (R571 million) and Bloemfontein project (R135 million). Capital expenditure for the year ahead is forecast at R544 million, relating mainly to the Sibaya project and further refurbishments at Sun City.

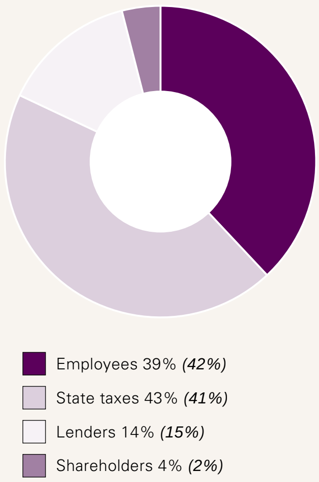
CAPITAL EXPENDITURE
(R million)



TOTAL CASH VALUE ADDED
(R million)



CASH DISTRIBUTED TO STAKEHOLDERS



Cash Value Added Statement

for the year ended 30 June

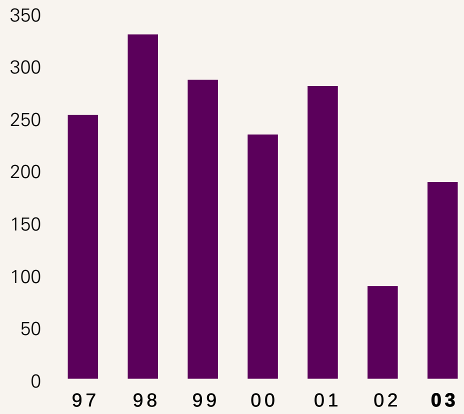
	2003 Rm	2002 Rm	Change %
CASH GENERATED			
Cash derived from revenue	**4 247**	3 696	
Income from investments	**93**	49	
Cash value generated	**4 340**	3 745	16
Paid to suppliers for materials and services	**(1 468)**	(1 374)	
Pre-opening expenditure	**–**	(18)	
Total cash value added	**2 872**	2 353	22
CASH DISTRIBUTED TO STAKEHOLDERS			
Employees	**(835)**	(798)	5
State taxes	**(915)**	(763)	20
Shareholders and lenders:			
Finance costs	**(288)**	(286)	1
Dividends to shareholders	**(81)**	(32)	153
	(2 119)	(1 879)	12
Cash retained in the business to fund replacement of assets, facilitate future growth and repay borrowings	**753**	474	59
RECONCILIATION WITH CASH GENERATION			
Total cash value added (above)	**2 872**	2 353	
Add: Pre-opening expenditure	**–**	18	
Less: Employee remuneration	**(835)**	(798)	
Employee tax	**(127)**	(132)	
Income from investments	**(93)**	(49)	
Levies and VAT on casino revenues	**(604)**	(497)	
Other taxes	**1**	(5)	
Cash generated by operations (per cash flow statement)	**1 214**	890	
STATE TAXES SUMMARY			
Income tax	**(164)**	(124)	
PAYE	**(127)**	(132)	
Levies and VAT on casino revenue	**(604)**	(497)	
Secondary tax on companies	**(17)**	(5)	
Other taxes	**(3)**	(5)	
	(915)	(763)	

Seven Year Financial Review

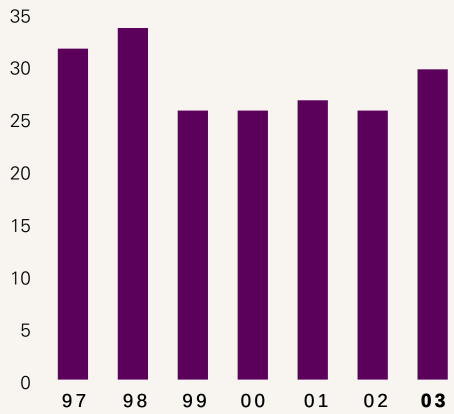
Group	2003	2002	2001	2000	1999	1998	1997
CONSOLIDATED INCOME STATEMENTS							
(R million)							
Revenue	**4 214**	3 719	3 174	2 573	2 501	2 838	2 760
EBITDA	**1 283**	962	872	671	649	977	871
Depreciation and amortisation	**(433)**	(391)	(295)	(194)	(155)	(160)	(153)
Property and equipment rentals	**(86)**	(68)	(63)	(42)	(38)	(26)	(37)
Profit from operations	**765**	503	514	435	456	791	681
Foreign exchange (losses)/profits	**(18)**	16	26	19	21	28	6
Interest income	**53**	23	32	80	167	136	88
Operating profits	**800**	542	572	534	644	955	775
Interest expense	**(297)**	(295)	(136)	(61)	(78)	(59)	(46)
Profit before taxation	**503**	247	436	473	566	896	729
Taxation	**(202)**	(94)	(73)	(162)	(190)	(286)	(248)
Profit after taxation	**301**	153	363	311	376	610	481
Share of associates' profits	**38**	24	107	91	122	92	70
Minority interests	**(147)**	(88)	(187)	(166)	(209)	(369)	(296)
Adjusted headline earnings	**192**	89	283	236	289	333	255

Note: – All adjusted headline earnings adjustments have been included 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 2003 and 2002 figures exclude KZL which has been accounted for as an investment.
– The 2003 and 2002 figures exclude the results and earnings from SCE and SCME, as these have been classified as discontinuing operations.

ADJUSTED HEADLINE EARNINGS
(R million)



EBITDA MARGIN
(%)



Group	**2003**	2002	2001	2000	1999	1998	1997
CONSOLIDATED BALANCE SHEETS							
(R million)							
ASSETS							
Non current assets							
Property, plant and equipment	**4 595**	4 798	4 695	3 461	3 009	2 513	2 476
Intangible assets	**723**	664	529	412	223	212	228
Investments and loans	**774**	1 854	2 108	2 047	1 690	1 588	1 149
	6 092	7 316	7 332	5 920	4 922	4 313	3 853
Current assets							
Inventory	**36**	29	23	21	28	36	45
Accounts and loans receivable	**450**	351	380	531	470	238	213
Available-for-sale investment	**364**	507	–	–	–	–	–
Cash and cash equivalents	**349**	286	238	200	1 022	1 193	639
	1 199	1 173	641	752	1 520	1 467	897
Total assets	**7 291**	8 489	7 973	6 672	6 442	5 780	4 750
EQUITY AND LIABILITIES							
Capital and reserves							
Ordinary shareholders' equity	**2 470**	2 888	2 832	2 744	2 454	2 287	1 424
Outside shareholders' interest	**1 600**	1 657	1 673	1 568	1 837	1 738	1 464
	4 070	4 545	4 505	4 312	4 291	4 025	2 888
Non current liabilities							
Deferred taxation	**403**	395	376	430	390	438	419
Borrowings	**1 699**	2 438	1 858	1 231	751	467	263
Other	**40**	–	–	–	–	–	–
	2 142	2 833	2 234	1 661	1 141	905	682
Current liabilities							
Accounts payable, accruals and provisions	**731**	674	695	551	836	643	719
Borrowings	**296**	359	435	67	24	20	167
Taxation	**52**	78	104	81	97	86	202
Dividends	**–**	–	–	–	53	101	92
	1 079	1 111	1 234	699	1 010	850	1 180
Total liabilities	**3 221**	3 944	3 468	2 360	2 151	1 755	1 862
Total equity and liabilities	**7 291**	8 489	7 973	6 672	6 442	5 780	4 750

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 cont.

Group statistics		**2003**	2002	2001	2000	1999	1998	1997
ORDINARY SHARE PERFORMANCE								
Shares in issue	000's	**90 050**	90 050	90 050	88 650	88 650	84 223	84 223
Weighted number of shares in issue	000's	**90 050**	90 050	88 990	88 650	87 449	84 223	84 223
Adjusted headline earnings per share	cents	**214**	98	318	266	329	395	303
Dividends per share*	cents	**75**	–	–	60	120	210	192
Dividend cover	times	**2,9**	–	–	4,4	2,7	1,9	1,6
Dividend payout	%	**35**	–	–	23	36	53	63
Net asset value per share	Rand	**27,42**	32,07	31,44	30,95	27,68	27,15	16,91
Market capitalisation at 30 June	Rm	**2 620**	2 611	3 242	2 358	2 394	2 274	2 657
Market capitalisation / net asset value	times	**1,1**	0,9	1,1	0,9	1,0	1,0	1,9
PROFITABILITY AND ASSET MANAGEMENT								
EBITDA margin	%	**30**	26	27	26	26	34	32
Effective tax rate	%	**40**	38	17	34	34	32	34
Return on net assets	%	**12**	8	11	12	16	27	28
Return on shareholders' funds	%	**8**	4	11	9	12	20	20
Return to equity shareholders	%	**7**	3	10	9	12	18	18
LIQUIDITY AND LEVERAGE								
Cash generated by operations	Rm	**1 214**	890	1053	430	554	912	816
Interest cover	times	**3**	2	4	9	8	16	17
Interest bearing debt to total shareholders' funds	%	**49**	62	51	30	18	12	15
Total liabilities to total shareholders' funds	%	**79**	87	77	55	50	44	64
Total shareholders' funds to total assets	%	**56**	54	57	65	67	70	61
Current ratio	:1	**1,1**	1,1	0,5	1,1	1,5	1,7	0,8

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

Note: All ratios have been calculated including adjusted headline earnings adjustments.

DEFINITIONS

EBITDA
Earnings before interest, taxation, depreciation and amortisation. EBITDA is stated before property and equipment rentals and exceptional items. Property and equipment 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 and losses) divided by interest expense.

Effective tax rate
Taxation per the income statement expressed as a percentage of profit before taxation.

Adjusted headline earnings per share
Adjusted headline earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

Dividend cover
Adjusted 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
Ordinary 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.

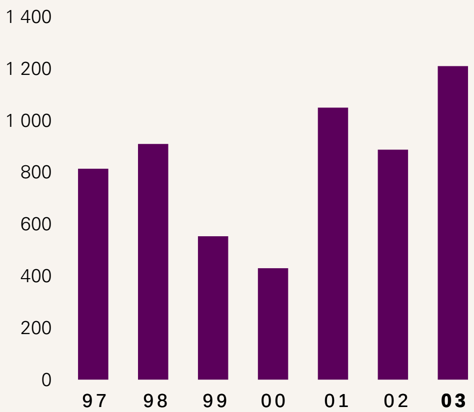
Return on shareholders' funds
Profit after taxation and share of associate companies' profits expressed as a percentage of average shareholders' funds.

Return to equity shareholders
Adjusted headline earnings attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' equity.

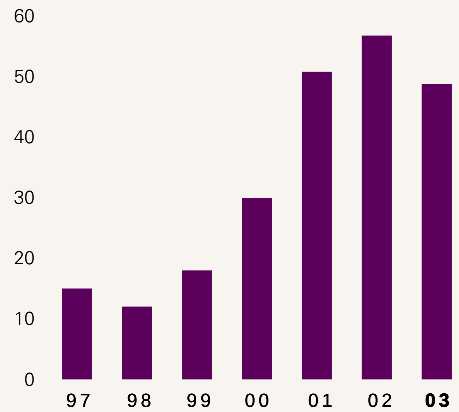
Group statistics		**2003**	2002	2001	2000	1999	1998	1997
STOCK EXCHANGE PERFORMANCE								
Market price	Rand							
– at 30 June		**29,10**	29,00	36,00	26,60	27,00	27,00	31,55
– highest		**32,00**	36.,50	38,00	29,80	29,00	41,50	51,00
– lowest		**24,00**	19,75	27,00	18,40	15,00	24,00	30,00
– weighted average		**26,28**	26,73	31,97	23,44	20,85	32,84	40,71
Kersaf share price index	#	**66**	65	81	60	61	61	71
JSE cyclical services index	#	**112**	114	116	127	112	119	130
Closing price earnings multiple	times	**14**	30	11	10	8	7	10
Closing dividend yield	%	**3**	–	–	2	4	8	6
Volume of shares traded	000	**18 960**	33 262	25 040	41 740	43 070	12 725	6 209
Volume of shares traded as a percentage of shares in issue	%	**21**	37	28	47	49	15	7
Value of shares traded	Rm	**498**	889	801	978	898	418	253
Number of transactions		**1 767**	2 770	3 976	4 032	8 733	1 602	1 373
GROWTH								
Reported growth per share	%							
– adjusted headline earnings		**118**	(69)	19	(19)	(17)	31	12
– dividends		**–**	–	(100)	(50)	(43)	9	5
Real growth per share	%							
– adjusted headline earnings		**100**	(71)	12	(23)	(22)	24	3
– dividends		**–**	–	(100)	(52)	(47)	4	(3)
Consumer price index	#	**158**	145	137	128	122	114	108
EMPLOYEES								
Number of employees at 30 June		**8 433**	8 787	9 326	8 333	8 415	12 583	16 112
Average number of employees		**8 610**	9 057	8 830	8 374	11 242	13 421	15 586
Revenue per employee	R000	**489**	411	359	307	222	211	177
Wealth created per employee	R000	**332**	260	247	171	157	159	138

Base for indices: 1996 = 100

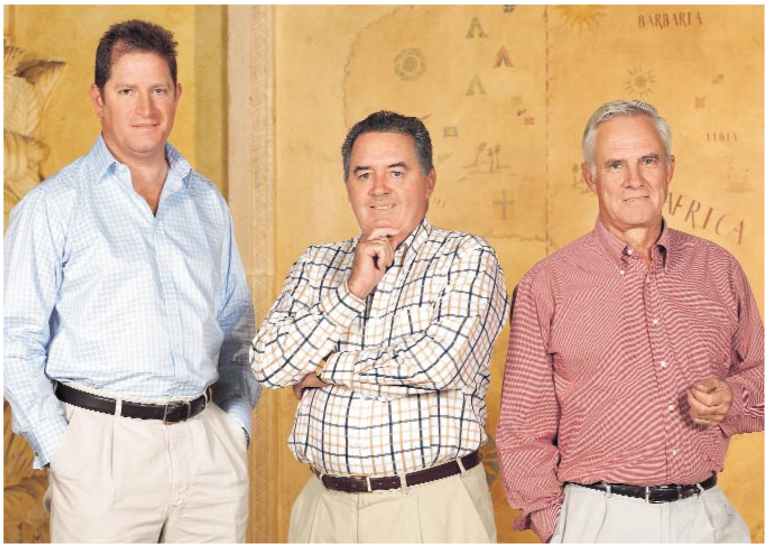
CASH GENERATED BY OPERATIONS
(R million)

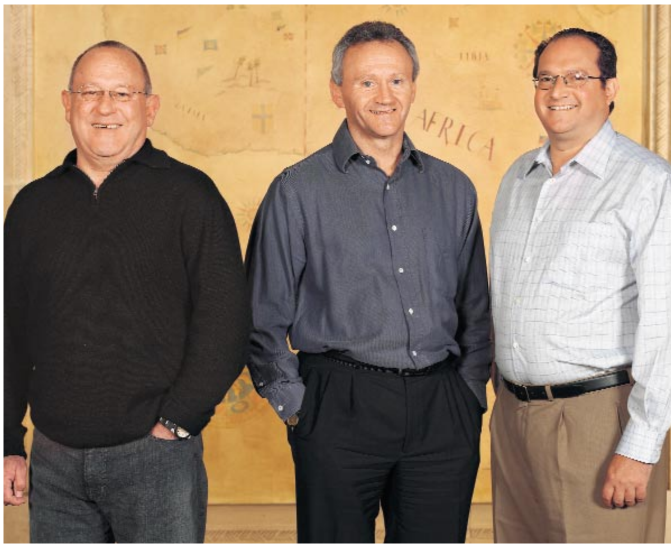


INTEREST BEARING DEBT TO TOTAL SHAREHOLDERS' FUNDS
(%)



Directorate and Administration





BOARD OF DIRECTORS

Top from left to right
Peter Bacon
Buddy Hawton
David Coutts-Trotter
Leslie Boyd
Nigel Matthews

Bottom from left to right
Graham Rosenthal
Stephen Mildenhall
Mike Egan
Leon Campher
David Nurek
Eddy Oblowitz

EXECUTIVE DIRECTORS

Chief executive

† **PD Bacon** *MHCIMA (British)* **(57)**

Appointed to the board in 1994 and
chief executive on 1 July 2003
Chief executive, Sun International
Over 30 years' experience in the hotel, resorts and gaming industries.

Deputy chief executive

† **DC Coutts-Trotter** *BBus Sci, BAcc, CA(SA)* **(41)**

Appointed to the board in 1996 and
deputy chief executive on 1 July 2003
Deputy chief executive, Sun International
Completed articles with PricewaterhouseCoopers Inc.

NON-EXECUTIVE DIRECTORS

Chairman

DA Hawton *FCIS* **(66)**

Appointed to the board in 1987 and retired as an executive director on 1 July 2003
Director of Standard Bank Group, Liberty Group, Nampak Limited, Altron Limited, City Lodge Hotels Limited and Woolworths Holdings Limited (chairman).

Ø **L Boyd** *CEng, FIM* **(66)**

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 and deputy chairman of Anglo American.

#Ø **PL Campher** *BEcon* **(55)**

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)* **(48)**

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* **(58)**

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* **(32)**

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* **(53)**

Appointed to the board in 2002
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 and Administration cont.

NON-EXECUTIVE DIRECTORS *(continued)*

*Ø **E Oblowitz** *BCom, CA(SA), CPA (Isr)* **(46)**

Appointed to the board in 2002

Independent financial and business 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)* **(59)**

Appointed to the board in 2002

Non-executive member of various audit committees and the group credit committee of Investec Bank Limited. Retired in 2000 as a partner of Arthur Andersen South Africa after being in charge of their South African audit and business advisory practice. Served as chairman of the Investigations Committee of the South African Institute of Chartered Accountants.

Member of the remuneration and nomination committee
* *Member of the audit committee*
† *Member of the group risk 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*

Nedbank 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 7716
Website suninternational.co.za

• *Registrar*

Computershare Limited,
Investor Services Division
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. The board is satisfied that the company is compliant with the Code in most material respects and with the related requirements of the new Listings Requirements of the JSE Securities Exchange South Africa (JSE), and continues to address those areas of the Code 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 culture of good corporate governance which recognises transparency, independence, accountability, responsibility, discipline, fairness and social responsibility as its core operating values.

BOARD OF DIRECTORS

The board is the focal point of the company's corporate governance system and is ultimately accountable and responsible for the key governance processes and the performance and affairs of the company. The board strives to provide leadership and vision to the company in a manner that will enhance shareholder value and ensure its long term sustainable development and growth.

The board charter regulates how business is to be conducted by the board in accordance with the principles of good corporate governance. 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 regulates and deals with, *inter alia*:

- board leadership, and defines the responsibilities of the chairman and the chief executive;
- board composition, pre-requisites and competencies for membership, procedures for board appointment, size and composition of the board, period of office, reward, induction and succession planning;
- the role and responsibilities of the board, which includes the adoption of strategic plans, the monitoring of management's implementation of board plans and strategies, the delegation of powers and duties to management and the determination of policy processes to ensure integrity of management and internal controls;
- board governance processes, including board procedures and matters requiring annual review;
- board committees, including delegation of authority (but not responsibility) and the requirements for transparency and full disclosure by the committees;
- matters specifically reserved for the board of a financial, administrative and manpower nature;
- identification of major risks and the process of risk management and effectiveness of the process;
- procedures for board meetings, frequency, quorum, agendas, board papers, conflicts of interest and minutes;
- share dealings;
- board, committee and individual evaluations and performance; and
- the role and responsibility of the company secretary.

The charter recognises that the operation of the board and the executive responsibility for the running of the company's business are two key and separate tasks and that there should be a clear division of responsibilities at the head of the company to ensure a balance of power and authority, ensuring that no individual or block of individuals has unfettered powers of decision making or can dominate the board's decision taking. The roles of chairman and chief executive were accordingly separated as from 1 July 2003, with Mr DA Hawton retaining the position of chairman of the board in a non-executive capacity and Mr PD Bacon assuming the position of chief executive. The chairman of the board is subject to annual election from amongst its members.

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 and nomination committee.

The board's governance and management functions are linked through the chief executive, who is tasked with the running of the business and the implementation of the policies and strategies adopted by the board. All board authority conferred on management is delegated through the chief executive and the authority and accountability of management is considered to be the authority and the accountability of the chief executive. Board authority is delegated by way of written board resolutions and levels of materiality are currently being reviewed.

As at the date of this report, the board comprises two executive and nine non-executive directors of whom six are considered independent in terms of the definitions contained in the Code. The non-executive directors have the necessary skill and experience to bring judgement independent of management on material board issues. The composition of the board appears on pages 53 and 54 of the annual report and changes in the directorate during the financial year on page 71.

The executive directors are individually mandated and held accountable for:

- 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.

The board is required to evaluate its own performance, processes and procedures annually and through the remuneration and nomination committee to appraise the performance of the chairman and the contribution of each individual director. The remuneration and nomination committee is required to appraise the performance of the chief executive. The result of this appraisal is considered by the remuneration and nomination committee in the evaluation of the remuneration of the chief executive. Board committees are also required to be reviewed by the board on a regular basis in addition to their own self-evaluation processes. The formal procedures for implementation of these evaluations are being finalised and will be put into place during the 2004 financial year.

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, directors, and particularly non-executive directors, are offered the benefit of an induction programme aimed at broadening their understanding of the group and the business environment and markets in which the group 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 group 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 group's environments and markets, including changes and trends in the economic, political, social and legal climate.

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 and group 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 provides 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, directors individually, and the committees 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. In addition, the board meets with executive management on an annual basis to review strategic direction and to consider plans proposed by management for the achievement thereof. 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.

Five board meetings were held during the 2003 financial year and a further two since then and to the date of this report. Details of attendance by each director was as follows:

	11 July 2002 (ad hoc)	27 August 2002 (quarterly)	22 November 2002 (quarterly)	4 March 2003 (quarterly)	27 May 2003 (quarterly)	31 July 2003 (ad hoc)	29 August 2003 (quarterly)
DA Hawton	√	√	√	√	√	√	√
PD Bacon	√	√	√	√	√	√	√
L Boyd	√	√	√	√	√	√	X
PL Campher	√	√	X	√	√	√	√
DC Coutts-Trotter	√	√	X	√	√	√	√
MP Egan	√	√	√	√	√	√	√
IN Matthews	√	√	√	√	√	√	√
SC Mildenhall	√	√	X	√	√	√	√
DM Nurek	X	√	√	√	X	√	√
E Oblowitz	√	√	√	√	√	√	√
GR Rosenthal	√	√	√	√	√	√	√

√ present
X absent

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 and nomination, and group risk committees. The terms of reference, and composition of the committees, are determined and approved by the board and have been adopted by all the committees and are subject to review, and approval, by the board on an annual basis. The chairpersons of the committees are required to report to the board on a quarterly basis in terms of their committees' respective terms of reference and copies of committee minutes are circulated to all the directors, except where mandated otherwise by the board.

Audit committee

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

The audit committee is primarily responsible for overseeing the company's financial reporting process on behalf of the board, and assists the board in discharging its fiduciary duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

The mandate of the audit committee includes:

- consideration of the annual appointment and evaluation of the external auditors, the audit plan and audit fees;
- evaluation of the independence of the external auditors and consideration of non-audit services performed by them and establishment of the policy in this regard;
- 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 auditors' interim and final reports and identification of key issues arising;
- review and evaluation of the internal audit activities and plan, annual review of the internal audit mandate, ensuring adequate resourcing, ensuring co-ordination between internal and external audit, ensuring appropriate action by management in the event of major deficiencies or breakdowns in controls or procedures, and considering the appointment of the head of internal audit;
- consideration of major findings of internal investigations and management's responses;
- monitoring of compliance with the group's ethical code of conduct, environmental and social issues and potential conflicts of interest;
- 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 chairman of the board, the chief executive, the chief financial officer and the head of internal audit attend audit committee meetings by invitation. Other board members also have right of attendance. The chairman of the audit committee, or in his absence another member of the committee nominated by him, attends the annual general meeting.

The audit committee meets separately with each of the external and the internal auditors without other board members or management present at least once a year.

The audit committee is required to meet at least three times a year. Three audit committee meetings were held during the 2003 financial year and a further one since then and to the date of this report. Details of attendance by each member was as follows:

	26 Aug 2002 (year end)	3 March 2003 (interim)	6 May 2003 (planning)	28 Aug 2003 (year end)
MP Egan	√	√	√	√
IN Matthews	√	√	√	√
E Oblowitz	√	√	√	√
GR Rosenthal	√	√	√	√

√ present

The audit 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. Its terms of reference were reviewed and amended during the year in line with current trends and developments relating to audit committees.

The audit committee is required to carry out a self-evaluation of its performance at least annually as part of the board's annual evaluation process.

Remuneration and nomination committee

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

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

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 board has agreed that the remuneration committee should also act as a nomination committee and it has accordingly changed its name to "remuneration and nomination committee" which is more indicative of its role.

The mandate of the remuneration and nomination 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;
- ensuring compliance and transparency with regard to emoluments and ensuring all stakeholders are informed of group policies and processes with regard to emoluments; and
- acting as a nomination committee, making recommendations to the board on all new board and board committee appointments and establishing a formal procedure for reviewing the balance and effectiveness of the board.

The remuneration and nomination committee is chaired by Mr IN Matthews, an independent non-executive director. Of the three remaining members, two are also independent non-executive directors and the other is the board chairman (who was an executive director up to 30 June 2003). The new JSE Listings Requirements specify that a nomination committee should be chaired by the board chairperson. As the committee performs a combined role in respect of remuneration and nominations, the board is satisfied that this requirement has been adequately addressed by stipulating that the chairman of the board must be a member of the committee and that he chairs discussions on nomination related issues. No executive director or senior executive may be present at meetings of the remuneration and nomination committee when his/her own salary is discussed or considered. The chairman of the remuneration and nomination committee, or in his absence another member of the committee nominated by him, is required to attend the annual general meeting.

The 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 terms of reference are currently being reviewed to include in the mandate the nomination function and other revisions to bring it into line with current governance practices.

The remuneration and nomination committee is required to meet formally at least twice a year. Three remuneration and nomination committee meetings were held during the 2003 financial year and a further two since then and to the date of this report. Details of attendance by each member was as follows:

	1 Aug 2002	4 March 2003	6 May 2003	1 Aug 2003	29 Aug 2003
IN Matthews	√	√	√	√	√
PL Campher	√	√	√	√	√
MP Egan	√	√	√	√	√
DA Hawton	√	√	√	√	√

√ present

Group risk committee

The group pursues strategies aimed at maximising long term shareholder value. The risks to which the group's existing businesses are exposed are continuously identified and mitigated in terms of a group process that allocates responsibility, determines the action to be taken and monitors compliance with that action. This involves managing existing businesses in a changing and challenging environment as well as pursuing new business opportunities locally and offshore. Any new business opportunity which exposes the group to risk results in a risk analysis being carried out by management as a pre-requisite to board consideration and approval. This ensures that the overall level of risk is assessed in relation to the potential returns.

The board of directors is responsible for monitoring and reviewing the risk management strategy of the company and of the group. The group risk committee assists the board in fulfilling this responsibility and in the discharge of its duties relating to corporate accountability and associated risk in terms of management, assurance and reporting. The effectiveness, quality, integrity and reliability of the company's risk management processes have accordingly been delegated to the group risk committee, whose primary objective is to monitor, develop and communicate the processes for managing risks across the group.

The committee was established in 2002 and has adopted a mandate and terms of reference which are subject to annual review by the committee, for consideration and approval by the board. This mandate has recently been reviewed and updated and includes:

- the review and assessment of the effectiveness of the risk management systems;
- the monitoring of external developments relating to corporate accountability, including emerging and prospective risks;
- the review of the risk philosophy of the group;
- the review of the adequacy of insurance coverage;
- the monitoring of the assurance processes of compliance against legislation impacting the group;
- the periodic review of risk assessments to determine material risks to the group and evaluating the strategy for managing those and the appropriateness of management's responses to those risks;
- the annual self-evaluation of the committee's performance as part of the board's annual evaluation process;
- ensuring and overseeing the preparation of a group risk register; and
- advising the board on risk aspects (including its commentary on risk in the annual report).

The risk committee meets under the chairmanship of Mr MP Egan, an independent non-executive director. Also represented on this committee are the chief executive and deputy chief executive, 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 and other members comprise representatives from the group's divisions, namely Mrs SA Bailes (group secretary), Mr HJ Brand (Sun International director of legal affairs), Mr G Collins (Sun International divisional director – gaming south), 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), Mr RG Rimmer (Sun International director of human resources) and Mr SG Shaw (Sun International divisional director – gaming north).

The risk committee is required to meet no less than three times a year. Four meetings have been held during the financial year and a further one since then and to the date of this report. Details of attendance by each member was as follows:

	5 August 2002	23 August 2002	24 February 2003	5 May 2003	4 August 2003
MP Egan	√	√	√	√	√
PD Bacon	√	√	√	√	√
SA Bailes	√	√	√	√	√
HJ Brand	√	√	√	√	√
G Collins***	n/a	n/a	n/a	n/a	X
DC Coutts-Trotter	√	√	√	√	√
PG Georgas	√	√	√	√	√
PR Hellings	√	√	X	√	√
JA Lee	√	√	X	√	√
IN Matthews	√	√	X	√	√
FJ Reeder	√	√	√	√	√
PT Reinecke	√	√	√	√	√
RG Rimmer*	n/a	by invitation	√	√	√
GR Rosenthal**	n/a	n/a	√	√	√
SG Shaw***	n/a	n/a	n/a	n/a	√

* (appointed to the risk committee on 27 August 2002)
** (appointed to the risk committee on 13 September 2002)
*** (appointed to the risk committee on 31 July 2003)

√ present
X absent
n/a not applicable

Management has committed the company to a formal process of enterprise risk management.

The company's top 50 risks have been identified, ranked and documented in a comprehensive risk register. The register will be updated on an annual basis, or as often as circumstances necessitate. Ownership of each risk has been assigned to an appropriate senior executive, who is required to report on progress made with agreed action plans and existing internal controls. The key risks are monitored by an advisory committee comprising the group's most senior executives on a two-monthly basis, and by the board, on a quarterly basis.

The categories of risk that form the focus of this process include regulatory, financial, socio-economic, human capital, technology, international risks, strategic, legal and taxation. Each risk has been measured in terms of its potential impact upon income statement items and the company's balance sheet. The company's risk tolerance levels are used to guide decisions for risk mitigation. The process of enterprise risk management is therefore embedded at a strategic level. This process has been successfully cascaded down to all of the group's major subsidiaries and associates.

At operational level, there are numerous risk management processes, including functions such as safety management, security, fire, defence, fraud detection, food hygiene controls and quality management. Each of these functions includes processes for the identification of risk, the implementation of risk mitigations, and compliance with relevant legislation. Risks are monitored and reported upon at monthly management meetings. There is a comprehensive system of incident reporting that allows for exception reporting to executive management.

The group's annual internal audit plan is being extended to incorporate the outcomes of the enterprise risk management process and the top risks in the group are in the process of being incorporated into the internal audit plan. These risks will be addressed by the plan at least once a year. The head of internal audit is a member of the risk committee and attends all divisional and management meetings where risk is addressed in order to verify that the risk management process is appropriate. As such, internal audit provides a high profile risk management facilitation role, but without assuming responsibility for risk management which remains the responsibility of line management.

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 July 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 while the company or any major listed subsidiary is under cautionary, or pending any price sensitive announcements.

Directors and the company secretary are requested to obtain prior clearance in writing of any proposed share transactions from the chairman of the board, or in his absence the chairman of the remuneration and nomination committee, or in his absence the chairman of the audit committee, before dealing outside of the "closed periods" to ensure there are no price sensitive negotiations taking place. Requests for clearance are routed through the company secretary who also maintains a written record of requests for dealing and clearances.

Details of any transactions by directors and the secretary in the shares of the company (including transactions under the share option scheme) are advised to the JSE, through the sponsor, for publication on 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 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 shareholders, 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 and the process of application of the code throughout the group are currently under review to ensure adherence and implementation in line with the criteria contained in the King II Code.

GOING CONCERN

Following due consideration, 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 present 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 Financial Reporting 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*:

	Salary R	Bonus Gross R	Bonus Deferred** R	Retirement contributions R	Other benefits ***R	Severance benefits R	Total R
Executive directors:							
2003							
PD Bacon	2 798 195	2 689 950	(328 650)	–	524 479	–	5 683 974
DC Coutts-Trotter	1 713 573	1 500 000	–	176 049	371 783	–	3 761 405
DA Hawton	2 703 156	2 000 000	–	–	2 214 300	–	6 917 456
	7 214 924	6 189 950	(328 650)	176 049	3 110 562	–	16 362 835
2002							
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
FW J 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
2002							
Restraint payments** **							
PD Bacon							3 500 000
DC Coutts-Trotter							3 500 000
FWJ Kilbourn							3 500 000
							10 500 000

Non-executive directors:	2003	2002
Fees:		
L Boyd	90 000	58 767
PL Campher	118 726	2 466
MP Egan	260 000	156 233
FWJ Kilbourn	–	33 904
D Konar	–	18 411
IN Matthews	220 000	155 000
SC Mildenhall	90 000	2 466
DM Nurek	90 000	2 466
E Oblowitz	127 932	–
GR Rosenthal	152 342	2 466
	1 149 000	432 179
Consultancy services:		
MP Egan	–	30 000
IN Matthews	–	30 000
	–	60 000

* For the purposes of emoluments offshore payments have been converted to Rands at the annual average exchange rate.

** In terms of the group's executive bonus scheme, a portion of the bonus is deferred in the event that the target bonus is exceeded. This deferred portion is payable in future years in the event that the individual's target bonus is not achieved. Payment is dependent on the executive being in the employ of the group at the future bonus accrual date.

*** Includes cash distributions of R239 958 made following the termination of the Royale share option scheme (refer table on page 67), converted to Rands at the exchange rate at date of payment in respect of each of Messrs Bacon and Coutts-Trotter. Includes, in respect of Mr Hawton, an amount of R1 884 025 paid in the year by a group offshore subsidiary on completion of a service contract which commenced on 1 July 1998.

**** The restraint period is for two 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 for submission to the chairman of the board and review by the remuneration and nomination 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 are payable quarterly in arrears, after their approval by members at the annual general meeting. 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.

Proposed increases in the level of fees payable to the non-executive directors for 2004 appear on the table alongside. These have been recommended by the executive and reviewed by the chairman of the board and the remuneration and nomination committee 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 2004	Approved 2003
Services as directors			
fees:	– chairman of the board	* 750 000	–
	– directors	110 000	90 000
Audit committee			
fees:	– chairman	90 000	80 000
	– members	45 000	40 000
Remuneration and nomination committee			
fees:	– chairman	70 000	60 000
	– members	35 000	30 000
Group risk committee			
fees:	– chairman	70 000	60 000
	– members	35 000	30 000

* Includes participation in or attendance at committee meetings.

SHARE OPTIONS HELD BY DIRECTORS IN TERMS OF THEIR PARTICIPATION IN THE KERSAF EMPLOYEE SHARE INCENTIVE SCHEME AS AT 30 JUNE 2003

	Date of grant	Exercise price R	No. of options held 30 June 2002	Options exercised during year ended 30 June 2003	No. of options held 30 June 2003	Lapse date	No. of options vesting 30 June 2003
PD Bacon	17.08.1998	19,375	43 750	–	43 750	17.08.2008	43 750
	11.09.1998	19,050	156 375	–	156 375	11.09.2008	156 375
	22.09.1999	19,525	43 750	–	43 750	22.09.2009	32 812
	24.08.2000	31,20	43 750	–	43 750	24.08.2010	21 875
	04.12.2001	22,975	43 750	–	43 750	04.12.2011	10 937
	06.03.2003	26,50	NIL	–	43 750	06.03.2013	NIL
DC Coutts-Trotter	01.03.1995	38,75	3 400	–	3 400	01.03.2005	3 400
	17.08.1998	19,375	17 500	–	17 500	17.08.2008	17 500
	11.09.1998	19,050	55 000	–	55 000	11.09.2008	55 000
	22.09.1999	19,525	17 500	–	17 500	22.09.2009	13 125
	24.08.2000	31,20	17 500	–	17 500	24.08.2010	8 750
	04.12.2001	22,975	17 500	–	17 500	04.12.2011	4 375
	06.03.2003	26,50	NIL	–	17 500	06.03.2013	NIL
DA Hawton	17.08.1998	19,375	7 500	–	7 500	17.08.2008	7 500
	11.09.1998	19,050	117 500	–	117 500	11.09.2008	117 500
	22.09.1999	19,525	46 876	–	46 876	22.09.2009	31 250
	24.08.2000	31,20	62 500	–	62 500	24.08.2010	31 250
	04.12.2001	22,975	62 500	–	62 500	04.12.2011	15 625
	06.03.2003	26,50	NIL	–	62 500	06.03.2013	NIL
			756 651	–	880 401		571 024

CANCELLATION OF SHARE OPTIONS HELD BY DIRECTORS FOLLOWING THE TERMINATION OF THE ROYALE RESORTS HOLDINGS LIMITED (ROYALE) SHARE OPTION SCHEME

	Date of grant	Exercise price US$	No. of options held 30 June 2002	Options cancelled during the year	No. of options held 30 June 2003	Lapse date	No. of options vesting at date of cancel-lation	Cash dis-tribution made during year US$
PD Bacon	01.07.1998	1423,19	100	(100)	NIL	01.07.2008	100	
	14.09.1999	1093,07	100	(100)	NIL	14.09.2009	100	
	31.08.2000	632,98	100	(100)	NIL	31.08.2010	100	
	05.09.2001	650,91	100	(100)	NIL	05.09.2011	100	
	05.09.2002	526,90	100	(100)	NIL	05.09.2012	–	30 811*
DC Coutts-Trotter	01.03.1996	1245,08	180	(180)	NIL	01.03.2006	180	
	14.09.1999	1093,07	100	(100)	NIL	14.09.2009	100	
	31.08.2000	632,98	100	(100)	NIL	31.08.2010	100	
	05.09.2001	650,91	100	(100)	NIL	05.09.2011	100	
	05.09.2002	526,90	100	(100)	NIL	05.09.2012	–	30 811*
			1 080	(1 080)	NIL		880	61 622

* Rand equivalent of cash distributions included under "Other benefits" in Emoluments report (refer page 64).

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's consolidated earnings per its latest audited accounts as at the dates of grant. For the 30 June 2002 financial year the basis of valuation of the grant and repurchase price of options was changed as a consequence primarily of the change in the basis of accounting for Royale's investment in Kerzner International Limited (KZL). The revised basis was 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's latest consolidated audited accounts. Options were exercisable in full after one year of date of grant. Options not exercised lapsed on the tenth anniversary of the dates of grant. Royale was 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.

During the 2003 financial year, and following the restructuring arising from and the sale of part of Royale's shareholding in KZL, the disposal of its interests in Sun International Management Limited and the offshore cinemas, the Royale board considered it necessary to terminate this share scheme and in order to accommodate the expectations of participants, Royale offered to make a cash distribution to participants on a proportionate basis to the extent that any distributions are made by Royale to its shareholders with reference to a formula as if the participants are shareholders of Royale. The formula to determine the distributions to the participants by Royale is determined after taking into account the purchase price participants would have had to pay had they exercised options granted to them previously (assuming that these options were in fact exercised).

23 October 2003

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

KERSAF INVESTMENTS LIMITED

DIRECTORS' APPROVAL

The annual financial statements which appear on pages 71 to 109 and the corporate governance statement on pages 55 to 67 were approved by the board of directors on 23 October 2003 and signed on its behalf by

DA HAWTON
Chairman

PD BACON
Chief Executive

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 Companies Act 1973, as amended, in respect of the year ended 30 June 2003 and that all such returns are true, correct and up to date.

SA Bailes
Group secretary
23 October 2003

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 109 for the year ended 30 June 2003. 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. These 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 2003 and the results of their operations, and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards, and in the manner required by the South African Companies Act, 1973.

PricewaterhouseCoopers Inc.

Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
23 October 2003

REPORT OF THE DIRECTORS

for the year ended 30 June 2003

NATURE OF BUSINESS

Kersaf has investments in, and provides management services to businesses in the gaming, resorts and hotel industry in southern Africa.

EARNINGS

The results of the company and the group are set out in the income statements on page 78.

Segmental information is set out on pages 38 to 45.

DIVIDENDS

Dividends totalling 75 cents per share (2002: nil) have been declared by the directors in respect of the year under review, as follows:

Interim, declared 4 March 2003, paid 31 March 2003	25 cents
Final, declared 29 August 2003, paid 30 September 2003	50 cents

The final dividend referred to above will be accounted for in the 2004 annual financial statements as it was declared subsequent to the year end.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Detailed commentary on the nature of business of the company and its subsidiaries and associates, acquisitions, disposals, future developments and prospects of the group are given in the group review and review of operations, commencing on pages 7 and 15 respectively.

SHARE CAPITAL

There have been no new issues of shares during the financial year.

Details of the authorised and issued share capital appear in note 19 to the annual financial statements.

5 970 820 ordinary shares in the unissued share capital of the company remain under the control of the directors as a specific authority in terms of section 221(2) of the Companies Act, with power to allot and issue these shares in accordance with the employee share incentive scheme.

Shareholders will be requested at the forthcoming annual general meeting to consider the passing of an ordinary resolution placing a further 3 034 180 ordinary shares under the control of the directors as a specific authority under the Companies Act for purposes of the employee share incentive scheme, details of which appear on the notice of meeting of the annual general meeting commencing on page 112.

EMPLOYEE SHARE INCENTIVE SCHEME

Particulars relating to options under the employee share incentive scheme are given under note 32 to the annual financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars relating to interests in principal subsidiaries and associates appear on page 109.

BORROWING CAPACITY

The company's borrowings are not restricted in terms of the articles of association.

DIRECTORS AND SECRETARY

The names of the directors in office at the date of this report, as well as particulars of the group secretary, appear on pages 53 and 54.

Mr E Oblowitz was appointed a director on 4 July 2002. With effect from 1 July 2003 Mr DA Hawton retired from his executive position and retained the position of chairman, in a non-executive capacity, and Messrs PD Bacon and DC Coutts-Trotter were appointed chief executive and deputy chief executive respectively.

In terms of the company's articles of association, Messrs L Boyd, PL Campher, MP Egan and DA Hawton are required to retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS *(continued)*

As at 30 June 2003 the directors of the company beneficially held, indirectly, 318 460 (2002: 318 460) shares in the issued capital of the company, as follows:

Number of ordinary shares held	2002 & 2003
DC Coutts-Trotter	130 000
DA Hawton	131 137
IN Matthews	1 500
SC Mildenhall	55 823
	318 460

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

HOLDING COMPANY

Kersaf has no holding or ultimate holding company.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARIES

A special resolution was passed at the annual general meeting of Sun International (South Africa) Limited (SISA) held on 5 December 2002 renewing the general authority granted to the directors of SISA for SISA (or a subsidiary of SISA) to repurchase up to 20% of SISA's issued ordinary shares in any one financial year, renewable at its 2003 annual general meeting.

23 October 2003

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 Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, derivative financial instruments are shown at fair value. The policies used in preparing the financial statements are consistent with those of the previous year.

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 the 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. 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. In such cases the share of losses accounted for are transferred to provisions.

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 acquisition of subsidiary companies 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. The carrying value of goodwill is assessed on an annual basis.

Certain goodwill on acquisitions that occurred prior to 1 January 1995, was written off against share premium. Any such goodwill has not been retroactively 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 and successful gaming license bids, acquired trade names and trademarks and acquired management contracts is capitalised and amortised using the straight line method over their useful lives, but not exceeding 20 years.

Intangible assets are not revalued.

FOREIGN CURRENCY TRANSLATION

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate 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 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 items of property, plant and equipment 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 principal 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%

When 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 property, plant and equipment and 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 the lower of cost or 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 at call with banks, and investments in money market instruments. In the balance sheet and cash flow statement, bank overdrafts are included in borrowings.

INVESTMENTS

The group’s investments are classified as 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 expressed the 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.

DEFERRED TAXATION

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted or substantively enacted tax rates at 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 unused tax losses can be utilised in the foreseeable future.

TAXATION

Secondary tax 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 year in which the dividend is declared.

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 inception 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 lease obligations, net of finance charges, are included in borrowings. The interest element of the lease payment 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 substantially all the risks and benefits of ownership are effectively retained by the lessor are

ACCOUNTING POLICIES *(continued)*

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 gross proceeds. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds 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 borrowings. The dividends on these preference shares are recognised in the income statement as interest expense. secondary tax on companies is accrued on recognition of the 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 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.

Post-retirement medical aid contributions

The group contributes towards the post retirement medical aid contributions of eligible employees. The method of accounting and frequency of valuations are similar to those used for deferred benefit schemes.

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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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, dividend income, 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.

SEGMENT 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 pages 38 to 45.

FINANCIAL INSTRUMENTS

Financial instruments carried at the balance sheet date include cash and bank balances, investments, receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are measured at their fair value. Changes in fair value of any derivative instruments are recognised in the income statement. Changes in fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in equity. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss.

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 rate method. The effective 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 borrowings. Other techniques, such as the discounted value of estimated future cash flows, are used to determine fair value for the remaining financial instruments. The face value of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

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 2002 R000's	COMPANY 2003 R000's		Notes	GROUP 2003 R000's	GROUP 2002 R000's
35 553	**53 328**	**Revenue**		**4 213 556**	3 719 388
–	**–**	Casino		**2 983 016**	2 594 657
–	**–**	Rooms		**631 209**	528 175
–	**–**	Food and beverage		**388 000**	408 610
35 553	**53 328**	Other		**211 331**	187 946
–	**–**	**Direct costs**		**(1 810 752)**	(1 692 883)
–	**–**	Casino – Levies and VAT		**(604 140)**	(497 215)
–	**–**	– Other		**(619 360)**	(585 033)
–	**–**	Rooms		**(134 203)**	(122 033)
–	**–**	Food and beverage		**(316 825)**	(359 477)
–	**–**	Other		**(136 224)**	(129 125)
35 553	**53 328**	**Gross profit**		**2 402 804**	2 026 505
(5 165)	**(13 309)**	**Indirect costs**		**(1 120 117)**	(1 064 176)
(4 006)	**(12 363)**	Administration and general		**(527 946)**	(513 023)
(1 159)	**(946)**	Marketing		**(279 335)**	(269 634)
–	**–**	Property		**(312 836)**	(281 519)
30 388	**40 019**	**EBITDA**	1	**1 282 687**	962 329
(7 826)	**(9 464)**	Depreciation and amortisation	2	**(440 418)**	(415 028)
–	**–**	Property and equipment rentals		**(85 621)**	(67 919)
19 478	**(2 699)**	Exceptional items	3	**11 255**	(373 961)
42 040	**27 856**	**Operating profits**		**767 903**	105 421
59	**(50)**	Foreign exchange (losses)/profits		**(115 708)**	58 601
59	**(50)**	Continuing operations		**(141 451)**	43 676
–	**–**	Discontinuing operations		**25 743**	14 925
37 993	**43 971**	Interest income	4	**72 829**	38 164
37 993	**43 971**	Continuing operations		**52 464**	23 046
–	**–**	Discontinuing operations		**20 365**	15 118
(41 475)	**(44 888)**	Interest expense	5	**(296 557)**	(294 801)
38 617	**26 889**	**Profit/(loss) before equity accounted earnings**		**428 467**	(92 615)
		Share of associates' (losses)/profits			
–	**–**	Normal	6	**(8 126)**	(78 501)
–	**–**	Continuing operations		**58 269**	38 359
–	**–**	Discontinuing operations		**(66 395)**	(116 860)
		Exceptional			
–	**–**	Discontinuing operations	6	**(30 108)**	(121 700)
38 617	**26 889**	**Profit/(loss) before taxation**		**390 233**	(292 816)
(8 014)	**(6 278)**	Taxation	7	**(190 407)**	(114 196)
(8 014)	**(6 278)**	Continuing operations		**(187 857)**	(110 923)
–	**–**	Discontinuing operations		**(2 550)**	(3 273)
30 603	**20 611**	**Profit/(loss) after taxation**		**199 826**	(407 012)
–	**–**	Outside shareholders' interests		**(74 372)**	109 926
30 603	**20 611**	**Net profit/(loss) attributable to ordinary shareholders**		**125 454**	(297 086)
		Earnings per share (cents)	9		
		Basic earnings/(loss) per share		**139**	(330)
		Headline (loss)/earnings per share		**(54)**	18
		Adjusted headline earnings per share		**214**	98
		Fully diluted earnings per share (cents)	9		
		Basic earnings/(loss) per share		**137**	(324)
		Headline (loss)/earnings per share		**(53)**	18
		Adjusted headline earnings per share		**210**	97

BALANCE SHEETS

as at 30 June

COMPANY 2002 R000's	COMPANY 2003 R000's		Notes	GROUP 2003 R000's	GROUP 2002 R000's
		ASSETS			
		Non current assets			
31 099	**31 841**	Property, plant and equipment	10	**4 595 016**	4 798 098
–	**–**	Intangible assets	11	**722 992**	664 529
1 186 067	**1 186 067**	Investments in subsidiaries	12		
211 676	**211 676**	Investments in associates	13	**211 074**	231 508
284	**284**	Available-for-sale investments	14	**335 250**	1 387 213
313 802	**302 473**	Other non current assets	15	**227 054**	234 895
1 004	**6 389**	Deferred taxation	21	**–**	–
1 743 932	**1 738 730**			**6 091 386**	7 316 243
		Current assets			
–	**–**	Inventory	16	**35 949**	28 678
121 707	**50 352**	Accounts receivable	17	**307 090**	350 738
–	**–**	Available-for-sale investments	14	**364 107**	506 751
10 000	**26 020**	Loans receivable	15	**142 929**	–
1 204	**6 394**	Cash and cash equivalents	18	**349 361**	286 404
132 911	**82 766**			**1 199 436**	1 172 571
1 876 843	**1 821 496**	**Total assets**		**7 290 822**	8 488 814
		EQUITY AND LIABILITIES			
		Capital and reserves			
555 175	**555 175**	Share capital and premium	19	**555 175**	555 175
–	**–**	Foreign currency translation reserve		**635 600**	1 132 058
780 516	**778 612**	Retained earnings	20	**1 278 774**	1 200 294
1 335 691	**1 333 787**	Ordinary shareholders' equity		**2 469 549**	2 887 527
–	**–**	Outside shareholders' interest		**1 600 275**	1 657 500
1 335 691	**1 333 787**			**4 069 824**	4 545 027
		Non current liabilities			
–	**–**	Deferred taxation	21	**403 143**	394 852
394 929	**399 834**	Borrowings	22	**1 698 536**	2 438 099
–	**–**	Other non current liabilities	25	**40 022**	–
394 929	**399 834**			**2 141 701**	2 832 951
		Current liabilities			
82 106	**79 173**	Accounts payable and accruals	23	**610 994**	545 769
–	**–**	Provisions	24	**120 235**	127 992
57 180	**1 773**	Borrowings	22	**296 192**	359 201
6 937	**6 929**	Taxation		**51 876**	77 874
146 223	**87 875**			**1 079 297**	1 110 836
541 152	**487 709**	**Total liabilities**		**3 220 998**	3 943 787
1 876 843	**1 821 496**	**Total equity and liabilities**		**7 290 822**	8 488 814

KERSAF Investments Limited

CASH FLOW STATEMENTS

for the year ended 30 June

COMPANY				GROUP	
2002 R000's	2003 R000's		Notes	2003 R000's	2002 R000's
		Cash flows from operating activities			
		Cash receipts from customers		**4 247 273**	3 695 834
		Cash paid to suppliers and employees		**(3 033 410)**	(2 806 202)
(17 349)	**71 704**	Cash generated / (utilised) by operations	26.1	**1 213 863**	889 632
52 414	**75 753**	Investment income	26.2	**92 594**	49 421
–	**–**	Pre-opening expenditure		**–**	(18 103)
(35 749)	**(39 983)**	Interest paid	26.3	**(288 097)**	(286 058)
(4 999)	**(11 671)**	Taxation paid	26.4	**(184 497)**	(129 251)
–	**(22 515)**	Dividends paid	26.5	**(80 584)**	(31 917)
(5 683)	**73 288**	*Net cash inflow/(outflow) from operating activities*		**753 279**	473 724
		Cash flows from investing activities			
		Purchase of property, plant and equipment			
–		Expansion		**(79 954)**	(251 375)
(19 905)	**(13 588)**	Replacement		**(246 636)**	(134 021)
–	**–**	Purchase of intangible assets		**(25 391)**	(173 650)
37 443	**3 382**	Proceeds on disposal of property, plant and equipment		**12 873**	49 537
–	**–**	Purchase of subsidiary – net cash acquired		**56 760**	–
–	**–**	Purchase of additional shares in subsidiary		**(154 812)**	–
–	**–**	Proceeds on disposal of shares in subsidiaries		**136 297**	–
–	**–**	Purchase of shares in associate		**–**	(12 607)
(3 762)	**(12 485)**	Other non current investments and loans made		**(270 119)**	(201 717)
10 000	**10 000**	Other non current investments and loans realised		**611 497**	120 010
23 776	**(12 691)**	*Net cash inflow/(outflow) from investing activities*		**40 515**	(603 823)
		Cash flows from financing activities			
(18 586)	**(55 407)**	(Decrease) / increase in borrowings	26.6	**(745 216)**	165 787
–	**–**	Increase in minority shareholder funding		**58 270**	1 355
(18 586)	**(55 407)**	*Net cash (outflow)/inflow from financing activities*		**(686 946)**	167 142
–	**–**	Effects of exchange rate changes on cash and cash equivalents		**(43 891)**	11 330
(493)	**5 190**	**Net increase/(decrease) in cash and cash equivalents**		**62 957**	48 373
1 697	**1 204**	Cash and cash equivalents at the beginning of the year		**286 404**	238 031
1 204	**6 394**	**Cash and cash equivalents at the end of the year**		**349 361**	286 404

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 June

	Notes	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total
GROUP						
Balance at 1 July 2001		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
Currency translation differences						
– amount arising during the year		**–**	**–**	**(283 822)**	**–**	**(283 822)**
– to income statement on disposal of available-for-sale investment		**–**	**–**	**(212 636)**	**–**	**(212 636)**
Net profit for the year		**–**	**–**	**–**	**125 454**	**125 454**
Hedge accounted fair value loss		**–**	**–**	**–**	**(24 459)**	**(24 459)**
Dividend paid	8	**–**	**–**	**–**	**(22 515)**	**(22 515)**
Balance at 30 June 2003		**7 204**	**547 971**	**635 600**	**1 278 774**	**2 469 549**
COMPANY						
Balance at 1 July 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
Net profit for the year		**–**	**–**	**–**	**20 611**	**20 611**
Dividend paid	8	**–**	**–**	**–**	**(22 515)**	**(22 515)**
Balance at 30 June 2003		**7 204**	**547 971**	**–**	**778 612**	**1 333 787**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
1. EBITDA IS STATED AFTER (CHARGING)/ CREDITING THE FOLLOWING:				
Operating lease charges				
Plant, vehicles and equipment	**(13 879)**	(8 154)	**(1 096)**	(2 634)
Auditors' remuneration	**(8 723)**	(5 992)	**(852)**	(666)
Audit fees	**(7 848)**	(5 511)	**(650)**	(596)
Fees for other services	**(689)**	(362)	**(164)**	(70)
Expenses	**(186)**	(119)	**(38)**	–
Profit/(loss) on disposal of property, plant and equipment	**189**	(4 252)	**–**	707
Dividend income			**36 687**	20 147
Subsidiaries			**22 187**	10 428
Associates			**14 500**	9 719
Staff costs	**(961 526)**	(928 089)	**(103 637)**	(99 592)
Salaries and wages	**(894 021)**	(877 326)	**(95 052)**	(91 808)
Pension costs – defined contribution plans	**(59 808)**	(48 497)	**(7 934)**	(7 442)
– defined benefit plans	**(7 697)**	(2 266)	**(651)**	(342)
2. DEPRECIATION AND AMORTISATION				
Property, plant and equipment (refer note 10)	**(374 259)**	(348 655)	**(9 464)**	(7 826)
Intangible assets (refer note 11)	**(57 883)**	(49 821)	**–**	–
Associate goodwill (refer note 13)	**(8 276)**	(16 552)	**–**	–
	(440 418)	(415 028)	**(9 464)**	(7 826)
3. EXCEPTIONAL ITEMS				
Pre-opening expenditure	**–**	(18 103)	**–**	–
Net write downs due to sale and closure of operations	**–**	(14 676)	**–**	–
Write down of KZL to market value	**(73 519)**	(60 002)	**–**	–
Recognition of KZL long term obligation and termination of litigation	**–**	(297 040)	**–**	–
KZL dispute legal costs	**(1 932)**	(16 308)	**–**	–
Impairment of loan to discontinuing operation	**(5 275)**	–	**–**	–
Provision against non-recoverability of loan	–	(7 184)	**–**	–
Impairment of goodwill	**(36 177)**	–	**–**	–
Dilution loss on City Lodge debenture conversion	**–**	(37 589)	**–**	–
Fair value adjustments to share trust loans	**(64 396)**	–	**(2 699)**	–
Post retirement medical aid funding	**(40 022)**	–	**–**	–
Profit on disposal of aircraft	**–**	21 050	**–**	21 050
Currency translation reserve realised on sale of KZL shares	**212 636**	54 634	**–**	–
Net bid costs recouped/(expensed)	**–**	1 257	**–**	(1 572)
Gaming levies relating to prior periods	**(23 202)**	–	**–**	–
Net profit on disposal of shares in subsidiaries	**43 142**	–	**–**	–
	11 255	(373 961)	**(2 699)**	19 478

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

4. INTEREST INCOME

Interest earned on cash and cash equivalents	**70 902**	36 991	**31 141**	25 847
Preference share dividends	**1 927**	1 173	**7 926**	6 420
Imputed interest on loans receivable	**–**	–	**4 904**	5 726
	72 829	38 164	**43 971**	37 993

5. INTEREST EXPENSE

Interest paid on borrowings	**(260 079)**	(262 166)	**(18 405)**	(17 854)
Preference share dividends	**(33 182)**	(39 149)	**(21 579)**	(17 895)
Imputed interest on loans payable	**(8 460)**	(8 743)	**(4 904)**	(5 726)
Capitalised to operating assets	**5 164**	15 257	**–**	–
	(296 557)	(294 801)	**(44 888)**	(41 475)

6. SHARE OF ASSOCIATES' (LOSSES)/PROFITS

Dividend income		
Continuing operations	**19 765**	11 257
Equity retained (losses)/profits	**(50 295)**	(106 137)
Continuing operations	**10 650**	13 996
Discontinuing operations	**(60 945)**	(120 133)
Associates' taxation	**22 404**	16 379
Continuing operations	**19 854**	13 106
Discontinuing operations	**2 550**	3 273
	(8 126)	(78 501)
Exceptional items		
Discontinuing operations	**(30 108)**	(121 700)
	(38 234)	(200 201)
Exceptional items comprise:		
Pre-opening expenditure	**(283)**	(3 782)
Goodwill	**(1 381)**	–
Impairment of cinema assets	**(11 128)**	(122 219)
Loss on translation of loan notes	**(3 470)**	–
(Loss)/profit on sale and scrapping of cinema assets	**(12 305)**	4 301
Other items	**(1 541)**	–
	(30 108)	(121 700)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

		GROUP		COMPANY	
		2003	2002	**2003**	2002
		R000's	R000's	**R000's**	R000's

7. TAXATION

		Group 2003 R000's	Group 2002 R000's	Company 2003 R000's	Company 2002 R000's
Normal taxation	– South African	**(123 512)**	(72 383)	**(6 278)**	(8 014)
	– Foreign	**(24 764)**	(14 946)	**–**	–
		(148 276)	(87 329)	**(6 278)**	(8 014)
Current taxation	– this year	**(143 104)**	(89 737)	**(8 051)**	(8 014)
	– prior years	**598**	7 841	**(3 612)**	–
Deferred taxation	– this year	**(1 929)**	(10 693)	**5 385**	–
	– prior years	**(3 841)**	5 260	**–**	–
Associates' taxation		**(22 404)**	(16 379)	**–**	–
Secondary tax on companies		**(16 681)**	(5 456)	**–**	–
Other taxes		**(3 046)**	(5 032)	**–**	–
		(190 407)	(114 196)	**(6 278)**	(8 014)
Estimated tax losses available for set off against future taxable income		**196 053**	476 616	**–**	–
Utilised to offset timing differences		**(34 247)**	(267 727)	**–**	–
Utilised to create deferred tax asset		**(44 383)**	(60 667)	**–**	–
		117 423	148 222	**–**	–
Reconciliation of rate of taxation		**%**	%	**%**	%
Standard rate – South Africa		**30,0**	30,0	**30,0**	30,0
Adjusted for:					
Disallowable expenditure / (exempt income)		**12,6**	(46,6)	**(20,1)**	(9,2)
Foreign tax rate variations		**(0,3)**	8,8	**–**	–
Tax losses		**5,2**	(6,0)	**–**	–
Prior year over provision		**0,6**	4,5	**–**	–
Secondary tax on companies		**4,6**	–	**13,4**	–
Associates' taxation		**(6,8)**	(26,1)	**–**	–
Other tax credits / (charges)		**2,9**	(3,6)	**–**	–
Effective tax rate		**48,8**	(39,0)	**23,3**	20,8

Deferred income tax assets on estimated losses of R117 423 000 (2002: R148 222 000) have not been raised.

8. DIVIDEND PAID

	Group 2003 R000's	Group 2002 R000's	Company 2003 R000's	Company 2002 R000's
Interim dividend in respect of the 2003 financial year of 25 cents per share declared on 4 March 2003 and paid on 31 March 2003.	**(22 515)**	–	**(22 515)**	–

A final dividend of 50 cents per share (2002: nil) for the year ended 30 June 2003 was declared on 29 August 2003, payable to shareholders recorded in the register of the company at the close of business on 26 September 2003. There will be no secondary tax on companies payable on the dividend as the company has sufficient STC credits as at 30 June 2003.

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's

9. EARNINGS PER SHARE

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Attributable profit/(loss) per the income statement	**125 454**	(297 086)		
Headline earnings adjustments	**(204 745)**	313 842		
Net write downs due to sale and closure of operations	**–**	14 676		
Goodwill (included in depreciation and amortisation)	**7 649**	23 913		
Recognition of KZL long term obligation and termination of litigation	**–**	297 040		
KZL dispute legal costs	**1 932**	16 308		
Dilution loss on City Lodge debenture conversion	**–**	37 589		
Impairment of goodwill	**36 177**	–		
Impairment of loan to discontinuing operation	**5 275**	–		
Net profit on disposal of shares in subsidiaries	**(43 142)**	–		
Profit on disposal of aircraft	**–**	(21 050)		
Currency translation reserve realised on sale of KZL shares	**(212 636)**	(54 634)		
Associate headline earnings adjustments	**26 355**	117 918		
Impairment of cinema assets	**14 050**	122 219		
Loss/(profit) on sale and scrapping of cinema assets	**12 305**	(4 301)		
Taxation relief on the above items	**2 882**	4 426		
Minority interests in the above items	**1 564**	(122 469)		
Headline (loss)/earnings	**(48 490)**	16 631		
Adjusted headline earnings adjustments	**278 009**	23 600		
Pre-opening expenditure	**–**	18 103		
Write down of KZL to market value	**73 519**	60 002		
Foreign exchange losses/(gains) on intercompany loans	**97 235**	(30 389)		
Fair value adjustments to share trust loans	**64 396**	–		
Post retirement medical aid funding	**40 022**	–		
Earnings from discontinuing operations	**(20 365)**	(30 043)		
Gaming levies relating to prior periods	**23 202**	–		
Provision against non-recoverability of loan	**–**	7 184		
Net bid costs recouped	**–**	(1 257)		
Associate adjusted headline earnings adjustments	**70 148**	120 642		
Discontinuing operations - Pre-opening expenses and other	**3 753**	3 782		
Losses from discontinuing operations	**66 395**	116 860		
Taxation relief on the above items	**(33 539)**	3 274		
Minority interests in the above items	**(73 732)**	(75 481)		
Adjusted headline earnings	**192 395**	88 666		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's
9. EARNINGS PER SHARE *(continued)*				
Number of shares for EPS calculation (000's)				
Weighted average number of shares in issue	**90 050**	90 050		
Adjustment for dilutive share options	**1 711**	1 645		
	91 761	91 695		
Earnings per share (cents)				
Basic earnings/(loss) per share	**139**	(330)		
Headline (loss)/earnings per share	**(54)**	18		
Adjusted headline earnings per share	**214**	98		
Fully diluted earnings per share (cents)				
Basic earnings/(loss) per share	**137**	(324)		
Headline (loss)/earnings per share	**(53)**	18		
Adjusted headline earnings per share	**210**	97		

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

For the fully 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	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

10. PROPERTY, PLANT AND EQUIPMENT

At year end				
Cost:				
Freehold property	**2 042 131**	2 068 596	**–**	–
Leasehold property	**2 008 880**	2 111 869	**–**	–
Plant and equipment	**2 280 857**	2 126 012	**66 408**	56 233
Capital work in progress	**181 562**	74 080	**–**	–
	6 513 430	6 380 557	**66 408**	56 233
Accumulated depreciation:				
Freehold property	**(136 609)**	(101 799)	**–**	–
Leasehold property	**(437 457)**	(389 524)	**–**	–
Plant and equipment	**(1 344 348)**	(1 091 136)	**(34 567)**	(25 134)
	(1 918 414)	(1 582 459)	**(34 567)**	(25 134)
Net carrying value:				
Freehold property	**1 905 522**	1 966 797	**–**	–
Leasehold property	**1 571 423**	1 722 345	**–**	–
Plant and equipment	**936 509**	1 034 876	**31 841**	31 099
Capital work in progress	**181 562**	74 080	**–**	–
	4 595 016	4 798 098	**31 841**	31 099

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.

Movements for the year				
Additions:				
Freehold property	**14 740**	190 598	**–**	–
Leasehold property	**27 832**	32 049	**–**	–
Plant and equipment	**163 024**	147 095	**13 588**	19 905
Capital work in progress	**121 152**	15 654	**–**	–
	326 748	385 396	**13 588**	19 905
Disposals:				
Freehold property	**–**	(253)	**–**	–
Leasehold property	**(927)**	(6 343)	**–**	–
Plant and equipment	**(11 669)**	(24 601)	**(3 382)**	(15 686)
Capital work in progress	**(90)**	(1 542)	**–**	–
	(12 686)	(32 739)	**(3 382)**	(15 686)

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for the year ended 30 June

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's
10. PROPERTY, PLANT AND EQUIPMENT *(continued)*				
Transfers from work in progress:				
Freehold property	**–**	45 525	**–**	–
Plant and equipment	**10 912**	29 490	**–**	–
Capital work in progress	**(10 912)**	(75 015)	**–**	–
	–	–	**–**	–
Reclassifications:				
Freehold property	**(56 075)**	(25 356)	**–**	–
Leasehold property	**(2 114)**	1 529	**–**	–
Plant and equipment	**58 189**	23 827	**–**	
	–	–	**–**	–
Asset write downs:				
Freehold property	**(2 907)**	–	**–**	–
Plant and equipment	**(17 249)**	(13 163)	**–**	–
Capital work in progress	**(2 429)**	–	**–**	–
	(22 585)	(13 163)	**–**	–
Currency translation adjustments	**(120 300)**	112 397	**–**	–
Depreciation:				
Freehold property	**(38 454)**	(36 537)	**–**	–
Leasehold property	**(52 629)**	(60 255)	**–**	–
Plant and equipment	**(283 176)**	(251 863)	**(9 464)**	(7 826)
	(374 259)	(348 655)	**(9 464)**	(7 826)
Total movements for the year	**(203 082)**	103 236	**742**	(3 607)

Borrowing costs of R5 164 000 (2002: R15 257 000) were capitalised during the year and are included in "Additions" above. A capitalisation rate approximating the borrowing cost of the loans used to finance the relevant projects was used.

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's
11. INTANGIBLE ASSETS				
Net carrying value comprises:				
Goodwill	**69 802**	88 875		
Bid costs	**378 825**	417 864		
Sun International name	**89 252**	122 700		
Management contracts	**153 690**	–		
Lease premiums	**31 423**	35 090		
	722 992	664 529		
Movements on intangible assets:				
Balance at the beginning of the year	**664 529**	529 120		
Acquisition of Sun International name	**–**	111 120		
Acquisition of minority's interest in management contracts*	**144 500**	–		
Acquisition of KZL interest in the Egypt management contract	**17 705**	–		
Goodwill on shares acquired in subsidiary*	**39 055**	–		
Negative goodwill on acquisition of subsidiary	**(22 577)**	–		
Bid costs	**3 609**	62 530		
Currency translation adjustments	**(29 769)**	11 580		
Goodwill impairment	**(36 177)**	–		
Amortised during the year	**(57 883)**	(49 821)		
Goodwill	**626**	(7 361)		
Bid costs	**(40 857)**	(38 793)		
Management contracts	**(8 515)**	–		
Sun International name	**(5 470)**	–		
Lease premiums	**(3 667)**	(3 667)		
	722 992	664 529		

* Acquisition of the interest in management contracts and goodwill on shares acquired in subsidiary arose on the acquisition of the minority interest of Sun International Management Limited.

	GROUP		COMPANY	
12. INVESTMENTS IN SUBSIDIARIES				
Shares at cost			**1 186 067**	1 186 067

The interests of the company in the aggregate profits and losses of its subsidiaries and associates amounted to R326 million (2002: R163 million) and R238 million (2002: R579 million) respectively.

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for the year ended 30 June

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's
13. INVESTMENTS IN ASSOCIATES				
Investments in associates comprise:				
Shares at cost less amortised goodwill	**119 248**	630 277	**211 676**	211 676
Listed	**50 816**	50 816	**211 676**	211 676
Unlisted	**2 784**	505 537	**–**	–
Goodwill	**65 648**	73 924	**–**	–
Retained earnings/(losses)	**91 826**	(398 769)	**–**	–
	211 074	231 508	**211 676**	211 676
Directors' valuation of unlisted associates	**11 903**	39 710		
Market value of listed associates	**298 063**	197 894		
	309 966	237 604		
Movements on associates:				
Balance at the beginning of year	**231 508**	1 977 369	**211 676**	211 676
KZL reclassified as an available-for-sale investment	**–**	(1 536 316)	**–**	–
SCE reclassified as other non current assets	**68 277**	–	**–**	–
SCME reclassified as provision for liabilities and charges	**19 042**	18 764	**–**	–
Additional investment	**7 578**	12 607	**–**	–
Goodwill amortised	**(8 276)**	(16 552)	**–**	–
Loss on dilution, sale and closures	**(1 238)**	(52 265)	**–**	–
Currency translation adjustments	**7 959**	55 738	**–**	–
Associate losses	**(94 011)**	(216 580)	**–**	–
Share of losses before tax	**(38 234)**	(200 201)	**–**	–
Hedge accounted losses	**(33 373)**	–	**–**	
Share of tax	**(22 404)**	(16 379)	**–**	–
Dividends received	**(19 765)**	(11 257)	**–**	–
Balance at end of the year	**211 074**	231 508	**211 676**	211 676

A listing of the group's interest in its principal associates is given on page 109.

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

13. INVESTMENTS IN ASSOCIATES *(continued)*

Discontinuing operations

Ster Century Europe (SCE) and Ster Century Middle East (SCME) have been treated as discontinuing operations as a result of the group's decision to exit these investments. As at 30 June 2003 SCE and SCME operated cinemas in the United Kingdom, Slovakia, Jordan and the United Arab Emirates. The group's equity accounted losses of SCE of R68,3 million have been set-off against the loans receivable from SCE (refer note 15). The group has accounted for the losses for SCME to the extent that these losses exceed the group's investment made to date as the group is obliged to support these losses. A provision of R30 million (2002: R19 million) in this respect is included in provisions for liabilities and charges (note 24). Included in the operating cash flow is interest received of R20 million from SCE and included in investing activities was additional loans granted to SCE of R7 million.

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 R199 million (2002: R188 million).

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Summarised balance sheet				
Assets				
Property, plant and equipment	**386 665**	352 760		
Investments and loans	**36 524**	39 317		
Current assets	**56 565**	38 001		
	479 754	430 078		
Equity and liabilities				
Shareholders' funds	**345 026**	306 086		
Non current borrowings	**66 937**	58 500		
Deferred taxation	**30 299**	28 753		
Current liabilities	**37 492**	36 739		
	479 754	430 078		
Summarised income statement				
Revenue	**292 910**	231 878		
EBITDA	**152 825**	113 519		
Depreciation	**(22 351)**	(21 659)		
Net interest paid	**(1 948)**	(8 620)		
Exceptional items	**(314)**	(753)		
Profit before taxation	**128 212**	82 487		
Taxation	**(44 261)**	(27 988)		
Profit after taxation	**83 951**	54 499		
Income from joint venture	**3 501**	949		
Earnings attributable to ordinary shareholders	**87 452**	55 448		
Fully diluted earnings per share (cents)	**207**	133		
Market price per share (Rand)	**17,00**	12,15		

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for the year ended 30 June

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's
14. AVAILABLE-FOR-SALE INVESTMENTS				
Available-for-sale investments comprise:				
Kerzner International Limited	**556 736**	1 752 924	**–**	–
Cape Town International Convention Centre Company (Proprietary) Limited	**140 735**	140 735	**–**	–
Other	**1 886**	305	**284**	284
	699 357	1 893 964	**284**	284
Current portion	**(364 107)**	(506 751)	**–**	–
	335 250	1 387 213	**284**	284
Movement on available-for-sale investments:				
Balance at the beginning of the year	**1 893 964**	35 685	**284**	284
Transferred from equity investments	**–**	1 536 316	**–**	–
Currency translation adjustments	**(319 088)**	394 391	**–**	–
Additions	**1 922**	105 355	**–**	–
Disposals	**(803 922)**	(117 781)	**–**	–
Revaluation loss (refer Note 3)	**(73 519)**	(60 002)	**–**	–
	699 357	1 893 964	**284**	284
Directors' valuation of unlisted investments	**142 621**	141 040		
Market value of listed investment	**556 736**	1 752 924		
	699 357	1 893 964		

The group's investment in KZL comprises 2 293 539 (2002: 6 918 293) shares which are traded on the New York Stock Exchange and fair value is determined by reference to the listed price.

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

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

15. OTHER NON CURRENT ASSETS

Loans				
Sun International Employee Share Trust	**64 028**	–	**2 639**	–
Loans in terms of share incentive schemes	**19 864**	12 717	**16 020**	8 873
Preference share funding of empowerment partners	**135 787**	–	**–**	–
Tusk Resorts (Proprietary) Limited	**26 342**	–	**–**	–
Preference shares in subsidiaries	**–**	–	**60 000**	60 000
Loans to subsidiaries	**–**	–	**249 834**	254 929
Net investment in SCE	**123 065**	219 520	**–**	–
Loan	**196 617**	219 520	**–**	–
Equity accounted losses	**(68 277)**	–	**–**	–
Impairment provision	**(5 275)**	–	**–**	–
	369 086	232 237	**328 493**	323 802
Other	**897**	2 658	**–**	–
	369 983	234 895	**328 493**	323 802
Current portion	**(142 929)**	–	**(26 020)**	(10 000)
	227 054	234 895	**302 473**	313 802
Non current loans are due over the following financial years:				
2004	**142 929**	232 237	**26 020**	48 873
2005	**–**	–	**10 000**	10 000
2006	**–**	–	**40 000**	40 000
2007	**–**	–	**–**	–
2008 onwards	**135 787**	–	**249 834**	214 929
	278 716	232 237	**325 854**	313 802
Other loans with no fixed repayment terms				
Tusk Resorts (Proprietary) Limited	**26 342**	–	**–**	–
Sun International Employee Share Trust	**64 028**	–	**2 639**	–
	369 086	232 237	**328 493**	313 802
The weighted average interest and dividend rates on non current loans were as follows:	**%**	%	**%**	%
Sun International Employee Share Trust	**12,0**	–	**–**	–
Loans in terms of share incentive schemes	**NIB**	NIB	**NIB**	NIB
Preference share funding of empowerment partners	**12,2**	–	**–**	–
Tusk Resorts (Proprietary) Limited	**13,2**	–	**–**	–
Preference shares in subsidiaries	**–**	–	**11,6**	12,0
Loans to subsidiaries	**–**	–	**11,2**	11,2
Loan to associate	**7,9**	7,9	**–**	–
	9,8	7,9	**10,6**	11,0

NIB – Non interest bearing

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for the year ended 30 June

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's
16. INVENTORY				
Merchandise	**3 197**	4 484		
Consumables and hotel stocks	**32 752**	24 194		
	35 949	28 678		
17. ACCOUNTS RECEIVABLE				
Trade receivables	**104 828**	138 545	**10 221**	7 210
Less provision for doubtful debts	**(5 967)**	(7 358)	**–**	–
Net trade receivables	**98 861**	131 187	**10 221**	7 210
Prepayments	**103 855**	112 491	**463**	19 394
VAT	**17 985**	33 302	**–**	2 182
Capital debtors	**39 183**	17 302	**–**	–
Receivables from subsidiaries	**–**	–	**33 175**	92 641
Other receivables	**47 206**	56 455	**6 493**	280
	307 090	350 738	**50 352**	121 707
18. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**349 361**	286 404	**6 394**	1 204

Royale Resorts Holdings Limited has pledged R4,8 million (US$0,6 million) as security for lease guarantees of Ster Century Europe Limited. The group's share of this restricted cash amounts to R3,5 million (US$0,5 million) at 30 June 2003.

	GROUP		COMPANY	
	2003	2002	**2003**	2002
19. SHARE CAPITAL AND PREMIUM				
Authorised				
110 000 000 (2002: 110 000 000) ordinary shares of 8 cents each	**8 800**	8 800	**8 800**	8 800
100 000 000 (2002: 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 (2002: 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.

5 970 820 ordinary shares have been placed under the specific control of the directors in terms of the Companies Act to allot and issue for purposes of the employee share scheme.

Options

Details of options under the employee share incentive scheme are disclosed under note 32.

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

20. RETAINED EARNINGS

Retained earnings at the end of the year comprise:				
Company	**778 612**	780 516	**778 612**	780 516
Subsidiaries and equity investments	**500 162**	419 778	**–**	–
	1 278 774	1 200 294	**778 612**	780 516

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.

21. DEFERRED TAXATION

Balance at the beginning of the year	**394 852**	375 559	**(1 004)**	(1 004)
Effect of adopting IAS39/AC133	**–**	13 484	**–**	–
Income statement charge/(credit) for the year	**5 770**	5 433	**(5 385)**	–
Currency translation adjustments	**(2 602)**	376	**–**	–
Acquisition of subsidiary	**5 123**	–	**–**	–
Balance at the end of the year	**403 143**	394 852	**(6 389)**	(1 004)

Deferred taxation arises from the following timing differences:

Deferred tax liabilities				
Accelerated asset allowances	**490 166**	499 485	**–**	3 541
Balance at the beginning of the year	**499 485**	495 371	**3 541**	3 541
Acquisition of subsidiary	**5 123**	–	**–**	–
Currency translation adjustments	**(2 607)**	462	**–**	–
(Credited)/charged to income statement	**(11 835)**	3 652	**(3 541)**	–
Prepayments	**1 657**	11 087	**11**	5 271
Balance at the beginning of the year	**11 087**	10 804	**5 271**	5 271
(Credited)/charged to income statement	**(9 430)**	283	**(5 260)**	–
Fair value adjustments	**–**	9 302	**–**	–
Balance at the beginning of the year	**9 302**	–	**–**	–
Effect of adopting IAS39/AC133	**–**	13 484	**–**	–
Credited to income statement	**(9 302)**	(4 182)	**–**	–
	491 823	519 874	**11**	8 812
Deferred tax assets				
Assessed losses set off	**(23 589)**	(72 427)	**–**	–
Balance at the beginning of the year	**(72 427)**	(87 478)	**–**	–
Charged to income statement	**48 838**	15 051	**–**	–
Disallowed accruals and provisions	**(57 861)**	(52 595)	**(5 590)**	(9 816)
Balance at the beginning of the year	**(52 595)**	(43 138)	**(9 816)**	(9 816)
Currency translation adjustments	**5**	(86)	**–**	–
(Credited)/charged to income statement	**(5 271)**	(9 371)	**4 226**	–
Fair value adjustments	**(7 230)**	–	**(810)**	–
Balance at the beginning of the year	**–**	–	**–**	–
Effect of adopting IAS39/AC133	**–**	–	**–**	–
Credited to income statement	**(7 230)**	–	**(810)**	–
	(88 680)	(125 022)	**(6 400)**	(9 816)
Net deferred tax liability/(asset)	**403 143**	394 852	**(6 389)**	(1 004)

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for the year ended 30 June

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
22. BORROWINGS				
Non current:				
Term facilities	**541 995**	724 912	**–**	–
Bank borrowings	**622 308**	778 620	**–**	–
Transnet loan	**219 834**	214 929	**219 834**	214 929
Redeemable preference shares	**280 000**	380 000	**180 000**	180 000
KZL	**–**	306 750	**–**	–
Lease liabilities	**450**	2 662	**–**	–
Vacation Club Members	**33 949**	30 226	**–**	–
	1 698 536	2 438 099	**399 834**	394 929
Current:				
Bank overdrafts	**3 791**	60 377	**70**	52 195
Term facilities	**143 797**	166 535	**–**	–
Bank borrowings	**66 266**	114 059	**–**	–
Redeemable preference shares	**80 000**	–	**–**	–
KZL	**–**	11 077	**–**	–
Lease liabilities	**2 338**	7 153	**1 703**	4 985
	296 192	359 201	**1 773**	57 180
Total borrowings	**1 994 728**	2 797 300	**401 607**	452 109
Secured	**1 331 556**	1 184 021	**1 703**	4 985
Unsecured	**663 172**	1 613 179	**399 904**	447 124
	1 994 728	2 797 300	**401 607**	452 109
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.				
Net book value of property, plant and equipment encumbered by secured loans	**1 915 203**	2 033 524	**–**	–
Repayable over the following financial years:				
2004	**–**	1 310 690	**–**	–
2005	**805 827**	400 204	**–**	–
2006	**170 199**	199 527	**180 000**	180 000
2007	**321 141**	159 407	**–**	–
2008 onwards	**401 369**	368 271	**219 834**	214 929
	1 698 536	2 438 099	**399 834**	394 929

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

22. BORROWINGS *(continued)*

	%	%	%	%
Year end interest rates				
Bank overdraft	**15,5**	15,7	**–**	14,0
Term facilities	**15,4**	13,1	**–**	–
Bank borrowings	**13,5**	13,1	**–**	–
Transnet loan	**10,2**	10,2	**10,2**	10,2
Redeemable preference shares	**11,2**	11,5	**10,9**	11,2
KZL	**–**	3,3	**–**	–
Lease liabilities	**13,0**	13,0	**13,0**	13,0
Vacation Club Members	**11,7**	11,7	**–**	–
Weighted average	**13,4**	11,6	**10,5**	11,1
Redeemable preference shares:				
Kersaf Investments Limited	**180 000**	180 000	**180 000**	180 000
Afrisun Gauteng (Proprietary) Limited	**80 000**	100 000	**–**	–
SunWest International (Proprietary) Limited	**100 000**	100 000	**–**	–
	360 000	380 000	**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 preference share redemption date has been extended from 1 July 2003 to 1 July 2006. The 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 2006. 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 R439 million (2002: R190 million) at 30 June. The company's borrowings are not restricted by its articles of association.

23. ACCOUNTS PAYABLE AND ACCRUALS

Trade payables	**66 132**	71 308	**14 649**	15 082
Accrued expenses	**327 866**	316 557	**58 935**	65 723
Capital creditors	**15 713**	17 201	**–**	–
Other payables	**201 283**	140 703	**5 589**	1 301
	610 994	545 769	**79 173**	82 106

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24. PROVISIONS

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's
Movements on provisions				
Balance at the beginning of the year:				
Lease commitments and property closure costs	**58 000**	49 200		
Equity accounted losses	**18 764**	–		
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		
	127 992	103 954		
Created during the year:				
Lease commitments and property closure costs	**5 686**	8 800		
Equity accounted losses	**19 042**	18 764		
Retrenchment and restructure costs	**–**	5 117		
Corporate social investment	**6 471**	3 949		
Progressive jackpots	**–**	–		
Other	**–**	2 907		
	31 199	39 537		
Utilised during the year:				
Lease commitments and property closure costs	**(5 000)**	–		
Retrenchment and restructure costs	**(7 896)**	(5 709)		
Corporate social investment	**(7 347)**	(1 541)		
Progressive jackpots	**(776)**	(3 707)		
Other	**(10 013)**	(4 542)		
	(31 032)	(15 499)		
Currency translation adjustments	**(7 924)**	–		
Balance at the end of the year:				
Lease commitments and property closure costs	**58 686**	58 000		
Equity accounted losses	**29 994**	18 764		
Retrenchment and restructure costs	**–**	7 896		
Corporate social investment	**8 486**	9 327		
Progressive jackpots	**23 069**	23 992		
Other	**–**	10 013		
	120 235	127 992		

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

24. PROVISIONS *(continued)*

Lease commitments and property closure costs

The provision is the net present value of future lease payments on unutilised leased properties and estimated property closure costs. The provision is evaluated at each year end based on the revised net present value at the time.

Equity accounted losses

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

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.

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. 78% (2002: 72%) of employees were members of one of these schemes as at 30 June 2003.

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 1 July 2004.

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25. RETIREMENT BENEFIT INFORMATION *(continued)*

Group companies contributed R58,6 million (2002: R52,7 million) to these schemes during the year.

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Surplus on the defined benefit plan				
Present value of funded obligations	**(118 469)**	(97 200)		
Fair value of plan assets	**163 097**	158 358		
	44 628	61 158		
Unrecognised actuarial gains/(losses)	**20 973**	(3 147)		
Surplus at the end of the year	**65 601**	58 011		

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 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Movement on surplus				
Balance at the beginning of the year	**58 011**	50 923		
Contributions paid	**8 251**	8 957		
Other expenses included in staff costs	**(661)**	(1 869)		
Current service cost	**(8 000)**	(7 980)		
Interest cost	**(11 664)**	(10 320)		
Expected return on plan assets	**19 003**	16 431		
Balance at the end of the year	**65 601**	58 011		

The principal actuarial assumptions used were as follows:	**%**	%		
Discount rate	**9,00**	12,00		
Expected return on plan assets	**12,00**	15,00		
Future salary increases	**6,00**	8,50		
Future pension increases	**5,00**	8,50		

Post-retirement medical benefits

The company has decided to contribute towards the post retirement medical aid contributions of eligible employees employed by the group as at 30 June 2003. Employees who join the group after 1 July 2003 will not be entitled to any co-payment subsidy from the group upon retirement. A provision has been made for the liability. Employees are eligible for such benefits on retirement based upon the number of completed years of service. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial liability was determined at 30 June 2003 and expensed in the income statement.

	GROUP 2003	GROUP 2002	COMPANY 2003	COMPANY 2002
Amounts recognised in the income statement	**40 022**	–		
Liability recognised in the balance sheet	**40 022**	–		
The principal actuarial assumptions used for accounting purposes were:	**%**	%		
Discount rate	**9,00**	–		
Price inflation	**4,50**	–		

26. CASH FLOW INFORMATION

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
26.1 Cash generated/(absorbed) by operations				
Operating profit	**767 903**	105 421	**27 856**	42 040
Non cash items and items dealt with separately:				
Dividend income	**–**	–	**(36 687)**	(20 147)
Depreciation and amortisation	**440 418**	415 028	**9 464**	7 826
(Profit)/loss on disposal of property, plant and equipment	**(189)**	(16 798)	**–**	(21 757)
Exceptional items of a non-cash nature	**(37 717)**	349 862	**2 699**	–
Pre-opening expenditure	**–**	18 103	**–**	–
Foreign exchange profits	**115 708**	58 601	**(50)**	59
Unrealised foreign exchange profits	**(108 431)**	(9 823)	**–**	–
Other	**(10 130)**	13 466	**–**	(4 697)
Cash generated from operations before working capital changes	**1 167 562**	933 860	**3 282**	3 324
Working capital changes	**46 301**	(44 228)	**68 422**	(20 673)
Inventory	**(9 158)**	(5 498)	**–**	–
Accounts receivable	**(13 272)**	9 510	**71 355**	14 184
Accounts payable and accruals	**68 731**	(48 240)	**(2 933)**	(34 857)
	1 213 863	889 632	**71 704**	(17 349)
26.2 Investment income				
Dividends received:				
Associates	**19 765**	11 257	**14 500**	9 719
Subsidiaries	**–**	–	**22 187**	10 428
Interest income	**72 829**	38 164	**43 971**	37 993
Imputed interest on fair valued loans	**–**	–	**(4 905)**	(5 726)
	92 594	49 421	**75 753**	52 414
26.3 Interest paid				
Interest expense	**(296 557)**	(294 801)	**(44 888)**	(41 475)
Imputed interest on loans payable	**8 460**	8 743	**4 905**	5 726
	(288 097)	(286 058)	**(39 983)**	(35 749)
26.4 Taxation paid				
Liability at the beginning of the year	**(77 874)**	(104 035)	**(6 937)**	(3 922)
Current tax provided (refer note 7)	**(142 506)**	(81 896)	**(11 663)**	(8 014)
Other taxes and secondary tax on companies (refer note 7)	**(19 727)**	(10 488)	**–**	–
Currency translation adjustment	**3 734**	(10 706)	**–**	–
Liability at the end of the year	**51 876**	77 874	**6 929**	6 937
	(184 497)	(129 251)	**(11 671)**	(4 999)
26.5 Dividends paid				
To shareholders	**(22 515)**	–	**(22 515)**	–
To minorities in subsidiaries	**(405 306)**	(31 917)	**–**	–
Less KZL shares distributed in specie	**347 237**	–	**–**	
	(80 584)	(31 917)	**(22 515)**	–
26.6 (Decrease)/increase in borrowings				
Borrowings (repaid)/raised	**(688 630)**	170 546	**(3 282)**	(5 645)
Decrease in bank overdrafts	**(56 586)**	(4 759)	**(52 125)**	(12 941)
	(745 216)	165 787	**(55 407)**	(18 586)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

27. INSURANCE CAPTIVE

The group uses a captive insurance company to manage certain risks in an efficient manner. During the year this operation was classified as a special purpose entity in terms of AC412 and therefore included in the consolidated financial statements of the group from 1 July 2002.

The impact on the consolidated financial statements is as follows:

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Underwriting results of insurance captive	**19 351**	–		
Adjustment to insurance reserves	**319**	–		
Investment income	**3 090**	–		
Profit before tax	**22 760**	–		
Taxation	**(6 828)**	–		
Profit after tax	**15 932**	–		

28. 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.

Interest rate risk

The group uses hedging instruments comprising interest rate swaps, forward rate agreements and foreign exchange contracts 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.

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

28. FINANCIAL INSTRUMENTS *(continued)*

(ii) Financial effects

At 30 June 2003 and 2002 the net fair value of forward foreign exchange contracts were:

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Contracts with negative fair values GBP 180 000	**2 340**	–		
Contracts with negative fair values € 650 000	**6 146**	–		
Contracts with negative fair values US$ 6 850 000 (2002: US$5 810 000)	**55 658**	61 894		

As at year end the fair values of forward exchange contracts exceeded their face values by R9 million (2002: R5 million). Full provision was made for these unfavourable differences.

Interest rate Swaps

As at 30 June 2003, interest rates on 56% of the group's borrowings were fixed. 23% of these fixed borrowings were fixed for periods longer than 12 months. The interest rates on fixed borrowings approximate those currently available to the group in the market.

29. CONTINGENT 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 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 flats' current rental is R2,0 million per annum, escalating at 11% per annum and expires on 31 October 2010.

Sun International (South Africa) Limited has granted a put option in respect of preference share funding provided by institutions to one of the group's empowerment partners. Preference share funding amounting to R28 million (2002: nil) has effectively been underwritten.

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), together with Primedia Limited have jointly and severally guaranteed four operating leases of Ster Century Europe whose rental amounts to US$5,5 million (2002: US$6,2 million) annually. In addition, RRHL together with Primedia has jointly and severally guaranteed one operating lease of Ster Century Middle East (SCME) whose rental amounts to US$1,4 million (2002: US$1,4 million) annually. RRHL has also underwritten US$6,5 million of the debt financing of SCME.

The group has made provision for US$4 million of these exposures through equity accounting the losses of SCME (refer note 24).

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

30. CAPITAL EXPENDITURE AND RENTAL COMMITMENTS

Capital commitments

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Contracted	**244 000**	10 727		
Authorised by the directors but not contracted	**812 000**	837 089		
	1 056 000	847 816		
To be spent in the forthcoming financial year	**544 000**	205 816		
To be spent thereafter	**512 000**	642 000		
	1 056 000	847 816		

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 R7,0 million escalating at 11% per annum.

Over and above the rental commitments of the company, the group has the following rental agreements as at 30 June 2003:

(i) For the Naledi Sun Hotel and staff flats, expiring on 21 May 2009, with the annual rental of R4,8 million escalating at 11% per annum.

(ii) For phase 1 to 4 of the Thaba'Nchu Sun staff flats with the annual rental of R2,3 million escalating at 9% expiring on 5 September 2005.

For phase 5 of the Thaba'Nchu Sun staff flats with the annual rental of R0,7 million escalating at 9% per annum, expiring on 30 November 2009.

(iii) For the Fish River Sun staff accommodation complex comprising 35 units, expiring in 2008, with an annual rental of R0,8 million escalating at 10% per annum.

(iv) For the land upon which the Wild Coast Sun Resort lies, expiring on 9 March 2029, at an annual rental of R0,1 million escalating at 5% per annum. The group has an option to renew the lease to March 2079 on terms to be negotiated.

(v) For the land upon which the Flamingo casino complex lies, expiring on 30 September 2096, with an annual rental of R0,1 million plus contribution to the maintenance cost of the golf course.

(vi) For the land upon which the SugarMill casino lies, expiring on 31 December 2004, with a monthly rental of R0,2 million.

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

31. RELATED PARTY TRANSACTIONS

Details of the ownership of ordinary share capital is set out on pages 110 to 111 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 associate companies by Sun International Management Limited for management services:

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Lesotho Sun (Proprietary) Limited	**2 115**	1 151		
Sun International of Lesotho (Proprietary) Limited	**2 066**	1 743		
	4 181	2 894		

At year end, an amount of R1 185 853 (2002: R1 808 124) 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:

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Ster Century Europe Limited	**2 213**	2 460		
Ster Century Middle East Limited	**–**	2 033		
	2 213	4 493		

	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Dividends were received from the following associate companies:				
City Lodge Hotels Limited	**14 500**	9 716		
Sun International of Lesotho (Proprietary) Limited	**3 550**	1 541		
Lesotho Sun (Proprietary) Limited	**1 715**	–		
	19 765	11 257		

(ii) Loans to related parties

Loan to Ster Century Europe Limited	GROUP 2003 R000's	GROUP 2002 R000's	COMPANY 2003 R000's	COMPANY 2002 R000's
Balance at the beginning of the year	**219 520**	80 550		
Repaid during year	**(88 526)**	(80 550)		
Advances during year	**103 691**	173 150		
Currency translation adjustment	**(38 069)**	46 370		
Provision against loan	**(5 275)**	–		
Balance at end of year	**191 341**	219 520		
Interest received	**20 365**	14 237		

The loan is Euro denominated, unsecured, bears interest at Euribor plus 4% and is repayable on 10 October 2003.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

31. RELATED PARTY TRANSACTIONS *(continued)*

(iii) Share options granted to directors

The aggregate number of share options granted to the directors of the group during 2003 was 123 750 (2002: 123 750) at an exercise price of R26,50 (2002: R22,975). 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 880 401 (2002: 756 651).

(iv) Directors' emoluments

	GROUP 2003	GROUP 2002	COMPANY 2003	COMPANY 2002
Non-executive directors				
Fees			**1 149**	432
Consulting services			**–**	60
			1 149	492
Executive directors				
Basic remuneration			**7 215**	11 095
Bonuses / performance related payments			**5 861**	300
Pension fund contributions			**176**	1 787
Other benefits			**3 111**	1 012
Severance benefits			**–**	865
			16 363	15 059
			17 512	15 319
Executive directors				
Restraint payments			**–**	10 500

Individual directors' emoluments are set out on page 64 of this report.

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

32. 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):

Balance at the beginning of the year			**6 193 462**	5 869 333
Cancelled			**(29 277)**	–
Granted			**1 281 250**	1 176 250
Exercised			**(961 273)**	(639 207)
Lapsed			**(390 303)**	(212 914)
Balance at the end of the year			**6 093 859**	6 193 462
Options held by Kersaf Employee Share Purchase Trust				
Balance at the beginning of the year			**988 708**	349 501
Purchased from employees			**961 273**	639 207
Re-issued			**(901 250)**	–
Balance at the end of the year			**1 048 731**	988 708
			7 142 590	7 182 170

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

Financial year of grant	Financial year of lapse	Unexercised options	Vested options	Number of participants	Average exercise price
1994	2004	110 680	110 680	38	36,06
1995	2005	47 380	47 380	29	38,19
1999	2009	1 599 215	1 599 215	80	19,23
2000	2010	764 974	477 161	135	20,35
2001	2011	1 306 250	649 375	154	30,62
2002	2012	1 009 110	210 360	166	22,93
2003	**2013**	**1 256 250**	**–**	**174**	**26,30**
		6 093 859	3 094 171		23,01

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 South Africa at the date of granting those options.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000's	R000's	**R000's**	R000's

33. POST BALANCE SHEET EVENTS

On 31 July 2003 the company entered into agreements whereby the nature of the lease agreements in respect of the Carousel and Lost City staff flats changed from operating to finance leases. With effect from 1 August 2003 the buildings will be capitalised to the balance sheet at the net present value of the future lease payments and the related liability will be raised. The net present value, annual lease payments and repayment terms in respect of the affected properties have been set out below:

For the Carousel staff flats, R143 million. Payable in annual instalments of R18 378 532, escalating at 9% until July 2012.

For the Lost City staff flats, R100 million. Payable in annual instalments of R13 159 363, escalating at 9% until July 2012.

The sale of the Ster Century Europe operations in the UK and Ireland was concluded subsequent to year end for a consideration of GBP16,9 million.

On 1 September 2003 the group acquired an 18,6% interest in SISA from the North West Development Corporation for R566 million, bringing the group's effective interest up to 62,4%. The acquisition has been funded out of proceeds from the sale of KZL shares and new banking facilities of R400 million repayable in equal semi-annual instalments over five years.

INTEREST IN PRINCIPAL SUBSIDIARIES AND ASSOCIATES

for the year ended 30 June

	*	Amount of issued capital 2003 R000's	Effective holding 2003 %	Effective holding 2002 %	Interest of holding company Shares 2003 R000's	Shares 2002 R'000	Indebtedness 2003 R000's	Indebtedness 2002 R'000
SUBSIDIARIES								
Listed								
Sun International (South Africa) Ltd	(1)	**35 261**	**44**	44	**321 007**	321 007	**–**	–
Unlisted								
Afrisun Gauteng (Pty) Ltd	(1)	**199**	**38**	39	**–**	–	**–**	–
Afrisun KZN (Pty) Ltd	(1)	**–**	**36**	36	**–**	–	**–**	–
Emfuleni Resorts (Pty) Ltd	(1)	**85**	**36**	38	**–**	–	**30 000**	40 000
Meropa Leisure and Entertainment (Pty) Ltd	(1)	**–**	**44**	44	**–**	–	**–**	–
Royale Resorts Holdings Ltd**	(10)	**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) (Pty) Ltd**	(1)	**3 750**	**100**	100	**–**	–	**–**	–
Sun International Inc	(6)	**1 580**	**100**	100	**865 060**	865 060	**–**	–
Sun International Management Ltd***	(7)	**100**	**100**	73	**–**	–	**–**	–
SunWest International (Pty) Ltd	(1)	**337**	**31**	38	**–**	–	**219 834**	214 929
Swazispa Holdings Ltd	(3)	**3 497**	**51**	51	**–**	–	**–**	–
Teemane (Pty) Ltd	(1)	–	**44**	44	**–**	–	**–**	–
Transkei Sun International Ltd	(1)	**14 495**	**31**	44	**–**	–	**–**	–
ASSOCIATES								
Listed								
City Lodge Hotels Ltd								
– Ordinary shares	(1)	**4 191**	**39**	39	**211 676**	211 676	**–**	–
Unlisted								
Lesotho Sun (Pty) Ltd	(4)	**1**	**49**	49	**–**		**–**	–
Ster Century Europe Ltd	(8)	**–**	**37**	34	**–**		**–**	–
Ster Century Middle East Ltd	(9)	**–**	**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) Jersey (9) Mauritius (10) Bermuda

** Amount of share capital is stated in US$

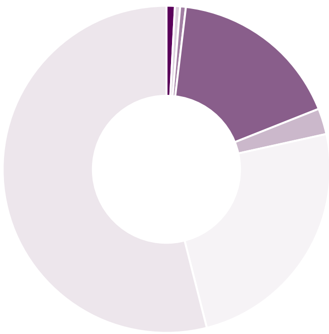
*** Amount of share capital is stated in Swiss Francs

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

OWNERSHIP OF ORDINARY SHARE CAPITAL

at 30 June 2003

Number of shareholders	Category	Number of shares owned	% of total issued shares
	Size of shareholding		
1 477	1 – 500 shares	199 789	0,22
237	501 – 1 000 shares	176 560	0,20
295	1 001 – 5 000 shares	638 632	0,71
52	5 001 – 10 000 shares	362 089	0,40
112	10 001 – 50 000 shares	2 783 962	3,09
44	50 001 – 100 000 shares	3 176 952	3,53
131	100 001 + shares	82 712 322	91,85
2 348		90 050 306	100,00



TYPE OF SHAREHOLDERS

- Banks and nominee companies 0,83%
- Directorate and management 0,51%
- Corporate 0,56%
- Foreign 17,08%
- Individuals 2,56%
- Investment and trust companies 24,50%
- Insurance and assurance companies and provident funds 53,97%

OWNERSHIP OF ORDINARY SHARE CAPITAL

at 30 June 2003

Ten largest beneficial shareholders at 30 June 2003	Number of shares owned	% of total issued shares
Old Mutual Life Assurance Co (SA)	13 197 826	14,66
Public Investment Commission	6 421 192	7,13
Coronation Life – Coronation Specialist Opportunity Portfolio	5 836 339	6,48
JP Morgan Chase Bank	2 791 438	3,10
Boston Safe Deposit and Trust	2 543 827	2,82
Transnet Retirement Fund	2 216 500	2,46
Government Institutions Pension Fund	2 184 156	2,43
Bank of Bermuda Hamilton	1 693 491	1,88
Transnet 2nd Defined Benefit Fund	1 557 500	1,73
Investment Solutions - Allan Gray	1 440 492	1,60
	39 882 761	44,29

Beneficial interests equal to or in excess of 5% of the issued ordinary shares as at 30 June 2003 appear above.

Shareholder spread (beneficial) at 30 June 2003	Number of shareholders	% of total issued shares
Public:	2 337	84,53
Non-public:		
Directors of the company and its subsidiaries	7	0,35
Trustees of employee share scheme	1	0,46
Shareholders beneficially interested in 10% or more of the issued shares	1	14,66
Employees restricted from trading	2	–
	2 348	100,00

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the nineteenth annual general meeting of members of Kersaf Investments Limited (the company) will be held in the board room, 4th Floor, 27 Fredman Drive, Sandown, Sandton, Gauteng, Republic of South Africa, on Tuesday, 25 November 2003 at 09h00 for the following purposes, namely:

1. To receive and adopt the annual financial statements for the year ended 30 June 2003.
2. To approve the re-election of the retiring directors (referred to in 3) by means of a single resolution.
3. To re-elect Messrs L Boyd, PL Campher, MP Egan and DA Hawton as directors, who retire in accordance with the provisions of the company's articles of association. (Please refer to page 53 of the annual report for a brief CV of each director standing for re-election.)
4. To approve fees payable to the non-executive directors in respect of the financial year ending 30 June 2004, as follows:
   - 4.1 to the chairman of the board, R750 000;
   - 4.2 for their services as directors, R110 000 each;
   - 4.3 to the chairman of the audit committee, R90 000;
   - 4.4 to the other members of the audit committee, R45 000 each;
   - 4.5 to the chairman of the remuneration and nomination committee, R70 000;
   - 4.6 to the other members of the remuneration and nomination committee, R35 000 each;
   - 4.7 to the chairman of the group risk committee, R70 000; and
   - 4.8 to the other members of the group risk committee, R35 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.

SPECIAL BUSINESS

6. **General authority to repurchase shares**
   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 passing of the special resolution, whichever period is the shorter, 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 repurchase being implemented through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counter party;

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

– repurchases not being made at a price greater than 10% 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 effected;

– an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;

– repurchases not exceeding 20% (twenty percent) in aggregate of the company's issued ordinary share capital in any one financial year;

– the company's sponsor confirming the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE upon entering the market to proceed with the repurchase;

– the company remaining in compliance with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread after such repurchase;

– the company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and

– the company only appointing one agent to effect any repurchases on its behalf.”

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general 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

– the company’s ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

– Directors and management – pages 53 and 54;
– Major beneficial shareholders – page 111;
– Directors’ interests in ordinary shares – page 72; and
– Share capital of the company – page 94.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 53 and 54 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group’s financial position.

Directors’ responsibility statement

The directors, whose names appear on pages 53 and 54 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

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 JSE Listings Requirements for the repurchase by the company (or by a subsidiary of the company) of the company’s shares.

7. **Amendments to employee share scheme trust deed**

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

“RESOLVED that the directors of the company and the trustees of the Kersaf Investments Limited Share Purchase Trust be and are hereby authorised to amend (and do all such things as may be necessary to amend) the trust deed in respect of the Kersaf Investments Limited Employee Share Incentive Scheme (the scheme) in order to:

– increase the maximum aggregate number of scheme shares which may be subject to the scheme, and share options which may at any time be outstanding in terms of the scheme from 7 580 000 to 9 005 000, representing 10% (ten percent) of the ordinary shares in issue as at the date of the passing of this resolution; and

– increase the aggregate maximum number of shares and/or share options which may be acquired by any one participant from 500 000 to 1 000 000, the details of which amendments are incorporated in the draft fifth addendum to the trust deed, initialled by the chairman for the purposes of identification."

A copy of the draft fifth addendum to the trust deed referred to in the above ordinary resolution is available for inspection at the registered office of the company.

The effect of the ordinary resolution will be to amend the trust deed of the scheme to provide for the increase in the aggregate maximum number of scheme shares participating and/or share options which may remain unexercised in terms of the scheme by 1 425 000 to 9 005 000 and, for the increase in the maximum number of shares and/or share options which may be acquired by any one participant in terms of the scheme by 500 000 to 1 000 000.

8. **Placing of shares under control of the directors for purposes of employee share scheme**
To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

"RESOLVED that an additional 3 034 180 ordinary shares of 8 cents each in the unissued share capital of the company be and they are hereby placed under the control of the directors, as a specific authority in terms of section 221(2) of the Companies Act (No. 61 of 1973) as amended (the Act), with power to allot and issue these shares in accordance with and for the purposes of the Kersaf Investments Limited Employee Share Incentive Scheme, subject to the provisions of the Act and the Listings Requirements of the JSE Securities Exchange South Africa."

The effect of the passing of this ordinary resolution will be to place an additional 3 034 180 ordinary shares in the authorised but unissued share capital of the company under the control of the directors as a specific authority under the Companies Act for purposes of issuing and allotting these in terms of the employee share scheme. Prior to the implementation of the ordinary resolution in 7, if passed, 5 970 820 shares remained under the control of the directors for this purpose. The additional 3 034 180 shares now increase the total number of shares under the control of the directors to 9 005 000 which is in line with the increased maximum aggregate number of scheme shares and/or share options which may be issued and/or outstanding in terms of the employee share scheme.

Any member holding shares in certificated form or recorded on the company's sub-register in electronic dematerialised 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 Limited, Investor Services Division, 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 other than with "own name" registration, must provide the CSDP or broker with their voting instructions in terms of their custody agreement should they wish to vote at the annual general meeting. 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

3 November 2003

Postal address	**Delivery address**
Computershare Limited,	Computershare Limited,
Investor Services Division	Investor Services Division
PO Box 61051	Ground Floor
Marshalltown	70 Marshall Street
2107	Johannesburg
Gauteng	Gauteng
Republic of South Africa	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 dematerialised form in "own name" at the nineteenth 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 Tuesday, 25 November 2003 at 09H00 (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 annual financial statements			
2. Re-election of directors by single resolution			
3. Re-election of directors: Messrs L Boyd			
PL Campher			
MP Egan			
DA Hawton			
4.1 Fees – chairman of the board R750 000			
4.2 Fees – services as directors R110 000			
4.3 Fees – chairman of audit committee R90 000			
4.4 Fees – other members of audit committee R45 000			
4.5 Fees – chairman of remuneration and nomination committee R70 000			
4.6 Fees – other members of remuneration and nomination committee R35 000			
4.7 Fees – chairman of group risk committee R70 000			
4.8 Fees – other members of group risk committee R35 000			
5. Placing unissued shares under directors' control			
6. Special resolution: General authority to repurchase shares			
7. Amendments to employee share scheme trust deed			
8. Special authority to place unissued shares under directors' control – employee share scheme			

Signed at ______________________ on ______________________ 2003

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 dematerialised 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 Limited, Investor Services Division, Ground Floor, 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 09H00 on Monday, 24 November 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.