Sun International

Limited

ANNUAL REPORT 2004


Sun International
Sun International

Sun International
Limited

Mission Statement

We will be recognised internationally as a successful leisure group offering superior gaming, hotel and entertainment experiences, which exceed our customers' expectations.

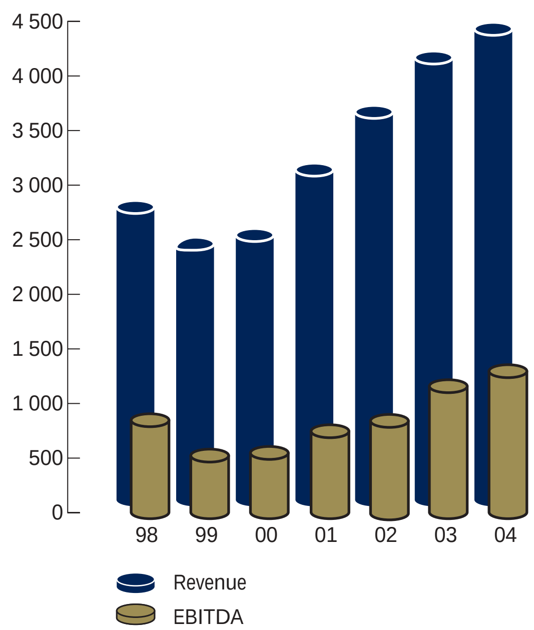
We will create an environment in which all employees are well trained, motivated and take pride in working for the group.

Innovation, fun and an obsession with service excellence and efficiency will make Sun International a formidable competitor and provide our shareholders with superior returns.

We will at all times remain mindful of our responsibility towards all of our stakeholders including the communities we serve.

CONTENTS

REVENUE AND EBITDA
(Rm)

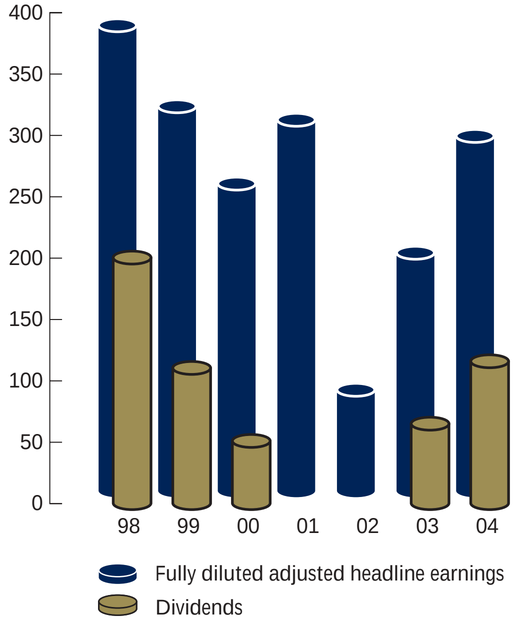


FINANCIAL HIGHLIGHTS

for the year ended 30 June

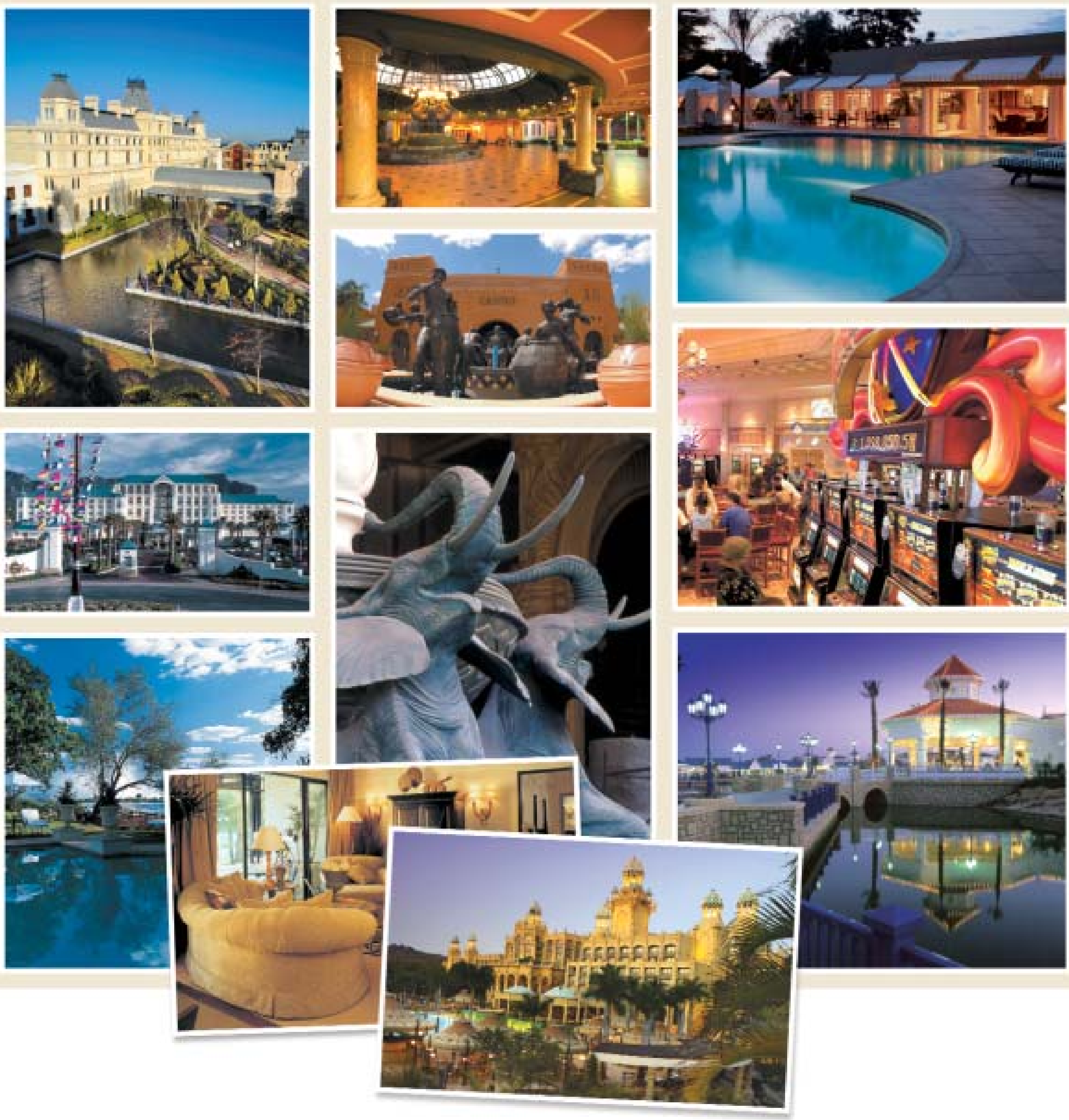
		2004 Rm	2003 Rm	Change %
TRADING (including adjusted headline earnings adjustments)				
Revenue		**4 476**	4 214	6
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**1 423**	1 283	11
Profit from operations		**901**	765	18
Profit before taxation		**662**	503	32
Adjusted headline earnings		**277**	192	44
ORDINARY SHARE PERFORMANCE				
Fully diluted adjusted headline earnings per share	(cents)	**304**	210	45
Dividends per share	(cents)	**125**	75	67
FINANCIAL RATIOS				
Return to equity shareholders	(%)	**11**	7	
Interest bearing debt to total shareholders' funds	(%)	**51**	49	
Interest cover	(times)	**3**	3	
MARKET SHARE PRICE AT 30 JUNE	(Rands)	**40,50**	29,10	

FULLY DILUTED ADJUSTED HEADLINE EARNINGS AND DIVIDENDS PER SHARE (Cents)



OUR *Corporate Focus*

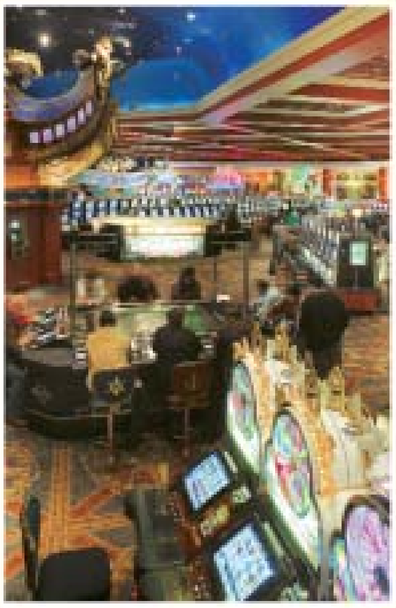
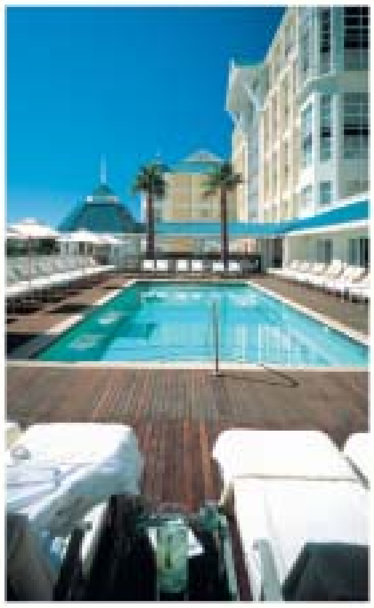
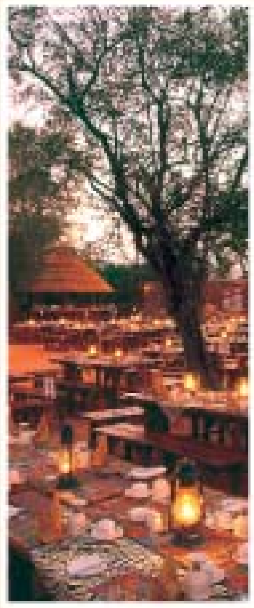
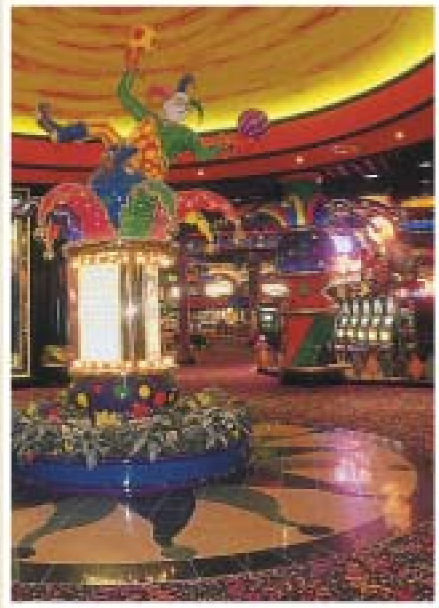
HOTELS, RESORTS AND CASINOS



Sun International
Limited

Sun International Limited invests in and manages businesses in the hotels, resorts and casino industry.

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.

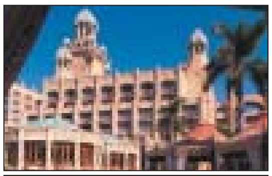









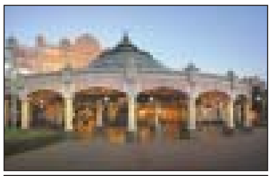

THE SUN INTERNATIONAL LIMITED GROUP

62%* SUN INTERNATIONAL (SOUTH AFRICA) LIMITED



Sun City

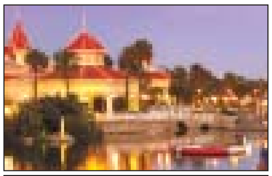
Morula Sun



The Carousel

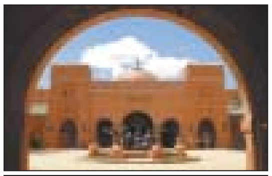
Thaba'Nchu Sun

49%	72%	Emfuleni
49%	77%	Teemane
45%	68%	Meropa
44%	68%	Afrisun KZN

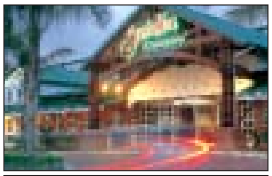


Boardwalk Casino

Flamingo Casino

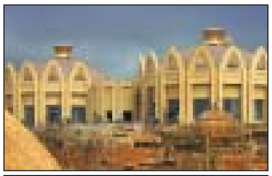


Meropa Casino



Sugarmill Casino
Closing November 2004

Fish River Sun

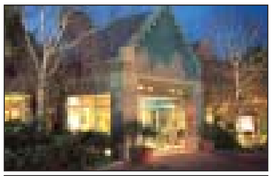


Sibaya
Opening November 2004

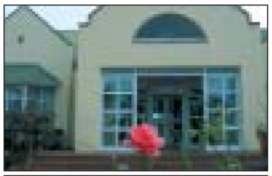
100% SUN INTERNATIONAL MANAGEMENT LIMITED

39% CITY LODGE HOTELS LIMITED

Courtyard Suite Hotels



City Lodge



Town Lodge

Road Lodge

**Effective 16 August 2004 Sun International acquired the remaining minority interest in SISA.*

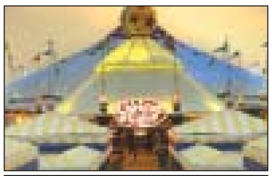
Sun International

Naledi Sun

Voting	Economic	Company
49%	59%	SunWest
60%	70%	Afrisun Gauteng
100%	100%	Transun
70%	70%	Mangaung Sun

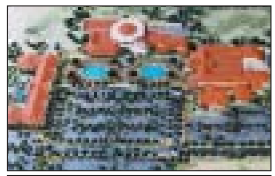
GrandWest Hotel and Casino

Table Bay Hotel



Carnival City

Wild Coast Sun



Mangaung Sun

Opening late 2005

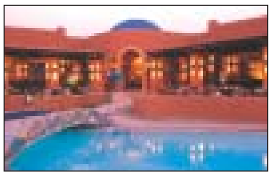
Voting interest

Economic interest

OTHER SOUTHERN AFRICAN OPERATIONS

100% Zambia

Royal Livingstone

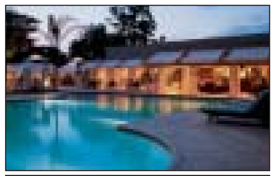


Zambezi Sun

100% Namibia

Kalahari Sands Hotel and Casino

80% Botswana



Gaborone Sun Hotel and Casino

Marang Casino

Menateng Casino

51% Swaziland

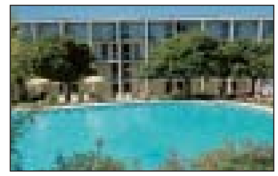
Royal Swazi Sun Hotel and Casino

Ezulwini Sun Hotel

Lugogo Sun Hotel

49%/47% Lesotho

Lesotho Sun



Maseru Sun

CHAIRMAN'S REPORT

To our Shareholders

A VERY GOOD PERFORMANCE

I am delighted to be able to report that Sun International has enjoyed an outstanding year, one characterised by excellent results, expansion, solid growth and organisational restructure.

It comes against the positive backdrop of South Africa celebrating its tenth year of non-racial democracy, an economy performing well, and strengthened consumer and business confidence.

The past ten years has been equally momentous for Sun International. With more than R4 billion invested in the sub-continent over this period, your company is the largest private sector investor in southern Africa's tourism and leisure sector. I believe that the nature of our growth, and our confidence in Africa, has appreciably helped to bring about a fundamental transformation of this high potential sector of the economy.

DELIVERING RESULTS

Fully diluted adjusted headline earnings, at 304 cents per share, were 45% higher than last year. This improvement was due largely to stronger levels of trading in our gaming operations, as well as the positive impact on our borrowing costs of lower interest rates.

Higher earnings and ongoing strong cash flows provided the basis for increasing the overall dividend for the year to 125 cents per share, 67% higher than last year. Despite an increase in group borrowings, the balance sheet remains strong with gearing at a very acceptable 51%.

RESTRUCTURING

We have recently completed the final phase of restructuring and repositioning the group which began several years ago. We now have a simplified ownership and control structure which is improving efficiency and giving us greater control over group cash flows. Shareholders should benefit from the delisting of Sun International South Africa and consequently the single listing of the group's interests on the JSE Securities Exchange South Africa through Sun International Limited.

CORPORATE GOVERNANCE

We at Sun International believe long term competitive success depends on being trusted to meet society's expectations, and consequently we continue to improve and enhance our governance practices throughout the group. Echoing the transformation we are achieving throughout the business, we have expanded the board of directors to introduce greater

THE FUTURE OF SUN INTERNATIONAL DEPENDS ON OUR ABILITY TO HARNESS THE DIVERSE TALENTS, ENERGY AND CREATIVITY OF OUR EMPLOYEES

diversity in its composition, and I am pleased to welcome Hassen Adams, Louisa Mojela and Peter Swartz who joined the board on 1 September 2004.

We have also re-allocated responsibility of board committee work to recognise and better employ the individual skills, experience and knowledge of our non-executive directors.

I thank Stephen Mildenhall for his valuable contribution to the board from June 2002 until June this year.

Greater focus is being given to risk identification and management.

SUSTAINABILITY

Continuing to achieve above-average returns for our shareholders, and reducing our operating risk, necessitates that we share with our stakeholders the opportunities and wealth which our business can create.

In this way we can sustain and enhance the business environment in which we are operating.

How we exercise our corporate social responsibility and accountability, is described in detail in the sustainability report which follows on page 46. Guided by the criteria in the Global Reporting Initiative (GRI) sustainability guidelines, it tells the story of our extensive commitment to socio-economic development in southern Africa.

It is a story of which I am deeply proud, and is manifest this year in our initiative to facilitate a significant increase in the shareholding of our BEE partners in our joint gaming ventures, providing them with greater upside value potential as these operations continue to grow and de-leverage.

APPLYING OUR COMPETITIVE EDGE

The group is well positioned to produce further growth in our gaming operations in southern Africa. The ongoing research and development being undertaken to enhance our gaming technology is designed to provide customers with an improved and more exciting experience, and to provide better market information and yield management throughout our operations.

We are actively pursuing opportunities in the rest of Africa for our resorts and hotels division and are looking at a number of prospects for new casino licences in the United Kingdom.

PEOPLE COUNT

The future of Sun International depends on our ability to harness the diverse talents, energy and creativity of our employees. Commitment is valued throughout the group, and our recognition of the dedication of our employees finds expression in our considerable investment in the human capital of our business.

The more than 8 000 people who work at Sun International are squarely behind the success of the group in this, and previous years, and I thank each and every one, as I do our business partners and customers.

In ending this, our first annual report as Sun International Limited, I would like to thank our chief executive, Peter Bacon and his management team for outstanding results. I would also like to recognise our non-executive directors for their valuable contribution and assistance. It has been a good year.

DA HAWTON
Chairman

CHIEF EXECUTIVE'S REPORT

Sun International
has enjoyed an outstanding year

The past year has been an exciting one for Sun International. The group has been significantly restructured through the acquisition of the minority interests in Sun International (South Africa) Limited (SISA), the delisting of SISA and the renaming of Kersaf Investments Limited to Sun International Limited (Sun International). This restructuring and repositioning will enhance the efficiency of the group, improve its financial leverage and capability, allow greater control over cash flows, increase the float of Sun International shares and ultimately result in greater value creation for all shareholders.

This process was accompanied by strong trading results for the year. Sun International has consolidated its leadership of southern Africa's gaming industry, and is now well positioned to pursue regional as well as international opportunities in the hotels, resorts and gaming sectors.

TRADING ENVIRONMENT

The South African economy improved during the year with consumer confidence rising steadily, which on the back of lower interest rates, resulted in significantly higher levels of consumer spending. Sun International's casino operations benefited from this environment, particularly in the second half of the year.

International tourism revenues, on the other hand, were negatively affected by various external factors and as a consequence, the number of visitors to South Africa remained at levels similar to those of last year. The stronger local currency resulted in foreign visitors "buying down" as they spend at similar levels in foreign currency terms and therefore have less to outlay in Rand terms. This pattern has emerged throughout the South African tourism market.

The weaker US dollar also resulted in many other overseas destinations becoming increasingly attractive to European travellers, who are the most important market for tourism to southern Africa.

On the supply side, the only significant increase in the upmarket hotel sector has been in Cape Town, with a consequent downward pressure on rates and occupancies, although no further expansion is anticipated in the near term. No major new casino openings took place in the last year and none is anticipated in the next year, outside of our own new property, Sibaya, north of Durban. The planned roll-out of limited payout machines (LPMs) in South Africa is not expected to have a material impact on the casino industry.

Positive for the future prospects of the hospitality industry was the announcement by FIFA earlier this year that South Africa will host football's World Cup in 2010.

SUN INTERNATIONAL HAS CONSOLIDATED ITS LEADERSHIP OF SOUTHERN AFRICA'S GAMING INDUSTRY, AND IS NOW WELL POSITIONED TO PURSUE REGIONAL AS WELL AS INTERNATIONAL OPPORTUNITIES IN THE HOTELS, RESORTS AND GAMING SECTORS

Global events like this generate significant new spending by visitors, act as a catalyst for new investment in infrastructure, and provide a shop window, through international television, to showcase our tourism assets to the world.

Our congratulations go to SAFA, and government, for securing this most sought-after international event.

LEGISLATIVE DEVELOPMENTS

The South African government recently introduced a new National Gambling Act. The casino industry, through the Casino Association of South Africa (CASA), was able to make submissions and representations to the Joint Select Committee of the Department of Trade and Industry and the National Council of Provinces on the draft Bill, and the majority of its submissions were incorporated into the Act.

I would like to acknowledge the role CASA played in the finalisation of the Act and extend my appreciation to the Department of Trade and Industry and the members of the Joint Select Committee for the constructive dialogue and interaction which took place at the early stages of the Act's formulation. The new Act contains a significant extension of regulatory oversight functions for the National Gambling Board and will introduce a number of measures aimed at addressing the incidence of problem gambling. The promulgation of Regulations to be made under the Act is scheduled for November 2004.

BRAND DEVELOPMENT AND POSITIONING

The rationalisation of the group structure and the renaming of the company will assist with the development and positioning of the Sun International brand with customers, the investment community, the public, governments and other stakeholders both within South Africa and internationally.

Sun International has positioned itself to be recognised internationally as a successful leisure group offering superior gaming, hotel and entertainment experiences, which exceed our customers' expectations and our competitors' offerings.

It is our intention to retain our leadership of the markets in which we operate through innovation, an obsession with service excellence and the delivery of market leading, customer focused and unique products.

OPERATING AND FINANCIAL PERFORMANCE

Sun International's gaming operations enjoyed an excellent year, in particular during the second half when the effect of lower interest rates and the strength of the South African currency stimulated higher levels of consumer confidence and spending. Hotels and resorts were less fortunate, experiencing difficult trading conditions in part brought about by the stronger currency.

Group revenue at R4,5 billion was up 6% on the prior year with gaming revenues up 9% and room revenues down 2%. Costs were well contained reflecting modest increases on last year. This resulted in an 11% increase in EBITDA to R1,4 billion and a two percentage point increase in the EBITDA margin to 32%.

The strong trading of the gaming division, improved margins and the positive impact of lower interest rates resulted in the group achieving fully diluted adjusted headline earnings per share growth of 45%.

The disposal of non-core investments, the restructuring of the group, and the establishment of new casino properties also contributed to the group's improved returns. During 2004, the return to our shareholders increased from 7% to 11% and return on assets improved by four percentage points to 16%. We are

CHIEF EXECUTIVE'S REPORT
(CONTINUED)

BOARDWALK, Port Elizabeth, Eastern Cape

now well placed to significantly improve the returns to shareholders in the medium term.

GAMING

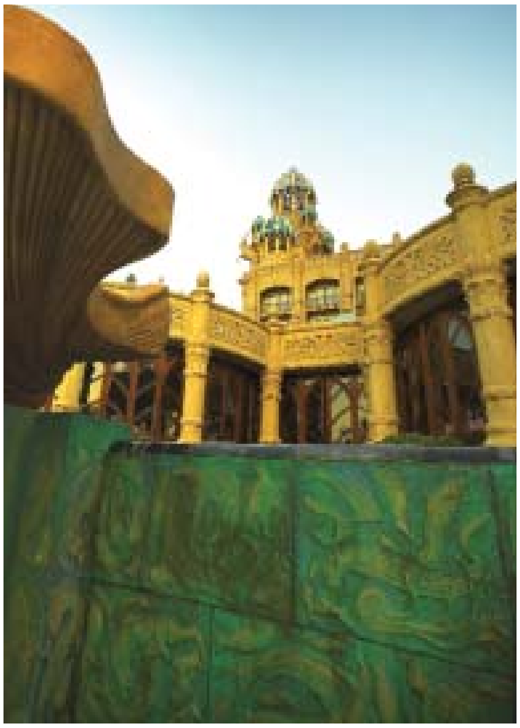
Sun International is southern Africa's leading casino operator with 21 casinos in the region and a 42% share of South Africa's total casino revenues. We operate in eight of South Africa's nine provinces, and are invested in and manage 12 of the 32 casinos currently operating in the country.

The group now has a presence in all of the major urban markets in South Africa and therefore opportunities to expand gaming operations through the acquisition of additional licences in this jurisdiction going forward are limited. The search for alternative gaming prospects is thus a priority.

During the past year, we focused on improving our operating efficiencies while at the same time, we continued to renew and upgrade our product mix and to improve our service levels to provide an excellent customer experience. Of particular note was the introduction of a Platinum Card tier to our Most Valued Guest (MVG) loyalty programme, offering significantly enhanced benefits to our high-end customers. We also introduced a new high-quality lifestyle and gaming publication *Sun International Privé*, to replace the *Gaming Gazette*. Sun International gaming continues to innovate through the introduction of new tables and slots games, a number of which are unique to our casinos in the region, as well as enhancements to our Mystery Jackpot product.

HOTELS AND RESORTS

The group operates superior luxury hotels and resorts and a portfolio of smaller regionally-focused casinos and hotels in southern Africa. These properties are positioned at the premier end of the market and offer excellent conference facilities, as well as high-quality banqueting and food and beverage options. The Table Bay at the Waterfront in Cape Town, The Palace of the Lost City at Sun City and The Royal Livingstone at Victoria Falls are members of *The Leading Hotels of the World*. Sun City remains the country's premier destination resort and conference venue and



THE TABLE BAY (left), the PALACE OF THE LOST CITY (middle) and the ROYAL LIVINGSTONE (right) are all members of *The Leading Hotels of the World.*

significant investment has been committed to the upgrade of its hotels and other facilities to ensure that this position is maintained.

"The Route of the African Sun" which showcases Cape Town, Sun City and Victoria Falls – three of sub-Saharan Africa's leading destinations – to the international tourist market, remains unrivalled in terms of an overall visitor experience from both a product and quality perspective.

The group has a substantial management infrastructure that provides marketing, reservations, sales, purchasing, development and management expertise locally and internationally.

TECHNOLOGY

The group continues to invest in new technology and new product development to ensure that we maintain our leading position in the market, particularly in the casino gaming sector. Our systems, which include casino management, hotel reservations, procurement and human capital, are constantly reviewed and enhanced.

The group's information systems department was extensively restructured during the year to enable the department to meet the current and future needs of our businesses.

OUR PEOPLE

The group directly employs over 8 000 people and they continue to be Sun International's most valuable resource. A high priority is placed on improving the skill levels of all of our employees through ongoing training and development to enhance the customer experience, to improve productivity, and to provide our people with fulfilling and rewarding careers. The Sun International Employee Share Trust, which was established during 2003 for the benefit of over 6 000 of our employees in South Africa, made its first two distributions to employees during the year. Inherent value of approximately R20 000 per employee has been generated since inception with R789 per employee distributed in dividends during 2004. This initiative is part of our process of empowerment and enables all of our employees to share in the success of Sun International.

CHIEF EXECUTIVE'S REPORT
(CONTINUED)

EXPANSION AND OTHER STRATEGIC INITIATIVES

Given the limited number of casino licences available, and thus opportunities for expansion or acquisition in the casino sector in South Africa, Sun International has embarked on a strategy to pursue the expansion of its casino, hotel and resorts portfolio beyond the country's borders.

The focus for the growth of our hotels and resorts business will be exclusively in Africa, the Indian Ocean Islands and the near Middle East. Any expansion of the resort and hotel operations will be undertaken through two broad models. The first is an extension to the "Route of the African Sun". These opportunities must be resort destinations that, due to the uniqueness and/or natural beauty of the site, will complement our current locations such as the Victoria Falls, Sun City and the Waterfront in Cape Town. The second model is city-based hotels with casinos in African capital cities or other large cities, which draw the majority of their business from local markets and regional travellers. These properties would generally be of around a four star standard and include conference facilities, restaurants and a casino.

The group has strategic alliances with Mvelaphanda and International Financial Advisors (IFA) of Kuwait to seek and develop opportunities in Africa and the Middle East. We will also look for opportunities to secure management agreements for new or existing hotels and resorts in our geographic area of focus.

In a joint venture with Mvelaphanda, the group is currently seeking the requisite approvals from the Angolan Government to develop a $60 million hotel and casino on the Ilha Do Cabo peninsula in the Bay of Luanda. The proposed development will consist of a five-star 147-room hotel, a casino, restaurants, bars, a conference centre, spa and business centre.

In respect of casino gaming, Sun International will look further afield given the limited number of suitable jurisdictions in Africa for large scale casino developments and the significant size of large scale businesses that can support a local management infrastructure. We therefore intend to identify suitable gaming opportunities globally and are considering a number of casino opportunities in Asia, and particularly in the United Kingdom.

In the United Kingdom, the introduction of new gaming legislation, aimed at bringing casino gambling into the mainstream leisure economy, is well advanced. The group is actively investigating various prospects and plans to develop and operate a limited number of new urban casinos similar in concept to the group's new casinos in South Africa. A dedicated team based in the United Kingdom has been appointed to pursue this opportunity.

The group's leadership in the casino industry has been enhanced by technology and Sun International has led the way in developing coinless gaming for its customers through the introduction of smart card technology. We are currently assessing the group's needs with a view to the medium-term re-development and/or replacement of our existing Casino Management System. The new system will incorporate improvements to allow for more rapid implementation of enhancements to products and new innovations. This will also allow seamless interface with our customer database to improve our interaction with customers.

We continue to investigate our vision for the "casino of the future" which ultimately will link interactive gaming terminals to a central server. This will provide customers with a greater variety of games and "participation gaming", which will allow players to compete against each other.

Of particular note is a major strategic initiative to advance previously disadvantaged individuals (PDIs) within the group. Management and the board have agreed a multi-faceted strategy to increase the representation of PDIs in our organisation, particularly at the more senior levels. I am confident that Sun International will make further good progress and continue to lead the industry in this area.

CAPITAL EXPENDITURE AND FUNDING

The group anticipates undertaking over R1 billion in capital and investment expenditure in the 2005 financial year. This includes primarily the completion of the SISA minority share purchase (R346 million already expended since year end) and the Sibaya project (R373 million). This expenditure will be funded out of existing and new debt facilities, existing cash resources and cash flows from operations. Despite these cash outflows, borrowings are expected to remain at similar levels to the current year.

SUSTAINABILITY

Sun International is a committed and responsible corporate citizen, and places the highest priority on contributing constructively to the sustainability of the environment and the social wellbeing of those communities in which it operates. The group has been at the forefront of black economic empowerment in South Africa, and it is widely acknowledged that this commitment was a key attribute in our success in obtaining new casino licences throughout the country.

As market leader in the industry, we believe we have a special duty to promote responsible gambling. For the overwhelming majority of our customers, gambling is harmless entertainment, but it is true that a small minority experience problems with their gambling, and this can have negative implications for them and their families. Recognising this, Sun International originally established the National Responsible Gambling Programme (NRGP), now supported by all operators in the casino industry, as well as the racing, LPM, bingo and sports betting sectors. The NRGP is today accepted as one of the foremost programmes of its kind in the world, and enjoys strong support from government, regulators and industry alike.

PROSPECTS FOR 2005

Trading for the first quarter of the 2005 financial year has been very satisfactory with the growth in casino revenues evident in the second half of 2004 continuing. While we anticipate some slowing in the rate of growth in the second half of the year, the strong start to the new financial year, and the positive effects of lower interest rates on our borrowing costs, is likely to result in good earnings growth in the year ahead.

We anticipate good growth in earnings in the year ahead and as a consequence of the strong operating cash flows it is our intention to increase the level of dividends at a rate in excess of the earnings growth rate.

THE TEAM

The group strengthened its management structure with the appointment of David Coutts-Trotter as deputy chief executive on 1 July 2003. David assumed direct responsibility for the group's casino operations and gaming support services, including information technology. This appointment has increased the focus on the key issues related to gaming in the group and also enabled me to allocate more time to the investigation of expansion opportunities.

The group's management is divided into casinos and gaming support services comprising the gaming division, and hotels and resorts comprising the resorts division. There are a number of central support services including finance, legal, development, internal audit and human resources that report to me and provide support to both divisions.

I would like to record my appreciation to our employees for consistent hard work throughout the year, and to our shareholders for their support. In particular, I would also like to thank our customers for their loyalty and patronage and our suppliers for playing their part in our success.

PD BACON
Chief Executive

Gaming and Casinos

THE GAMING MARKET IN SOUTH AFRICA

THE GAMING MARKET IN SOUTH AFRICA INCLUDES CASINOS, THE NATIONAL LOTTERY, HORSE RACING, LIMITED PAYOUT MACHINES (LPM), BINGO AND SPORTS BETTING

Casinos enjoy the largest share with 68% of total revenues, followed by the lottery with 23%. Overall the gaming market grew by 17% for the year to 31 March 2004 with casinos experiencing growth slightly ahead of the overall market, while the lottery grew by 12%, effectively losing market share to other forms of gaming.

SOUTH AFRICAN GAMING MARKET REVENUES

Sector	**Year ended 31 March 2004 Rm**	Year ended 31 March 2003 Rm	% Increase
Casino	**7 339**	6 240	18
Lottery	**2 564**	2 286	12
Horse Racing	**860**	694	24
LPMs	**10**	-	-
Bingo and Sports	**30**	20	50
Total	**10 803**	9 240	17

Sources: National Gambling Board and Uthingo.

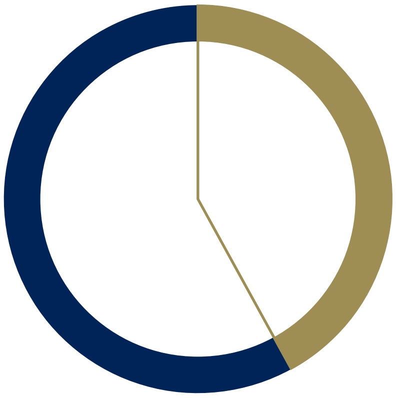
GRAND WEST, Cape Town, Western Cape

GrandWest opened in December 2000 and has shown excellent growth in revenues and earnings since opening.

REVIEW OF OPERATIONS
(CONTINUED)

MARKET SHARE

Sun International is the leading casino operator in South Africa measured by market share, with the group attracting 42% of gaming revenues from 44% of the total number of gaming positions.



SOUTH AFRICAN CASINO REVENUES

- Other operators 58%
- Sun International 42%

The decrease in market share in the Free State and KwaZulu Natal is due to the opening of competitor facilities in Welkom in December 2003 and in Durban in December 2002. The group's share of the highly competitive Gauteng market experienced a small decline, primarily due to the economic growth in Carnival City's core East Rand market lagging behind the growth in other areas in the province, and a reduction in its share of the tables market. The property's share of the slots market was in line with last year.

COMPETITORS

Casino gaming in South Africa is highly competitive, particularly in Gauteng, the largest market in the country. This necessitates significant promotional, marketing and media expenditure, resulting in higher costs of attracting and retaining customers. The eventual award of a sixth licence in Gauteng, probably on the West Rand, will impact on all of the existing casinos in the province, although we anticipate to a lesser extent on Carnival City.

No other competitor developments, which could have a material effect on our business, are anticipated in the next 24 months.

SUN INTERNATIONAL'S SHARE OF THE CASINO GAMING MARKET

Province	By gross gaming revenue Year ended 31 March		By total number of gaming positions Year ended 31 March	
	2004	2003	**2004**	2003
Eastern Cape	**73%**	72%	**74%**	74%
Free State	**75%**	100%	**54%**	100%
Gauteng	**17%**	18%	**24%**	24%
KwaZulu Natal	**34%**	57%	**26%**	26%
Limpopo	**85%**	85%	**61%**	61%
Mpumalanga	**–**	–	**–**	–
North West	**86%**	84%	**87%**	87%
Northern Cape	**85%**	93%	**58%**	58%
Western Cape	**82%**	86%	**70%**	70%
Total	**42%**	46%	**44%**	45%

Source: National Gambling Board.

SIBAYA CASINO, Umhlanga, KwaZulu Natal

PRODUCT OFFERING

Research and Development (R & D)

Sun International is the only southern African gaming operator with a comprehensive R & D function, which gives us a clear competitive advantage in meeting and exceeding customer expectations. The philosophy of the R & D department is to pre-empt customer requirements by constantly developing new and innovative gaming products and offerings. This is done through a system of constant market scanning both locally and abroad.

Our R & D mission is to maintain our position as the benchmark in gaming products through:

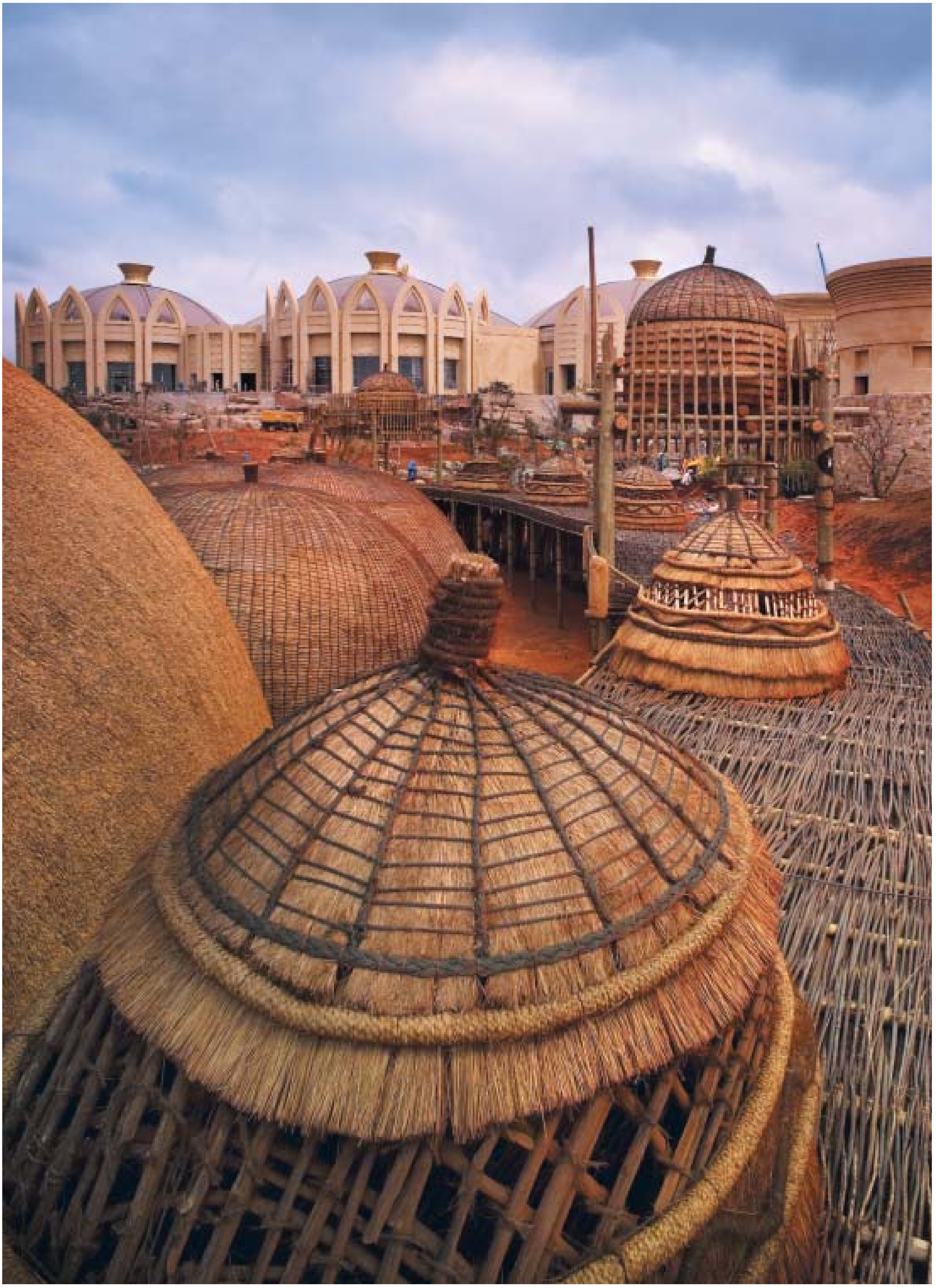
- Brand positioning
- Product and service innovation
- Focused customer retention management strategies

Mystery Jackpots

The Mystery Jackpot system enables operations to optimise machine capacity through the random triggering of jackpots on certain slot machines or groups of machines. These jackpots include instant cash, holiday and car prizes and create a sense of excitement for customers. Releases planned for the new financial year include “Chain Reaction”, a proprietary enhancement of Mystery Jackpots which will ensure the system remains innovative and exciting, and should further entrench the group’s acknowledged competitive edge in this area.

Wide Area Progressive Jackpots (WAPS)

Sun International is the only casino group in South Africa to offer WAPS. Historically, these products have been extremely successful, but have recently lost some of their appeal due to the national lottery. In order to revitalise the product, a new WAP using video machines with a high hit rate is being investigated and may be introduced exclusively at Sun International casinos.



SIBAYA CASINO, Umhlanga, KwaZulu Natal

Sun International's gaming marketing strategy is to ensure that all customers enjoy the best possible value-for-money gaming experience

Sun Games

Sun International aims to introduce up to four new proprietary slot games per year. These games are developed in-house or by way of joint ventures with manufacturers such as IGT and Universal. In January 2004, the group launched "Dem Bones", which has proved to be extremely popular and is the top performer in the 5c to 25c denomination video machines. Releases planned for the new financial year include "Gogga", a multi-denomination game that includes a patented bonus feature.

New Table Games

As in many other gaming jurisdictions, the tables market has remained fairly flat over the last few years, which is partly attributable to the lack of innovation in table games. As a consequence, the group embarked on a project to enhance its table game offering. This resulted in the introduction of new table games such as Single Deck Blackjack and Easy Poker. Single Deck Blackjack is a hand dealt game for which the trademark in South Africa is owned by Sun International. Easy Poker, launched on 2 July 2004, is the fastest growing poker game in the world and generates the highest revenue per table in Las Vegas.

Information Kiosks

Together with the XN Corporation, Sun International has developed the MCast digital video and audio system and an online information kiosk. The kiosks will be located on our casino floors and will interface with our Casino Management System to provide our customers with real time information on jackpots, machine payouts, machine and facility locations, promotions and customer information including MVG points. The MCast system will allow our casinos to more effectively communicate to our customers both visually and through sound on the casino floor with respect to jackpot wins, special promotions and Mystery Jackpots. This innovative service will be introduced into certain of our casinos shortly.

GAMING MARKETING

Sun International's gaming marketing strategy is to ensure that all customers enjoy the best possible value-for-money gaming experience. This includes ensuring that the latest and most popular machines are on the slots floor, 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. Joint marketing campaigns between the group's casinos and resorts allow Sun International to reward customers with imaginative promotions and special offers, and realise economies of scale made possible by the group's size and geographic spread.

Most Valued Guest (MVG)

The MVG programme is the key element of the group's customer relationship strategy to provide a consistently extraordinary guest experience at all our properties. During the year, the group launched the MVG Platinum Card, which qualifies our top MVGs for the very best rewards across the group. This exclusive level of the MVG programme gives our top players the status, benefits and recognition they deserve in recognition of their loyalty and patronage.

The Platinum Card adds a fourth level of MVG membership to Sun International's MVG reward programme. Each level offers distinctive privileges to members at all the group's hotels, resorts and casinos, with benefits becoming increasingly valuable as customers progress through each level. Together with the launch of the Platinum Card, benefits and rewards were improved to ensure the MVG programme retains its status as the premier casino rewards programme in South Africa. At an operational level, good progress was made in staff training and development at all levels to ensure a high standard of overall customer satisfaction.

REVIEW OF OPERATIONS
(CONTINUED)

MORULA CASINO, Makopane, North West Province

Sun International Privé

During 2004, the group introduced a new publication to replace the *Gaming Gazette*. Called *Sun International Privé*, it is aimed particularly at our MVG customers. This high quality lifestyle and gaming magazine is published quarterly and has been well received by our customers.

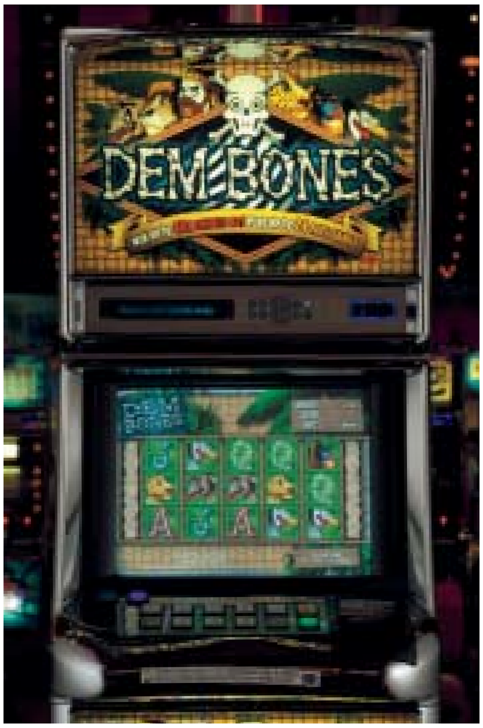
Growing the Gaming Market

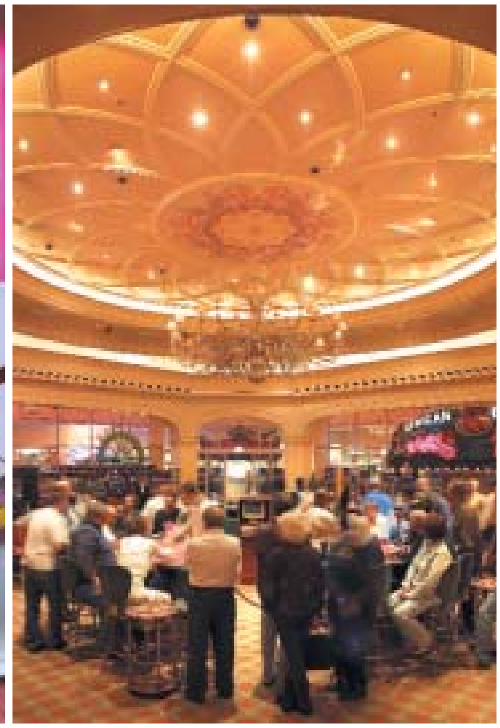
The percentage of the black population in the middle to upper Living Standards Measure (LSM) categories has been steadily increasing over the last decade, and this market is a significant opportunity to grow the group's customer base, market share and revenues. There has been a significant increase in the black population's share of personal income, which in aggregate surpassed that of the white population in 2001. The group has undertaken significant research into the middle and upper income market within the black population aimed at achieving actionable solutions, based on sound consumer insight that will enable Sun International to grow its casino business by maximising opportunities in this high-potential market.

NEW DEVELOPMENTS

The Sibaya casino remains on schedule for opening in November 2004, in line with the approved cost of R650 million. The project includes the construction of an interchange that will link the north-bound N2 and the coastal road to the casino, giving visitors quick and easy access to the complex's 2 200-bay parking facility. The casino will have 1 000 of the latest slot machines and 37 tables that will be available in three areas – the main casino floor, the smoking casino and an upmarket privé. Sibaya's other facilities include a 36-roomed luxury hotel, conference facilities, a variety of innovative restaurant, entertainment and bar facilities, a theatre and cultural village. A second family-style hotel will be constructed on the site and is anticipated to open in late 2005.

The Morula casino is currently undergoing an R82 million major refurbishment. This involves the replacement of all casino equipment to give customers access to the group's smart card technology, and the introduction of new facilities including an



BOARDWALK, Port Elizabeth, Eastern Cape

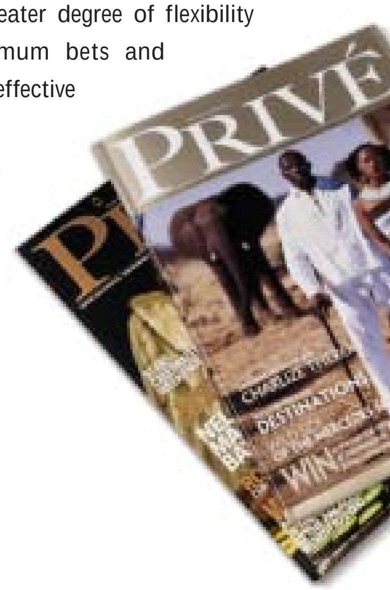
entertainment bar, MVG lounge and the refurbishment of the hotel and restaurant. The property will be re-positioned and re-launched in December 2005. The casino equipment at the Carousel will also be replaced early in 2005 at a cost of R40 million, including the introduction of smart card technology, and in addition, some refurbishment at a cost of R25 million will take place at this property.

Work has commenced on a new R145 million casino complex in Bloemfontein. Ideally located on the N1, it will have 200 slot machines and 10 tables, a conference centre, restaurant and bars. The group will also manage third party-owned hotel and family entertainment facilities, including a number of restaurants located adjacent to the casino.

The group has successful applicant status and plans to develop and operate a small casino facility at Worcester in the Western Cape. Construction of this property will in all likelihood only commence in the 2006 financial year with the total cost estimated at around R90 million.

The Casino of the Future

Our vision for the "casino of the future" will link slot machines to a central server in order to provide our customers with a greater variety of games and ultimately, "participation gaming", which will allow players to compete against each other. This will also result in a far greater degree of flexibility in terms of structuring minimum bets and limits, and will provide a cost effective mechanism when changing the profile of the casino floor. Subject to the introduction of the appropriate gambling legislation, server-based gaming will also provide the group with a platform to take advantage of internet gaming.



Hotels and Resorts

OVERVIEW

THE GROUP CATERS TO BOTH THE INTERNATIONAL AND NATIONAL MARKETS, WHICH ARE FURTHER SEGMENTED INTO INDIVIDUAL/GROUP LEISURE SEGMENTS AND INDIVIDUAL/GROUP CORPORATE AND GOVERNMENT SEGMENTS

International and national market statistics for the group's resorts and hotels, including Sun City, Wild Coast, Table Bay, Mpekweni, Zimbali, Zambia, Botswana, Swaziland and Namibia for 2003/4 were:

INTERNATIONAL AND NATIONAL MARKET STATISTICS FOR THE GROUP'S RESORTS AND HOTELS

	2004	2003	% Change
Resort room nights			
Available (000's)	**1 176**	1 190	(1)
Sold (000's)	**776**	782	(1)
Occupancy achieved (%)	**66,0**	65,7	
Local business room nights sold	**535**	522	2
Occupancy (%)	**45,5**	43,8	
International business room nights sold (000's)	**241**	260	(7)
Occupancy (%)	**20,5**	21,9	

PALACE OF THE LOST CITY, Sun City, North West Province

The Palace of the Lost City and Sun City remain premier attractions in South Africa and are unique in their appeal.

REVIEW OF OPERATIONS
(CONTINUED)

Being accountable to customers is also about ensuring customers have a quality experience each and every time they visit a Sun International property

The overall number of available room nights fell slightly in the year as a result of the disposal of the Mpekweni Sun on 1 April 2004, but this was partly offset by the additional trading day as a result of the leap year. Occupancies at the group's resorts in overall terms improved slightly to 66% at the expense of room rate, which averaged R775 and was 1% below the previous year.

The Cascades room refurbishment, which commenced at the end of the 2003 financial year, resulted in a significant portion of this hotel being unavailable for sale for much of the current year. The Cape Town market was adversely affected by an increase in room inventory at the high end of the market following the opening of the new hotel at the convention centre.

The Zimbali Lodge was sold to the IFA group for R76 million with effect from 12 August 2004. Sun International will continue to manage the resort under a long-term management contract.

The group's international business volumes were 7% below the previous year, mainly as a result of the strength of the Rand, which appreciated by 23% against the US Dollar in the year. This brought about a "buy down" trend to more affordable three and

CASCADES, Sun City, North West Province

four star products. Pleasingly, however, international arrivals to southern Africa remained very much in line with last year. This trend was evident in the individual leisure segment as well as the MICE component (meetings, incentives, conferences and exhibitions) of the industry.

US dollar denominated destinations have become far more competitive in the group's most important foreign markets such as Europe, the United Kingdom, and Asia. Destinations such as the Caribbean, the Far East and the Indian Ocean islands have now become far more attractive to these key source markets in view of the appreciating Euro and Sterling relative to the US dollar.

The group's hotels and resorts are positioned at the premier end of the market, and offer excellent banqueting and conference facilities, high quality restaurants, bars and entertainment venues. Sun International has appointed the internationally acclaimed Michelin star chef Conrad Gallagher to further enhance the high standards and quality of its food and beverage offering.

MARKETING PHILOSOPHY AND STRATEGY

Our hotels and resorts marketing philosophy is to build and leverage the brand. We do this by understanding the current, future and latent needs of global markets. We proactively deliver innovative, world-class services and solutions through superior technology, creative internal and external communication, relevant pricing and unique product offerings. We will consistently exceed our corporate objectives with our exclusive network of worldwide partners and our motivated, dedicated and specialised employees.

INTERNATIONAL MARKETING

Our primary source markets are serviced by dedicated marketing, sales and public relations offices in the United Kingdom, Germany, France, Italy and the United States. In those markets where we do not have dedicated offices, our hotels and resorts are serviced by selected inbound and outbound operators in partnership with ourselves. New markets are actively being developed with offices recently being opened in Russia and The Netherlands.

With a global television audience of 1,4 billion viewers, The Nedbank Golf Challenge remains the world's richest golf tournament and continues to generate considerable international exposure for Sun City, Sun International and South Africa as a whole.

ZIMBALI LODGE, KwaZulu Natal

ROYAL LIVINGSTONE, Victoria Falls, Zambia


MISS
SOUTH AFRICA


590

Sun International
Dreams
DISCOVER THE HIDDEN MEANING

NATIONAL MARKET

The national marketing and sales effort is aimed at the individual and group leisure segments, and the individual, and group corporate and government segments. Sports groups are also an important target market given the world-class golf courses located at a number of our resorts.

Sun International's new tour operator *Dreams,* was launched in April 2003. *Dreams* markets packages to the local market primarily through South African retail networks. Our Zambian resort has been effectively marketed through *Dreams*, which has recently been broadened to include Swaziland and Zimbali Lodge.

The group has developed a comprehensive e-Marketing strategy which has enhanced our website capabilities and leveraged electronic mail to increase sales. The focused *E-Scape* campaign has been successful in satisfying selected customers at preferential prices where certain operations have short term capacity. Business-to-business reservations are currently being encouraged via the internet.

An important component of the national sales effort is aimed at casino customers who are able to use their MVG points to stay at any of the group's resorts.

Staging events remains an important marketing and public relations tool. During the year, a number of high profile local and international events were hosted. These included Vicki Samson, The World's Strongest Man and Jonathan Butler at Victoria Falls, Vusi Khumalo at the Kalahari Sands, the SABC Woman of the Year at The Table Bay and Ronan Keating, Enrique Iglesias and Mandoza, at Sun City, along with the Miss South Africa and Miss SA Teen, the Duke of Edinburgh Cup, the SA Music Awards, the SA Freestyle Dance Championships and the Afrikaans Music Festival.

NEW DEVELOPMENTS

Sun City remains the group's flagship resort and enjoys strong international demand. Construction of the new Vacation Club at Sun City has commenced and advance sales for the project have been excellent, with the first phase due to open in April 2005. The refurbishment of the Cascades Hotel at Sun City was completed at a cost of R65 million. Work has commenced on an upgrade of the casino and certain other facilities at the Sun City Entertainment Centre which, together with essential remedial work to the Sun City Hotel infrastructure, is projected to cost R74 million in the 2005 financial year.

In a joint venture with the Mvelaphanda Group, we are well advanced in the research, planning and financing of a five-star hotel, casino and conference centre complex situated on the Ilha Do Cabo, the peninsula that creates the Bay of Luanda in Angola. Final approval of various concessions, and for the transfer of the land, is awaited from the Angolan government.

The Kharafi Group is developing a 1 000 room resort at Port Ghalib on the Red Sea in Egypt, which is planned to open in late 2006. Sun International has entered into a technical services and operating management agreement for this resort.

Information Technology

THE GROUP SIGNIFICANTLY RESTRUCTURED THE INFORMATION TECHNOLOGY DIVISION (SUN IT) DURING THE PAST YEAR, BUILT AROUND A CLEAR SET OF IT OUTPUTS REQUIRED TO ENSURE ALIGNMENT WITH THE KEY BUSINESS OBJECTIVES, COUPLED WITH A COMPETENCY FRAMEWORK AND SPECIFIC ROLE DEFINITIONS

The group now has a modern IT division, which follows global best practice and operates within a solid corporate governance framework. Its processes, practices and key applications can be considered world-class.

GOVERNANCE

Technology deployment within the group is governed by key guiding principles and policies, such as:

- CoBiT Framework: (Control objectives for information technology) from the IT Governance Institute. This represents a structure of relationships and processes to direct and control the enterprise in order to achieve the group goals by adding value while balancing risk versus return.
- ITIL Framework: (Information Technology Infrastructure Library). Key aspects of this international framework are used within the IT service delivery and support model within Sun International. More recently, the group is seeking to align with the latest IT service standard – BS 15000.
- ISO 17799: This framework guides the information security practices and processes within the group.
- Governance Policy: This policy pulls together the relevant parts of the three previous governances into a single comprehensive framework for the group.
- Security Policy: This focuses more specifically on the security aspects within the overall IT policy.

SPECIALISED SERVICES

The following services are provided by Sun IT in support of the overall IT strategy and business plan.

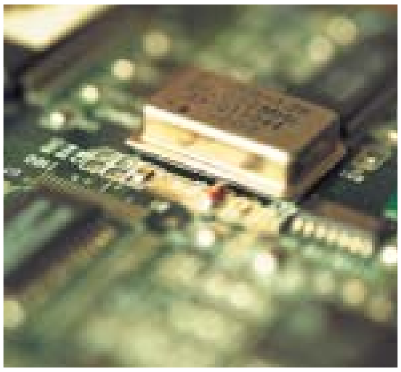
Enterprise Architecture

The META architectural model has been adopted, with the following distinct areas:

- Business architecture, which seeks to ensure that the overall enterprise architecture strategy is formulated in a way which aligns with (and enables) the group's business strategy and objectives.
- Information architecture, which manages the strategy of how information is collected and distributed within the group in order to facilitate the best management decisions.
- Solution (or application) architecture, which covers the strategy with regard to the applications or solutions deployed within the enterprise.
- Technical architecture, which deals with the strategy around the actual technology deployed in each property.

Project Management Office

Sun IT has adopted key components of the PMBOK (Project Management Body of Knowledge) best practice in its centralised



IT project office. Projects are allocated to a specialised portfolio, managed by one of five portfolio managers, namely:

- infrastructure
- enterprise systems or applications
- gaming applications
- resort applications
- web services

The group has numerous projects in various phases of concept or execution, the most significant being:

- The replacement of Sun International's legacy proprietary Casino Management System (CMS) with a new modern and user friendly application. Good progress has been made in defining the business and architectural objectives to be achieved from the new application, although the actual development and/or purchase thereof has not yet begun. In addition, detailed business process mapping of the main casino activities within the application is currently underway, which will assist in future specification and development.
- Upgrade of key resort systems at both unit and central office level, inclusive of property management systems, central reservations and the deployment of a new yield management system.
- The deployment of a new group intranet, as the first phase of enabling a knowledge management and electronic workflow system.

Shared Services

Sun IT operates (in partnership with Unisys) a centralised IT service desk and fault resolution service. This provides a single point of contact for all IT service or fault calls, which are then given a reference number and tracked until finally resolved, within the preset service level agreement timeframes.

Our People

SUN INTERNATIONAL PLACES THE HIGHEST PRIORITY ON ITS HUMAN CAPITAL IN ACKNOWLEDGEMENT OF THE CRITICAL ROLE THEY PLAY IN OUR SUCCESS AND GROWTH

Given that our customers are the singular focus of our business, it follows that our employees need to be dedicated to deliver the highest possible standards of quality and service to the 40 000 customers who visit a Sun International property each day.

Attracting, retaining and motivating employees remains our focus and we ensure that all our employees are fairly remunerated, have access to equal opportunity and that they have available to them the training and development necessary to grow and remain loyal to the group.

Through its employment equity processes, the group is firmly committed to promoting equal opportunity and fair treatment through the elimination of the residual effects of past legislative discrimination. This process includes the implementation of affirmative action measures to redress the disadvantages in employment previously experienced by many South Africans. In this way, equality of opportunity in employment and working conditions in all occupational categories, groups and levels in the group will be achieved.

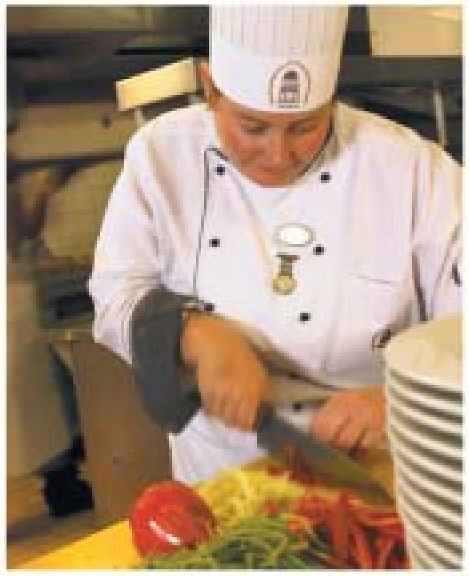
An important part of our commitments to employees was the creation of the Sun International Employee Share Trust, which holds equity in group companies valued at approximately R250 million. The creation of the trust was a milestone in the group's history and approximately 6 000 employees are beneficiaries (excluding executive and senior management).

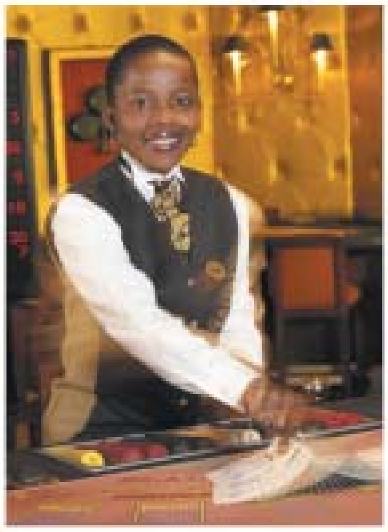
Details of our employee policies and procedures are included in the Sustainability section of this report.

SUN INTERNATIONAL GROUP PEOPLE COUNT

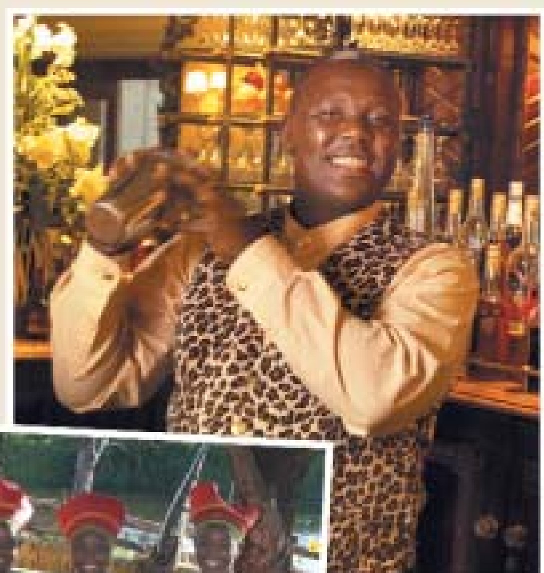
	BLACK*			WHITE		
Band	Male	Female	Total	Male	Female	Total
Executive Management	2,3%		2,3%	95,4%	2,3%	97,7%
Senior Management	7,3%	1,6%	8,9%	80,5%	10,6%	91,1%
Middle Management	15,0%	7,0%	22,0%	51,2%	26,8%	78,0%
Junior Management	26,4%	22,4%	48,8%	31,4%	19,8%	51,2%
Supervisory Staff	49,8%	29,0%	78,8%	11,1%	10,1%	21,2%
General Staff	42,6%	50,2%	92,8%	2,3%	4,9%	7,2%
Total	40,2%	40,2%	80,4%	11,0%	8,6%	19,6%

** Black includes Africans, Coloureds and Indians.*








REVIEW OF OPERATIONS
(CONTINUED)

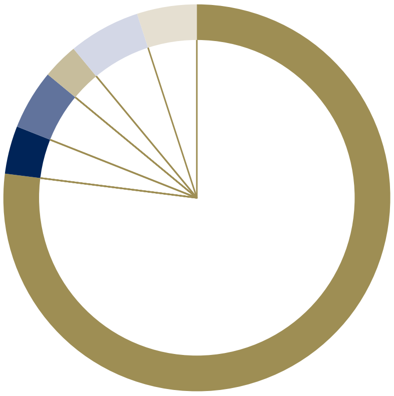
Headcount per Sun International broadband and age group (%)

Band	Up to 20	21-30	31-40	41-50	51-60	60 plus
Executive Management	0,0%	0,0%	27,9%	46,5%	25,6%	0,0%
Managerial	0,0%	22,0%	47,7%	24,8%	5,0%	0,5%
Non-managerial	1,4%	38,5%	35,4%	19,4%	5,1%	0,2%
Total	1,2%	35,6%	37,4%	20,4%	5,2%	0,2%

Headcount per Sun International race and age group (%)

Race	Up to 20	21-30	31-40	41-50	51-60	60 plus
Black*	1,1%	35,8%	37,4%	20,7%	4,9%	0,1%
White	1,5%	34,9%	37,4%	19,1%	6,4%	0,7%
Total	1,2%	35,6%	37,4%	20,4%	5,2%	0,2%

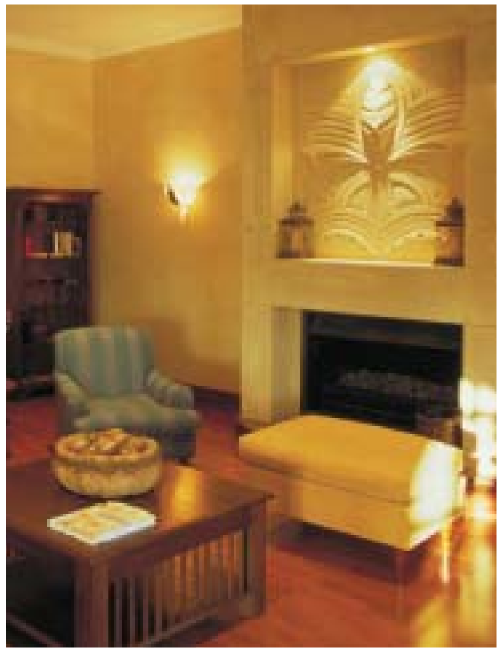
** Black includes Africans, Coloureds and Indians.*



SUN INTERNATIONAL
OPERATIONS HEADCOUNT

South Africa **77%**
Botswana **4%**
Lesotho **5%**
Namibia **3%**
Swaziland **6%**
Zambia **5%**

City Lodge


V&A WATERFRONT, Cape Town

COURTYARD SUITE HOTEL, Johannesburg

In its 19th year of operation City Lodge again built strongly on the solid foundations that have been laid over the past two decades with the emphasis continuing to be making guests feel at home. This emphasis is borne out in City Lodge's latest television advertising campaign, which highlights the warmth and homely feel of the group's hotels.

During the year the group opened the 168-room City Lodge Umhlanga Ridge and the 90-room Road Lodge in Rustenberg. Ensuring that facilities are maintained in a homely, comfortable and state-of-the-art fashion, the "millennium" upgrade programme continues at Town Lodges after having been completed at City Lodges with City Lodge Morningside in Johannesburg the last hotel to be upgraded.

The strength of the Rand has only had a limited impact on the group's operations with the group again enjoying another good year of international guest arrivals from abroad and elsewhere in Africa. This international business complemented strong usage of the group's hotels by domestic business and holiday travelers.

Travel events such as the World Travel Market in London and ITB in Berlin internationally and Indaba locally, again proved their worth in marketing City Lodge's hotels and South Africa to a range of tour operators and other travel industry professionals. City Lodge has established valuable ties with tour operators to build a greater presence in the Chinese market. This follows South Africa being officially accredited as an approved destination for Chinese holidaymakers.

City Lodge was recently ranked 20th out of the JSE Securities Exchange South Africa's top 200 companies in a BEE survey published by the Financial Mail in partnership with Empowerdex.

City Lodge's board has resolved to increase the dividend payout ratio to 70% of earnings as a result of the consistently strong cash generation and the levels of gearing. As a consequence the dividends declared for the year by City Lodge of 168 cents were 38% up on the prior year.

Outlook

The 2005 financial year will benefit from full contributions from City Lodge Umhlanga Ridge and Road Lodge Rustenberg. It is also envisaged that announcements will be made on new sites to expand City Lodge's portfolio of hotels.

With trading conditions anticipated to remain favourable, it is expected that earnings will continue to grow.

Sun International gaming operations enjoyed an excellent year, in particular during the second half when the effect of lower interest rates and the strength of the South African currency stimulated higher levels of consumer confidence and spending

RESULTS

The group achieved a significant turnaround in results from a 2002 low point, when fully diluted adjusted headline earnings per share were 97 cents, to 2004 when they reached 304 cents. This was achieved through the disposal of non-core assets, the increase in investments in the group's core operations, cost efficiencies and the completion and opening of new casino developments in and around South Africa in recent years.

Revenue for the year of R4,5 billion was 6% higher, with gaming revenue up 9% and room revenue marginally below the previous year. Growth in gaming revenue over last year was 12%, excluding the Sugarmill casino, which was impacted by the opening of a competitor facility in Durban in December 2002. The group's gaming operations enjoyed strong trading conditions in the second half of the year with revenues 16% up on the corresponding period last year. Second half gaming revenue growth can be attributed to improved levels of disposable income and consumer confidence. The trend of much higher growth in slots revenue against the relatively flat tables revenue continued, with slots revenue comprising 84% (2003: 82%) of total gaming revenue in the current year.

The decrease in room revenues over the previous year was due to marginal declines in room occupancy and average room rate. The strong local currency placed downward pressure on room rates and reduced demand for five-star accommodation. The weaker US dollar has also increased competition from US dollar denominated destinations, particularly in the conference and incentive segments of the market.

The gross margin increased marginally from 57,0% to 57,4%. Excluding casino levies and VAT, which increased in line with the growth in gaming revenues, direct costs were only 3,3% higher than the prior year. This small increase is attributed to a significant focus on the resort and hotel direct costs, which were well contained given the small decrease in hospitality revenue.

EBITDA increased by 11% to R1 423 million and the EBITDA margin improved by two percentage points to 32%. Indirect costs were well contained throughout the year, in part a reflection of the impact of the strong SA Rand on offshore marketing and information technology costs.

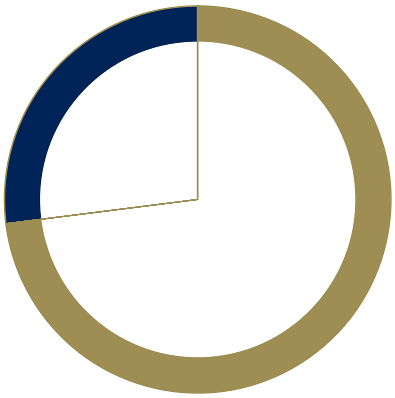
Profit before tax for the year was R1 199 million including net exceptional income of R544 million. Depreciation and amortisation charges increased by 4% while net interest paid, excluding discontinuing operations, of R218 million was 11% lower than the previous year due to the strong cash flows generated by operations and lower interest rates. Foreign exchange losses of R76 million relate primarily to unrealised exchange losses on inter-company loans. Associate earnings before tax from continuing operations at R65 million were 11% up on the previous year as a result of the favourable trading of the City Lodge group.

Net exceptional income of R544 million included a profit of R208 million on the disposal of shares to the BEE partners in certain of the group's casino ventures. It also included a fair value adjustment of R183 million in respect of the group's investment in Kerzner International Limited (KZL) and R182 million on the part realisation of the foreign currency translation reserve.

Ster Century Europe Limited (SCE) and Ster Century Middle East Limited (SCME) are treated as discontinuing operations. SCE completed the sale of all remaining operations in the year under review. Negotiations are currently in progress for the disposal of the cinema operations of SCME.

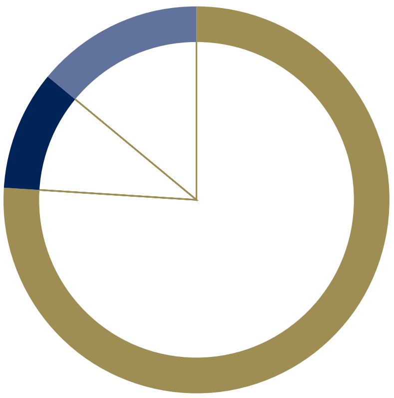
The effective tax rate for the year, excluding adjusted headline earnings adjustments, was 35,5% (2003: 39,5%) as a result of the raising of deferred tax assets of R13,5 million and the utilisation of assessed losses. Given the tax non-deductibility of certain significant costs in our business, including casino bid costs and depreciation on non-hotel buildings and preference share dividends, the effective tax rate will remain above the statutory rate and is anticipated to be higher in 2005. However, the tax charge is expected to reduce thereafter as profits increase ahead of the increase in non-deductible expenses.

The South African Revenue Service has, for the last two years, undertaken extensive PAYE, VAT and corporate tax audits at most of the group's operations. Provisions previously raised for additional potential costs at Sugarmill and Sun City were reversed at June 2004 resulting in some additional margin at these units for 2004. Overall, however, the impacts on the group were not material.



REVENUE
2004

Gaming **73%** (71%)
Hospitality and other **27%** (29%)



NET ASSETS
2004

SA Rand **76%** (71%)
Other **10%** (11%)
US$ **14%** (18%)

Profit after tax for the year was R929 million. Including adjusted headline earnings adjustments, profit after taxation was 44% higher than last year at R277 million.

In view of the strong cash flows and growth in adjusted headline earnings, the board has declared a final dividend of 80 cents per share, a 60% increase on last year's final dividend. Overall dividends for the year of 125 cents per share are 67% higher than last year.

CAPITAL EXPENDITURE

Capital expenditure for the year of R489 million (2003: R352 million) was incurred including:

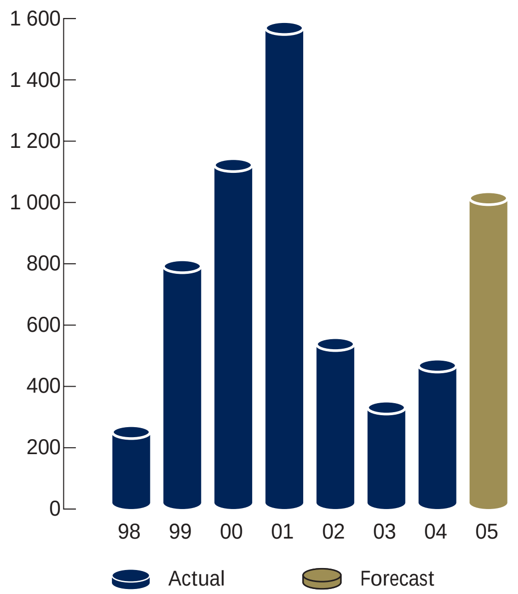
	Rmillion
Sibaya	254
Cascades refurbishment	43
Casino equipment replacement	72
Morula refurbishment	5
Other asset replacement and minor refurbishments	115
TOTAL	489

Capital commitments at the end of June 2004 totalled R1 139 million of which R1 062 million is anticipated to be spent in the year ahead as follows:

	Rmillion
Sibaya	373
Morula refurbishment	71
Sun City entertainment centre including casino	50
The Carousel casino	65
Sun City Vacation Club	97
Sun City hotel	24
Bloemfontein casino	80
Casino equipment replacement	103
Other asset replacement and minor refurbishments	199
TOTAL	1 062

GROUP FINANCIAL REVIEW
(CONTINUED)

CAPITAL EXPENDITURE
(Rm)



INVESTMENT ACTIVITIES

On 2 September 2003, the group acquired the North West Development Corporation's 18,6% effective interest in SISA for a cash consideration of R566 million, increasing the group's effective interest in SISA to 62,4%.

During the year, the group disposed of a further 959 760 KZL shares, realising proceeds of approximately US$38 million. The proceeds were used to settle debt and to partly fund the SISA shares acquired during the year. At 30 June 2004, the group held an effective 997 559 shares in KZL and further disposals are likely to take place in the year ahead.

The sale of shares to the group's BEE partners in certain of the group's casino ventures realised R334 million during the year. The sale of shares in Emfuleni to Zonwabise was facilitated by the group providing preference share funding of R34 million.

Borrowing facilities available to the group total R3 011 million of which R2 101 million was used as at 30 June 2004. Further facilities in the amount of R350 million have been obtained for the Sibaya development (R250 million) and the Bloemfontein casino (R100 million). The cash consideration of R346 million paid to the SISA minorities on 16 August 2004 was settled out of existing resources and facilities. The additional facilities, together with existing facilities and cash flows from operations is well in excess of our estimated peak funding requirement for the year ahead.

Interest bearing debt to shareholders' funds at 30 June 2004 of 51% was up two percentage points on last year and interest cover increased from 2,7 to 3,4 times interest paid. Both gearing and interest cover are considered to be at very acceptable levels given the strong cash flows generated by the group.

In summary the group's borrowings at 30 June 2004 were as follows:

GROUP BORROWINGS

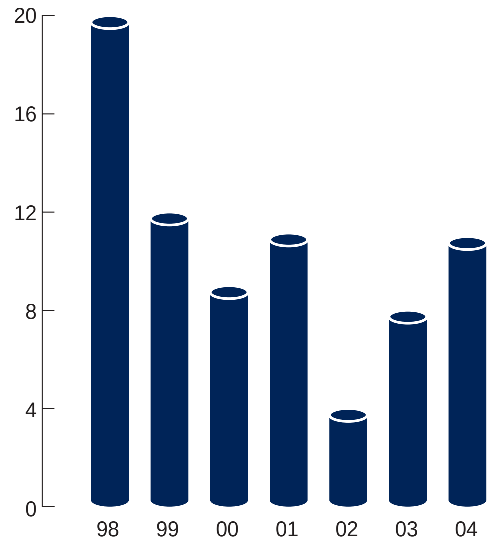
	Net borrowings Rm	Intragroup borrowings Rm	Third party borrowings Rm
SunWest	640	38	602
Emfuleni	230	160	70
Afrisun KZN	527	429	98
Meropa	93	–	93
Teemane	67	–	67
Afrisun Gauteng	242	–	242
Central office and wholly owned subsidiaries	302	(627)	929
	2 101	–	2 101

RETURNS

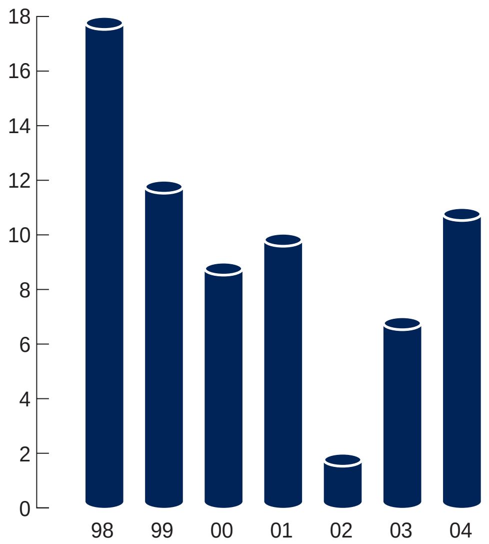
The returns for the year as graphically depicted continue to improve. Return to equity shareholders increased from 7% to 11% and return on net assets increased from 12% to 16%. The higher earnings of the gaming division and City Lodge and the use of proceeds from the disposal of KZL shares to settle debt and to acquire assets, positively impacted returns. The group's shareholding in KZL continues to impact returns but to a far lesser extent than in prior years following the disposal of the greater part of this investment.

The utilisation of proceeds from the sale of KZL shares and the continued strong performance of the group's operations will positively impact returns, although in the short term returns will be negatively impacted by the acquisition of the SISA minorities which has resulted in a significant increase in equity.

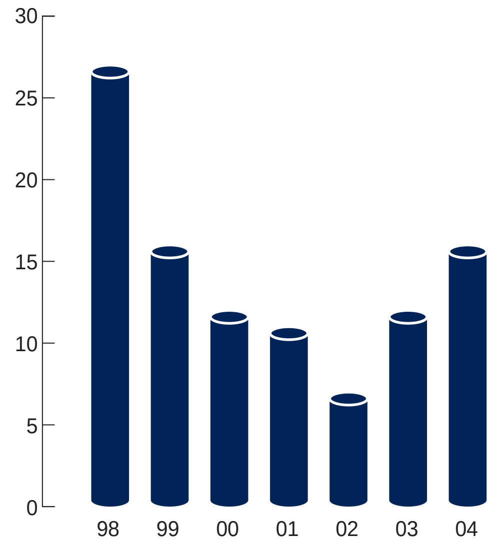
RETURN ON SHAREHOLDERS' FUNDS
(%)



RETURN TO EQUITY SHAREHOLDERS
(%)



RETURN ON NET ASSETS
(%)



GROUP FINANCIAL REVIEW
(CONTINUED)

OPERATING UNIT REVIEW

The group provides financial information and operating statistics by operating unit to assist users of this report to better understand the individual units' contribution to the group. The group's four largest gaming operations, GrandWest, Carnival City, Sugarmill and Boardwalk, account for 50% of group revenues, 56% of EBITDA and 61% of operating profit. GrandWest is the single largest contributor with 22%, 28% and 34% of group revenue, EBITDA and operating profit respectively. Although Sun City accounts for 18% of group revenue, it only contributes 8% of group operating profit.

	Year ended 30 June							
	Revenues		EBITDA		Operating profit*		Net assets	
	2004 Rm	2003 Rm	**2004 Rm**	2003 Rm	**2004 Rm**	2003 Rm	**2004 Rm**	2003 Rm
GrandWest	**1 006**	866	**400**	324	**303**	228	**1 176**	1235
Sun City	**818**	790	**128**	94	**70**	38	**1 106**	971
Carnival City	**570**	532	**180**	167	**115**	98	**595**	623
Sugarmill	**363**	402	**118**	134	**56**	76	**465**	273
Boardwalk	**281**	256	**102**	88	**69**	56	**352**	373
Wild Coast	**202**	180	**37**	31	**21**	14	**118**	158
Carousel	**175**	158	**39**	21	**20**	5	**277**	191
Morula	**145**	140	**26**	28	**21**	22	**54**	54
Table Bay	**138**	144	**42**	46	**12**	14	**169**	148
Swaziland	**134**	134	**18**	28	**12**	20	**68**	68
Botswana	**122**	139	**43**	50	**35**	40	**60**	60
Meropa	**118**	104	**40**	34	**23**	17	**157**	177
Flamingo	**78**	73	**26**	23	**12**	10	**108**	121
Thaba'Nchu and Naledi Sun	**77**	69	**9**	6	**(4)**	(5)	**11**	29
Zimbali	**29**	31	**4**	4	**–**	–	**71**	70
Zambia	**96**	84	**14**	–	**(3)**	(23)	**287**	351
Namibia	**89**	82	**29**	28	**19**	18	**27**	24
Sun International Management	**251**	241	**118**	108	**89**	92	**255**	292
Central office and other	**28**	22	**50**	69	**16**	37	**1 184**	1 001
Elimination of intragroup revenues	**(243)**	(233)	**–**	–	**–**	–	**–**	–
	4 477	4 214	**1 423**	1 283	**886**	757	**6 540**	6 219

** Including adjusted headline earnings adjustments.*

THE TABLE BAY HOTEL, V&A Waterfront, Cape Town, Western Cape

GAMING

GrandWest, our property in Cape Town, continued to perform extremely well, achieving revenue and EBITDA growth of 16% and 23% respectively over the previous year.

Carnival City performed satisfactorily during the year in the extremely competitive Gauteng market. Casino revenues were 10% up on the previous year and the EBITDA margin at 32% was marginally higher than last year.

Sugarmill's revenue was 10% below the previous year as a consequence of new competition in the greater Durban market, although revenue in the second half of the year was 10% higher, benefiting from good growth in the local market.

Boardwalk enjoyed 12% growth in casino revenue for the year, which translated into a 16% improvement in EBITDA. Trading conditions in the Port Elizabeth area benefited from the Coega development as well as the more buoyant motor industry.

Carousel's EBITDA increased by 86%, primarily as a result of the change to the required accounting treatment of the lease relating to the staff flats. This change was necessitated by the re-negotiation of the lease, so that the group will enjoy the benefits of ownership of the staff flats on expiry of the lease.

RESORTS AND HOTELS

Sun City achieved an occupancy of 72% for the year, which was three percentage points below last year. The average room rate at R933 was 1% ahead of the previous year. Occupancy at the Palace fell below last year as a result of lower demand in South Africa for five-star accommodation, and the Cascades was impacted by the extensive rooms refurbishment undertaken throughout the year. Operating profit in the second half of the year was positively impacted by the reversal of accruals for tax exposures raised in the prior year (following the SARS tax audits) which were not required.

The Table Bay achieved an average occupancy of 66%, which was six percentage points below last year, while the average room rate of R1 322 was 6% above the previous year. The five-star market in Cape Town was affected by the increase in the city's rooms inventory at the upper end of the market.

Wild Coast revenues grew 12% despite the opening of the competitor casino in Durban in the prior year. The resort

GROUP FINANCIAL REVIEW
(CONTINUED)

leveraged off its existing facilities and was highly successful in attracting gaming customers for overnight stays, driving casino revenues up at a relatively low cost.

The group's Zambian operations continued to enjoy improved occupancies, which at 53% were 14 percentage points ahead of last year. The group's hotels and casinos in Botswana and Swaziland were affected by lower occupancies, the introduction of VAT and a currency devaluation in Botswana.

SUN INTERNATIONAL MANAGEMENT

Sun International Management Limited's management fee income from the group's gaming operations was up 12%, offset by a decline in the resort fee contribution of 10%. EBITDA at R118 million was 9% ahead of the previous year after incurring R18 million (2003: R10 million) of costs associated with the evaluation of new investment opportunities. Operating profit of R89 million was R3 million lower than last year due to a full year's amortisation charge relating to the acquisition of the minority's effective 27% interest in SIML on 15 November 2002 and higher depreciation charges.

KEY STATISTICS – ROOMS

	Number of hotel rooms		Average occupancy %		Average room rate (Rands)	
	2004	2003	**2004**	2003	**2004**	2003
GrandWest	**39**	39	**91**	90	**268**	285
Sun City	**1 301**	1 301	**72**	75	**933**	922
Carnival City	**48**	48	**92**	95	**169**	184
Wild Coast Sun	**246**	246	**94**	84	**269**	303
Carousel	**57**	57	**59**	62	**246**	245
Morula Sun	**35**	35	**75**	81	**291**	307
Table Bay	**329**	329	**66**	72	**1 322**	1 253
Swaziland	**458**	458	**51**	56	**437**	426
Botswana	**196**	196	**63**	60	**588**	652
Thaba'Nchu Sun and Naledi Sun	**148**	148	**69**	65	**207**	197
Zimbali	**76**	76	**67**	70	**1 017**	968
Fish River Sun/Mpekweni		96	**46**	49	**254**	202
Zambia	**385**	385	**53**	39	**763**	866
Namibia	**173**	173	**61**	61	**393**	401
Lesotho	**262**	262	**47**	48	**464**	456
	3 753	3 849	**66**	67	**706**	725

KEY STATISTICS – CASINO	Number of slot machines		Win per machine per month (R'000s)		Number of gaming tables		Win per table per month (R'000s)	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
GrandWest	**1 774**	1 767	**41**	34	**60**	60	**202**	201
Sun City	**718**	797	**21**	15	**37**	37	**138**	132
Carnival City	**1 750**	1 750	**24**	27	**60**	61	**106**	142
Sugarmill	**898**	878	**26**	30	**30**	30	**230**	268
Boardwalk	**726**	721	**29**	26	**18**	18	**159**	164
Wild Coast Sun	**438**	438	**24**	21	**14**	16	**128**	92
Carousel	**779**	829	**15**	13	**15**	15	**148**	118
Morula Sun	**562**	607	**17**	16	**15**	16	**73**	89
Swaziland	**189**	196	**15**	15	**19**	20	**68**	68
Botswana	**234**	234	**21**	25	**11**	11	**88**	95
Thaba'Nchu Sun and Naledi Sun	**305**	296	**17**	16	**10**	11	**64**	51
Zambia	**80**	85	**1**	2				
Namibia	**129**	129	**34**	29	**8**	8	**113**	106
Lesotho	**177**	172	**13**	13	**8**	8	**52**	69
	9 245	9 356	**26**	24	**326**	332	**138**	146

CITY LODGE

Earnings attributable to Sun International of R39 million were 15% up on the previous year.

City Lodge achieved a satisfactory performance in the year to 30 June 2004 following the net profit increase of 58% in the previous year. Room occupancies were maintained at 76%, despite the fact that the year did not include the significant one-off events of last year such as the World Summit on Sustainable Development or the Cricket World Cup.

Continued strong demand for the City Lodge's products led to a 15% increase in revenue. The number of rooms sold increased by 4% as a result of a seven-month contribution from City Lodge Umhlanga Ridge and a full year contribution from both Road Lodge Cape Town International Airport and the additional rooms at City Lodge V&A Waterfront.

The operating profit increased by 16%. As a result of lower occupancies, the Courtyard joint venture earnings were R0,5 million below the previous year's R3,5 million. Fully diluted headline earnings per share increased by 15% to 238 cents.

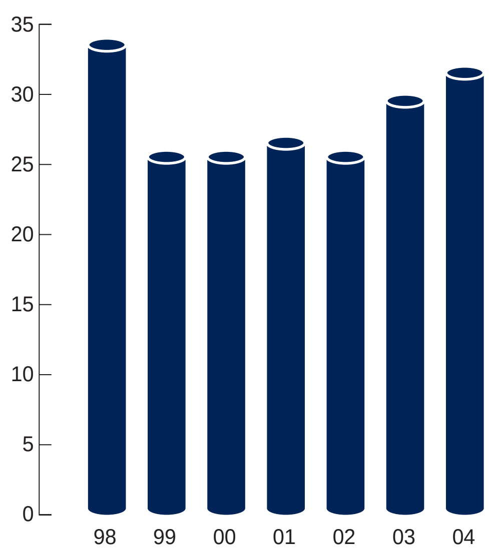
Cash generated by operations grew by 21% to R180 million of which R76 million was used to fund capital expenditure.

SEVEN YEAR FINANCIAL REVIEW

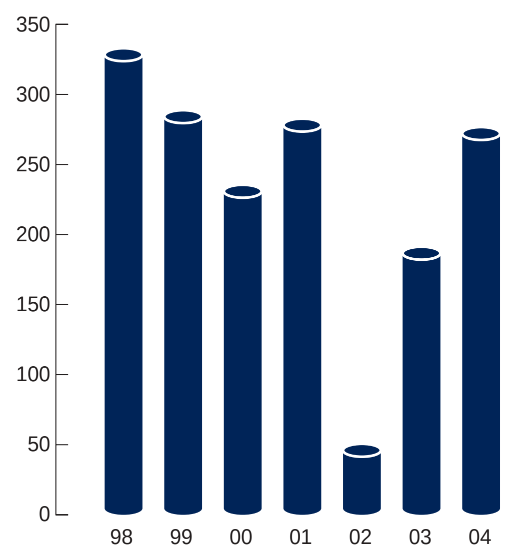
	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
CONSOLIDATED INCOME STATEMENTS							
Revenue	**4 477**	4 214	3 719	3 174	2 573	2 501	2 838
EBITDA	**1 423**	1 283	962	872	671	649	977
Depreciation and amortisation	**(441)**	(433)	(391)	(295)	(194)	(155)	(160)
Property and equipment rentals	**(81)**	(86)	(68)	(63)	(42)	(38)	(26)
Profit from operations	**901**	765	503	514	435	456	791
Foreign exchange (losses)/profits	**(21)**	(18)	16	26	19	21	28
Interest income	**59**	53	23	32	80	167	136
Operating profit	**939**	800	542	572	534	644	955
Interest expense	**(277)**	(297)	(295)	(136)	(61)	(78)	(59)
Profit before taxation	**662**	503	247	436	473	566	896
Taxation	**(235)**	(202)	(94)	(73)	(162)	(190)	(286)
Profit after taxation	**427**	301	153	363	311	376	610
Share of associates' profits	**42**	38	24	107	91	122	92
Minority interests	**(192)**	(147)	(88)	(187)	(166)	(209)	(369)
Adjusted headline earnings	**277**	192	89	283	236	289	333

Note – 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 so as to provide a meaningful comparison of performance over the seven years.
– The 2002 to 2004 figures exclude KZL which has been accounted for as an investment.
– The 2002 to 2004 figures excluded the results and earnings from SCE and SCME, as these have been classified as discontinuing operations.

EBITDA MARGIN
(%)



ADJUSTED HEADLINE EARNINGS
(Rm)



	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
CONSOLIDATED BALANCE SHEETS							
ASSETS							
Non current assets							
Property, plant and equipment	**4 777**	4 595	4 798	4 695	3 461	3 009	2 513
Intangible assets	**855**	723	664	529	412	223	212
Investments and loans	**614**	774	1 854	2 108	2 047	1 690	1 588
	6 246	6 092	7 316	7 332	5 920	4 922	4 313
Current assets							
Inventory	**30**	36	29	23	21	28	36
Accounts and loans receivable	**320**	450	351	380	531	470	238
Available-for-sale investment	**390**	364	507	–	–	–	–
Cash and cash equivalents	**477**	349	286	238	200	1 022	1 193
	1 217	1 199	1 173	641	752	1 520	1 467
Total assets	**7 463**	7 291	8 489	7 973	6 672	6 442	5 780
EQUITY AND LIABILITIES							
Capital and reserves							
Ordinary shareholders' equity	**2 666**	2 470	2 888	2 832	2 744	2 454	2 287
Minority interest	**1 454**	1 600	1 657	1 673	1 568	1 837	1 738
	4 120	4 070	4 545	4 505	4 312	4 291	4 025
Non current liabilities							
Deferred taxation	**364**	403	395	376	430	390	438
Borrowings	**1 760**	1 699	2 438	1 858	1 231	751	467
Post retirement medical benefits	**40**	40	–	–	–	–	–
	2 164	2 142	2 833	2 234	1 661	1 141	905
Current liabilities							
Accounts payable, accruals and provisions	**661**	731	674	695	551	836	643
Borrowings	**341**	296	359	435	67	24	20
Taxation	**177**	52	78	104	81	97	86
Dividends	**–**	–	–	–	–	53	101
	1 179	1 079	1 111	1 234	699	1 010	850
Total liabilities	**3 343**	3 221	3 944	3 468	2 360	2 151	1 755
Total equity and liabilities	**7 463**	7 291	8 489	7 973	6 672	6 442	5 780

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

SEVEN YEAR FINANCIAL REVIEW

(CONTINUED)

GROUP STATISTICS		**2004**	2003	2002	2001	2000	1999	1998
ORDINARY SHARE PERFORMANCE								
Shares in issue	000's	**90 050**	90 050	90 050	90 050	88 650	88 650	84 223
Weighted number of shares in issue	000's	**90 050**	90 050	90 050	88 990	88 650	87 449	84 223
Adjusted headline earnings per share	cents	**307**	214	98	318	266	329	395
Dividends per share*	cents	**125**	75	–	–	60	120	210
Dividend cover	times	**2,5**	2,9	–	–	4,4	2,7	1,9
Dividend payout	%	**41**	35	–	–	23	36	53
Net asset value per share	Rand	**29,60**	27,42	32,07	31,44	30,95	27,68	27,15
Market capitalisation at 30 June	Rm	**3 647**	2 620	2 611	3 242	2 358	2 394	2 274
Market capitalisation/net asset value	times	**1,4**	1,1	0,9	1,1	0,9	1,0	1,0
PROFITABILITY AND ASSET MANAGEMENT								
EBITDA margin	%	**32**	30	26	27	26	26	34
Effective tax rate	%	**35**	40	38	17	34	34	32
Return on net assets	%	**16**	12	8	11	12	16	27
Return on shareholders' funds	%	**11**	8	4	11	9	12	20
Return to equity shareholders	%	**11**	7	3	10	9	12	18
LIQUIDITY AND LEVERAGE								
Cash generated by operations	Rm	**1 312**	1 214	890	1 053	430	554	912
Interest cover	times	**3**	3	2	4	9	8	16
Interest bearing debt to total shareholders' funds	%	**51**	49	62	51	30	18	12
Total liabilities to total shareholders' funds	%	**81**	79	87	77	55	50	44
Total shareholders' funds to total assets	%	**55**	56	54	57	65	67	70
Current ratio	:1	**1,0**	1,1	1,1	0,5	1,1	1,5	1,7

* 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 per share divided by dividends paid and declared per share for the year.

Dividend payout
Dividends paid and declared per share for the year divided by adjusted headline earnings per share.

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.

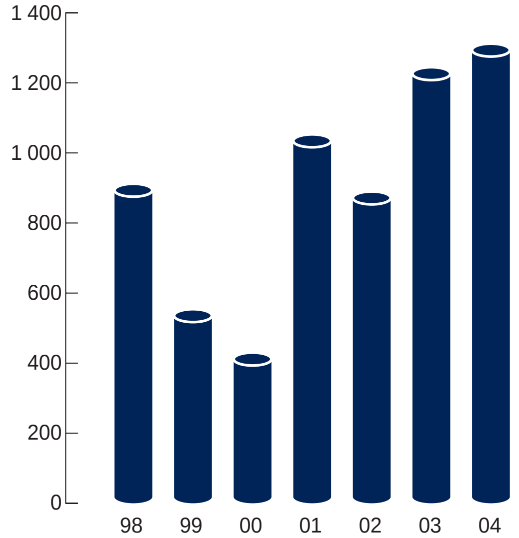
Return on shareholders' funds
Profit after taxation and share of associate companies' profits expressed as a percentage of average shareholders' funds.

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

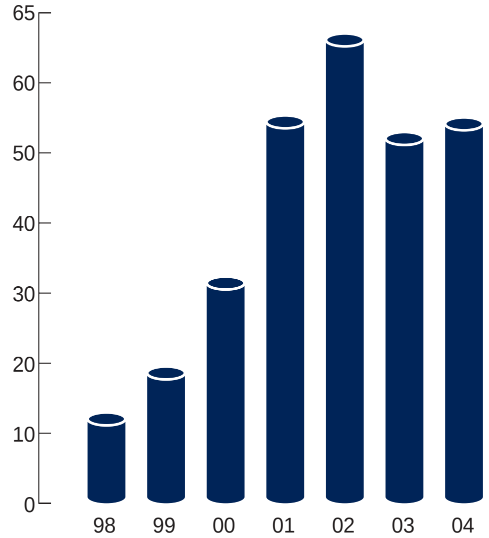
		2004	2003	2002	2001	2000	1999	1998
STOCK EXCHANGE PERFORMANCE								
Market price	Rand							
– at 30 June		**40,50**	29,10	29,00	36,00	26,60	27,00	27,00
– highest		**43,00**	32,00	36,50	38,00	29,80	29,00	41,50
– lowest		**29,00**	24,00	19,75	27,00	18,40	15,00	24,00
– weighted average		**38,17**	26,28	26,73	31,97	23,44	20,85	32,84
Sun International share price index	#	**150**	108	107	133	99	100	100
JSE cyclical services index	#	**155**	106	96	98	107	94	100
Closing price earnings multiple	times	**13**	14	30	11	10	8	7
Closing dividend yield	%	**3**	3	–	–	2	4	8
Volume of shares traded	000	**15 970**	18 960	33 262	25 040	41 740	43 070	12 725
Volume of shares traded as a percentage of shares in issue	%	**18**	21	37	28	47	49	15
Value of shares traded	Rm	**610**	498	889	801	978	898	418
Number of transactions		**2 180**	1 767	2 770	3 976	4 032	8 733	1 602
GROWTH								
Reported growth per share	%							
– adjusted headline earnings		**43**	118	(69)	19	(19)	(17)	31
– dividends		**67**	–	–	(100)	(50)	(43)	9
Real growth per share	%							
– adjusted headline earnings		**37**	105	(72)	13	(25)	(22)	41
– dividends		**59**	–	–	(100)	(53)	(47)	18
Consumer price index	#	**149**	142	133	122	115	107	100
EMPLOYEES								
Number of employees at 30 June		**8 024**	8 433	8 787	9 326	8 333	8 415	12 583
Average number of employees		**8 229**	8 610	9 057	8 830	8 374	11 242	13 421
Revenue per employee	R000	**544**	489	411	359	307	222	211
Wealth created per employee	R000	**369**	334	260	247	171	157	159

Base for indices: 1998 = 100

CASH GENERATED BY OPERATIONS (Rm)



INTEREST BEARING DEBT TO TOTAL SHAREHOLDERS' FUNDS (%)



Sustainability Report

EMPLOYEES | CUSTOMERS | SHAREHOLDERS | SOCIETY & COMMUNITY | SUPPLIERS | GOVERNMENT AND REGULATORS | ENVIRONMENT

The key driver of our sustainability is our *mission*, which is:

"We will be recognised internationally as a successful leisure group offering superior gaming, hotel and entertainment experiences, which exceed our customers' expectations.

We will create an environment in which all employees are well trained, motivated and take pride in working for the group.

Innovation, fun and an obsession with service excellence and efficiency will make Sun International a formidable competitor and provide our shareholders with superior returns.

We will at all times remain mindful of our responsibility towards all of our stakeholders including the communities we serve."

In this, the sustainability section of our annual report, we provide insight into the way in which Sun International operates within global best practice and articulate the interface between the group and society. We explain the underlying philosophies and activities which guide and manage the manner in which we add value for our shareholders, provide excellence for our customers, support our communities, take care of and nurture our people, conserve our natural resources, encourage our suppliers to align with our values, and engage with government and regulators.

We aim to deliver economically, socially and environmentally ahead of expectations. We are driven by our values, culture, commitment and business objectives.

Sun International is committed to creating long term value for all our stakeholders. By adopting a holistic approach to personal growth as well as corporate citizenship, we consistently invest in our employees and the broader community. By encouraging our suppliers to align themselves with our business strategy, we are able to continue offering our customers state of the art products and superior services.

By contributing 1,5% of after tax profits to corporate social investment projects, we have significantly impacted on the upliftment of communities in which our properties are situated. We have increased the target for 2006 to 2% of after tax profits.

Over the past decade, we have invested more than R4 billion into southern Africa, which we believe amply illustrates our confidence in our country and the region.

Aligned to the group's mission is the human resources goal of optimising the output of people at work in achieving the objectives of the group.

In summary, Sun International is the product of a new era in business development in southern Africa, heralding a culture of transparent consultation, and fast and effective guest service. Employees are encouraged to realise this through participative management aimed at yielding broader stakeholder benefits.

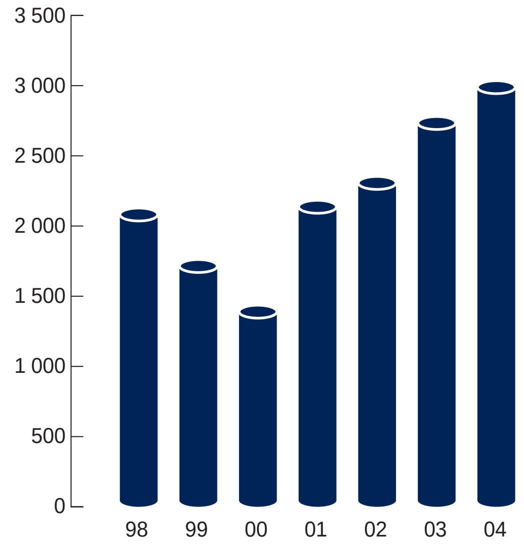
This part of the report predominantly covers our activities in South Africa, but reference is made, where appropriate, to initiatives in other African countries where we operate.

VALUE ADDED STATEMENT

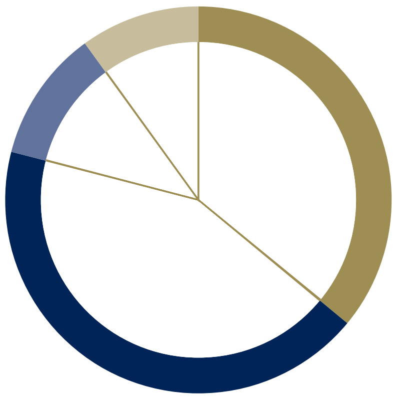
for the year ended 30 June

	2004 Rm	2003 Rm	Change %
CASH GENERATED			
Cash derived from revenue	**4 475**	4 247	
Income from investments	**81**	93	
Cash value generated	**4 556**	4 340	5
Paid to suppliers for materials and services	**(1 518)**	(1 468)	
Pre-opening expenses	**(2)**	–	
Total cash value added	**3 036**	2 872	6
CASH DISTRIBUTED TO STAKEHOLDERS			
Employees	**(829)**	(835)	(1)
Government taxes	**(977)**	(915)	7
Shareholders	**(232)**	(81)	186
Lenders	**(262)**	(288)	(9)
	(2 300)	(2 119)	8
Cash retained in the business to fund replacement of assets, facilitate future growth and repay borrowings	**736**	753	(2)
RECONCILIATION WITH CASH GENERATION			
Total cash value added (above)	**3 036**	2 872	
Add: Pre-opening expenses	**2**	–	
Less: Employee remuneration	**(829)**	(835)	
Employee tax	**(154)**	(127)	
Income from investments	**(81)**	(93)	
Levies and VAT on casino revenue	**(662)**	(604)	
Other taxes	**–**	1	
Cash generated by operations (per cash flow statement)	**1 312**	1 214	
GOVERNMENT TAXES SUMMARY			
Income tax	**(108)**	(164)	
PAYE	**(154)**	(127)	
Levies and VAT on casino revenue	**(662)**	(604)	
Secondary tax on companies	**(22)**	(17)	
Other taxes	**(31)**	(3)	
	(977)	(915)	

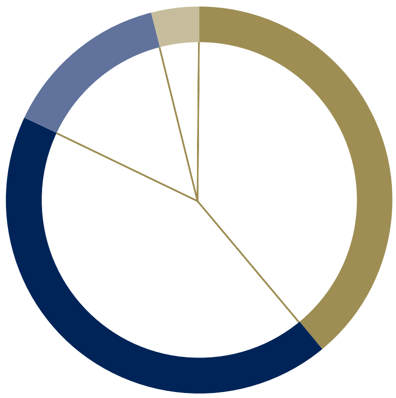
TOTAL CASH VALUE ADDED
(Rm)



CASH DISTRIBUTION TO STAKEHOLDERS



2004



2003

BLACK ECONOMIC EMPOWERMENT (BEE)

Black economic empowerment has been an integral part of Sun International's business strategy, particularly with respect to new casino licencing and bidding processes. It has received further priority attention in line with the South African government's publication of a Strategy for Broad-Based Black Economic Empowerment and the passing into law of the Black Economic Empowerment Act.

Sun International views BEE as a value creating strategy, designed to create realistic, meaningful and enduring partnerships. The strategy is underpinned by the fact that BEE remains one of the key fundamentals to South Africa's growth, success and prosperity, and is the key to nation building in our country. The group believes that, if effectively and properly implemented, BEE will be a key driver of sustainable economic growth and transformation in South Africa. Sun International has been at the forefront of BEE in the leisure industry and the fact that all new properties operated by Sun International are owned in partnership with empowerment groups bears testimony to this.

During the year, the group refined its BEE strategy and will continue doing so on a regular basis. This process will be ongoing as codes of practice on black economic empowerment are issued by the Department of Trade and Industry, coupled to the finalisation of a transformation charter for the tourism and hospitality sector.

The balanced scorecard approach has been adopted to monitor the group's progress in terms of all the BEE criteria articulated by the Department of Trade and Industry, and the group has developed its own targets to track internal BEE progress.

This balanced scorecard is consistently measured and aligned to other group standards and available industry charters. In a recent independent analysis conducted by Empowerdex of the black economic empowerment rankings of the Top 200 JSE listed companies, Sun International was rated third in the Services Sector, and 19th overall.

THE GROUP'S BALANCED SCORECARD FOR SOUTH AFRICAN OPERATIONS AS AT 30 JUNE 2004

CORE COMPONENT OF BEE	INDICATORS	TARGET	ACTUAL
Direct Empowerment			
Equity Ownership	% share of economic benefits	25%	28%
Management	% black persons in executive management and/or executive board and board committees	40%	28%
Human Resources Development and Employment Equity			
Employment Equity Weighted EE Analysis	Executive Management Middle Management Skilled/Admin Staff	60%	53%
Skills Development	Skills Development expenditure as a proportion of total payroll	2,3%	1,7%
Indirect Empowerment			
Preferential Procurement	Procurement from black-owned and empowered enterprises as a proportion of total procurement	35%	33%
Enterprise Development	Investment in black-owned and empowered enterprises as a proportion of total assets	2,5%	6,5%
Residual			
To be determined by sector/enterprise		2%	1,5%
Total score out of 100%			**84,8%***

* *Using relevant weightings, applying conversion factors, and measuring actual against target, we achieved a score of 84,8% on the balanced scorecard.*

EMPLOYEES

The creation of the Sun International Employee Share Trust was a milestone in the group's history and approximately 6 000 non-executive employees are beneficiaries

EMPLOYEE TRAINING AND DEVELOPMENT (T&D)

The group subscribes to internationally recognised skills and knowledge training methodologies and equips line managers with the necessary training skills to train their staff. To assist the transfer of knowledge within the organisation, the group T&D department has designed an intranet site which allows line managers to obtain training related documents, share knowledge and collaborate in T&D initiatives.

To ensure the best possible development of our human capital, the group invested approximately R24 million on internal and external education, training and development interventions in addition to the 1% of payroll in terms of the Skills Development Act. These interventions ensure both the group's competitive edge in the service industry and compliance with labour legislation in South Africa.

TRAINING COSTS AS A PERCENTAGE OF PAYROLL

	2004	2003	2002
Payroll (Rm)	**983**	962	928
Total training	**24**	19	18
% of payroll	**2,4**	2,0	1,9

2005 TARGETS

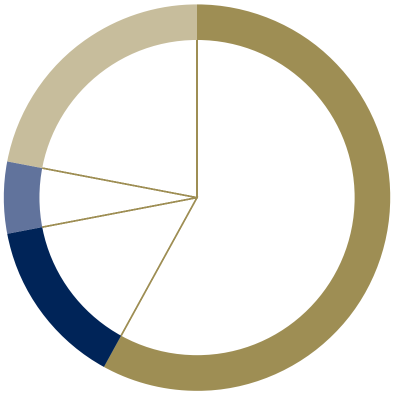
Total training spend as % of payroll	3,0
Black training spend as % of payroll	2,3

Skills Development Implementation

The group encourages its employees to take responsibility for their own career and personal growth, by seeking opportunities and applying themselves diligently. Individual development plans are formulated and actively managed by the individual, management and our training specialists.

Employees are scheduled to attend internal and external courses related to their work. Emphasis is placed on both hard and soft skills training to ensure that job skills are improved and employees remain up to date with new developments, trends and opportunities.

The group is committed to the implementation of the Skills Development Act of 1998 and training committees have now been formed at all units. The main function of these committees is to compile annual Workplace Skills Plans (WSP) that outline the planned training and education interventions for the coming year. Based on the successful implementation of the 2003 – 2004 WSP, Sun International received grants from the Tourism, Hospitality and Sport Education Training Authority (THETA) amounting to R3,2 million during this period.

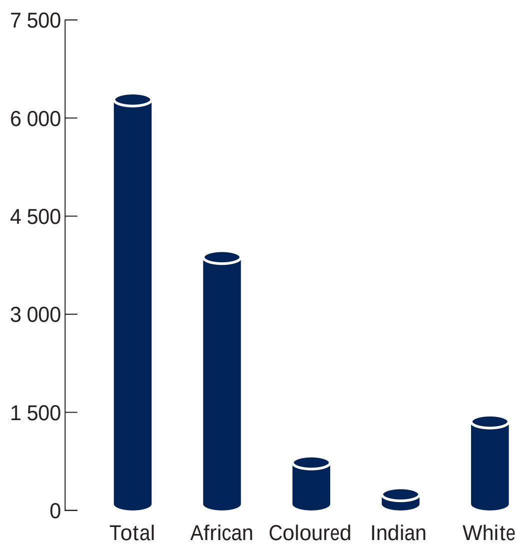


TOTAL TRAINING INTERVENTIONS

African 58% (51% female)
Coloured 14% (52% female)
Indian 6% (41% female)
White 22% (44% female)

EMPLOYEES
(CONTINUED)

TOTAL INDIVIDUALS TRAINED



The group conducted 17 353 training programmes/modules during the year. In line with our employment equity goals, 78% of the delegates were black and 52% were female. 6 361 people attended training programmes/modules during this period. The five major education and training interventions, which accounted for almost 45% of all training conducted, were AIDS awareness, money laundering, MVG, SA Host and responsible gambling programmes.

A comprehensive and relevant "library" of training and development programmes is made available to employees, including:

Induction and Orientation

The human resources department is responsible for ensuring that new employees receive general group induction and orientation. This takes the form of presentations or discussions, written copies of group information, all relevant policies and personal introduction to other employees as soon as possible after commencing employment with Sun International.

Adult, Basic Education and Training (ABET)

ABET has become an increasingly important intervention in expanding the employment pool, especially at our units outside the urban areas. The main medium used to conduct ABET across the group is facilitated computer based training using a variety of external training providers.

Skills Programmes

Line managers, using training material designed by the T&D specialists, conduct the majority of the skills training programmes. To ensure standards conformity and to equip line managers with the necessary skills, the group runs a suite of trainer training programmes. These programmes are delivered internally under licence from the UK training provider StoneBow who are specialists in the hospitality, tourism and leisure industry. The programmes have been aligned with the National Qualifications and have been accredited with the Education, Training and Development Practices Education Training Authority.

Supervisory Development Programmes (SDP)

The development of supervisors takes two forms:

- a basic three day programme for newly promoted supervisors; and
- a more advanced 18 module development programme for existing supervisors – designed in line with National Qualification Unit Standards.

Management Development Programmes (MDP)

A revised internal management development programme has been designed and is in the process of being implemented across the group.

Gaming Management Development Programme (GMDP)

To complement the MDP, a new training programme was designed and aligned to the Diploma in Service Management combining modules from the GMDP and MDP, the group has launched the Slots Management Accelerated Programme to help achieve employment equity targets in middle and senior management in the slots department across the group.

Graduate Management Trainee Programme (GMTP)

This programme is designed to fast-track the development of employees – in particular PDIs – into supervisory/management positions. At any given time, up to 10 trainees are undergoing development programmes of between 12 to 18 months. A number of trainees graduated during the course of the year and were successfully integrated into the business.

Sun International Leadership Programme (SILP)

During the year, 10 delegates successfully completed the third SILP. The programme assists participants to develop a strategic plan for their own growth and development within the organisation, develop their communication skills and confidence to interact at an executive level and develop the values and competencies of successful leaders. We are currently investigating how to make the process available to more levels within the group.

Sun International Business Leadership Programme (SIBLP)

The SIBLP was conducted in September 2004 at the University of Cape Town's Graduate School of Business for 27 delegates from around the group.

This programme has been designed to enable delegates to develop a strategic view of the group and be able to manage at an operational level. The programme forms part of a broader accelerated development initiative that includes the SILP and the newly-revised MDP and SDP.

Most Valued Guest (MVG)

Given the recent enhancements to our MVG guest loyalty programme, almost 2 000 employees attended the new MVG Phase III training programme.

External Training

In addition to numerous internal development initiatives, the group encourages employees to undertake external studies via a reimbursive external study scheme programme.

The Tourism Hospitality and Sport Education Training Authority (THETA) called for nominations for Industry representation to the Gaming and Lotteries Chamber at the beginning of 2004. The role of THETA's chamber committees is to contribute to the determination of the education and training needs in the sector skills plan, business plan and budget, learnerships, quality assurance and other activities undertaken by THETA. Sun International's group training and development manager has been accepted as the gaming employers' representative and is also the chamber's chairperson.

Bursaries and Scholarships

As part of the group's commitment to corporate social investment, it has recently launched a corporate bursary scheme, independent of schemes that operate at the various units.

The scheme specifically targets second and third year black students studying towards a general business, marketing, tourism, or information technology degree at historically disadvantaged universities in South Africa.

The aim of this scheme is not only to provide financial support during their studies, but also to bring them into the organisation after their studies to complement the group's employment equity goals.

At the 2003 Duke of Edinburgh Golf Tournament held at Sun City, funds were raised by International Golf for Youth to grant bursaries for 10 first year students studying in the fields of environmental sciences or tourism at either a Technikon or University in South Africa. The group entered into an arrangement with the South African Institute of Race Relations to identify suitable candidates and manage the Edinburgh Bursary Fund for the 2004 study year. Sun International will, apart from funding all administration costs, also continue with the Bursary Fund for the remaining two years of study and has a commitment to consider these students for employment on successful completion of their degrees.

Performance Management System

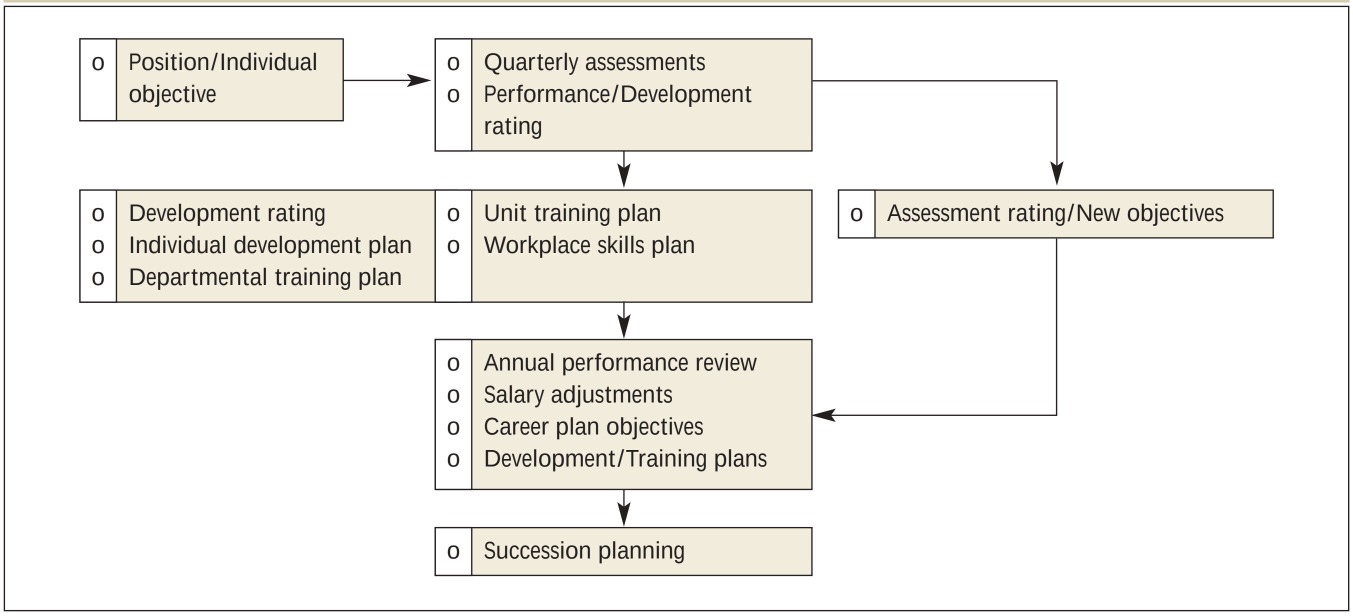
The development and customisation of a new Performance Management System is well underway. This system focuses on integrating competency management and personal development planning to enable individuals to contribute to the achievement of the organisation's aims and objectives.

Strong emphasis has been placed on designing a system as a multi-dimensional tool which incorporates recruitment and selection, development planning, performance management, employee relations and succession planning.

Departments' key performance indicators and assessment tools will be completed during the course of the next financial year, whereupon the Performance Management System will be fully implemented at all units.

EMPLOYEES
(CONTINUED)

SUN INTERNATIONAL PERFORMANCE MANAGEMENT SYSTEM



REMUNERATION

The remuneration policy of the group is structured to attract, retain and incentivise employees, and to reward performance that meets the interest of both the group and its shareholders. Sun International attracts individuals with superior skills and potential, and retains key people by rewarding and remunerating them commensurately.

Remuneration strategy at the executive and senior management level comprises market related guaranteed remuneration. Variable remuneration is in the form of participation in an Executive Bonus Scheme (EBS), which is based on achieving certain approved targets using the elements of Economic Value Added (EVA) and Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA). Additionally, and where appropriate, executives also participate in a share option scheme. As a general guideline, remuneration levels are set between the medium and upper quartile (Q3) for comparable positions in the market. All employees in South Africa who are not eligible to participate in the share option scheme, participate in the ownership of the group through the Sun International Employee Share Trust.

The group provides appropriate benefits including access to retirement and medical funding and financial assistance for housing and study.

SUCCESSION PLANNING

Sun International's succession planning process is based on the following objectives:

- Providing growth opportunities for staff
- Retaining top calibre employees
- Ensuring that key positions are filled timeously and with the most qualified candidates
- Achieving the group's employment equity targets and the various casino licence employment commitments
- Identifying and developing high potential employees at supervisory, management and specialist levels

Succession planning remains a key business imperative for Sun International. The group is in the process of establishing a transformation committee that will monitor progress with respect to black advancement in the organisation. The committee will also provide strategic guidance on how best to achieve acceleration of previously disadvantaged individuals within the organisation.

EMPLOYEE RELATIONS

Sun International supports individual human rights and ensures that all group policies comply with all legislative provisions in the various countries in which it operates. The group subscribes to the principle of freedom of association and recognises six trade unions. Towards the end of 2003, the group and SACCAWU formulated a comprehensive employee relations strategy to enhance constructive relationships with all stakeholders, based on trust.

This will be achieved by adopting sound, fair and measurable employee relations policies, procedures and practices which are in support of, and aligned to the organisation's strategic objectives.

Union Membership

At the end of the reporting period, union membership within the group amounted to 2 230 employees in South African operations (34%) and 1 199 employees in its non-South African operations (66%).

Employee Relations Training and Development

681 employees from all levels within the organisation attended formal employee relations training programmes during the year. The main training need remains equipping line managers and supervisors with the necessary competencies to fairly deal with misconduct and incapacity related procedures. The employee relations training programmes have been revised to incorporate numerous interactive sessions such as case studies and role-plays.

Substantive Negotiations

The centralised substantive negotiations with the largest of our representative South African trade unions, SACCAWU, were successfully completed for the two-year period 1 July 2004 to 30 June 2006. The agreement provides for a new minimum Total Cost of Employment (TCOE) of R48 962 per annum for the first year. Additionally, two-year agreements in Namibia, Swaziland and Zambia have been successfully concluded. Negotiations are still underway in respect of Carnival City, and our operations in Botswana and Lesotho.

Labour Turnover

Formal resignations amounted to 9,4% of the average number of employees employed during the year under review. Turnover is monitored regularly and given the industry standards and prevailing circumstances, is well within industry norms.

Industrial/Protest Action

No strike action was experienced within the group during the period under review.

Organisational Rights/Relationship Agreements

The existing national Relationship Agreement concluded between the group and SACCAWU remained unchanged during the period. At Carnival City (which is outside the national agreement) a dispute exists with the union over the interpretation of the Relationship Agreement.

SACCAWU achieved organisational rights status at Boardwalk Casino and has approached Meropa and Flamingo Casino to obtain organisational rights at these units as well. Verification exercises are currently being conducted at both these units.

Sexual harassment

Sun International has introduced a sexual harassment policy which has been communicated to staff. The policy confirms the group's commitment to combat all forms of sexual harassment in the workplace and provides guidelines and procedures, consistent with the Constitution's Bill of Rights, for expeditiously dealing with offences and complaints.

OWNERSHIP

Sun International Employee Share Trust (SIEST)

Sun International recognises that as much as there is a need for transforming the group from within, there is also a need to address the transformation of its ownership structure. The SIEST was established holding some 4,86% of the aggregate value of the group's equity through both Sun International shares and equity in underlying subsidiaries. The creation of the SIEST was a milestone in the history of Sun International with approximately 6 000 employees as beneficiaries. The SIEST provides an excellent opportunity for all employees to benefit when the group, through the combined efforts of its employees, performs well.

EMPLOYEES
(CONTINUED)

The introduction of the SIEST emanated from commitments made by the group at the time it applied for new casino licences. Although these undertakings were applicable only to the group's new properties, it was decided to extend the trust to include all operations in South Africa.

The SIEST was established during 2003 enabling some 6 000 of the group's employees to share, through the trust, in the benefits of share ownership, thus advancing empowerment throughout the group in a meaningful and significant manner.

All permanent full-time and scheduled employees with at least six months group service are eligible, and no directors, executives or senior managers already on the Sun International or any other group share scheme may participate.

The trust has, since its inception, acquired interests in the various Sun International group companies for a total consideration of R132,6 million, as follows:

- a 3% interest in SISA for a consideration of R85,7 million (now a 2,2% interest in Sun International); and
- a 3,5% economic interest in each of Afrisun Gauteng, Emfuleni, Meropa, SunWest and Teemane for a total consideration of R46,9 million.

The trust may acquire interests in other Sun International group companies from time to time.

The employees, through their participation in the trust, benefit through income distributions made by the trust. These distributions are made in equal shares to eligible employees recorded as such at the date of distribution. The trust distributes dividends received by it (net of loan repayments and other liabilities) twice a year.

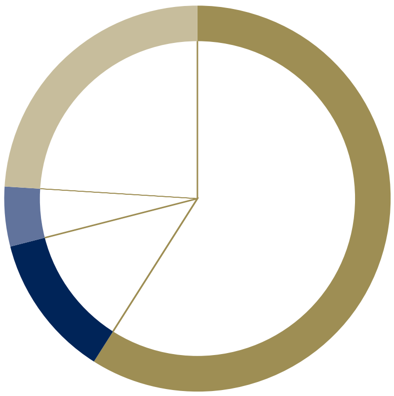
Two dividend distributions totalling R4,6 million have been made by the trust to employees during the financial year, ie from inception to date. The first was in October 2003, amounting to R2,2 million and the second in April 2004, of R2,4 million, representing an annual distribution per eligible employee of R789.

In addition, employees will also participate in growth distributions through the sale of shares held by the trust. The trustees may elect to sell the underlying investments over a period of no less than 15 years as no more than 7,5% of each holding may be sold per annum.

However, they will only be able to effect the sale of shares after the second anniversary of the commencement date of the scheme, ie by June 2005. Any such proceeds, after repayment of the outstanding loans pertaining to those shares and net of other costs associated with the disposal, will be distributed to eligible employees on a points basis, so that eligible employees with longer periods of service, calculated from their date of participation in the scheme, will receive bigger growth distributions.

Based on management's valuation of the underlying investments and the market value of the shares in SISA as at 30 June 2004, the equity held by the trust is currently valued at R250 million, and, after the deduction of debt of R130 million, has resulted in value creation of some R120 million, equivalent to approximately R20 000 per employee, which is expected to continue to increase with the growth of the group's businesses.

The trust is administered by a board of trustees currently comprising 13 trustees, of whom nine have been elected by the eligible employees from amongst their number, and four by nomination from Sun International, including advisers from its merchant bankers and legal advisers.



EMPLOYEE SHARE TRUST PARTICIPATION (%) AS AT 30 JUNE 2004

EMPLOYMENT EQUITY

Employment equity is viewed as an organisational change strategy, designed to prevent and remedy discrimination, by identifying and removing any job barriers in the employment policies and practices of the organisation. The group strives to ensure that equal opportunity and economic empowerment form the backbone of its human resources policies, procedures and practices.

We believe our strategy is comprehensive in that it stresses both quantitative and qualitative measures. The strategy not only deals with the aspect of improving numerical representation but also with providing equality of opportunity through fair staffing procedures and a supportive organisational culture.

Sun International's employment equity processes encompass the identification and eradication of barriers to transformation within the group and ensuring the implementation of an employment equity plan throughout the group. Sun International has been submitting employment equity plans for the group to the Department of Labour since the inception of the Employment Equity Act.

The group has made good progress in terms of implementing its employment equity strategy and its revised plan has been submitted to the Department of Labour. The main objective will be the creation of a large pool of management skills at the junior and middle levels of management amongst previously disadvantaged individuals.

A more focused approach is being adopted for the identification, mentoring and accelerated development of PDI candidates within Sun International, particularly within the ranks of middle to senior management.

Employment Equity Committees (EECs) operate at all our South African operations and in some neighbouring countries. They are the elected representative bodies of the various designated groups, occupational levels and categories in the organisation. The primary role of these EECs is to ensure that the workplace adopts affirmative action measures designed to ensure that suitably qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels. In addition, an Employment Equity Central Forum has been created where the group and South African Commercial Catering and Allied Workers Union (SACCAWU) consult with each other on all employment equity matters.

Sun International complies with all the relevant affirmative action and localisation policies of the other countries in the region.

EMPLOYEES
(CONTINUED)

EMPLOYEE WELLBEING

Employee Assistance Programmes (EAPs) at the majority of our properties provide employees with emotional as well as practical support on a variety of personal issues. These issues range from health care, such as living with HIV/AIDS, to managing stress and family planning. We believe that the wellbeing of our employees is vital if we are to maintain world-class service standards.

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

The group very much recognises the seriousness of the pandemic and the effect on employees, their families, co-workers and communities. It has remained committed to ongoing education, awareness and practical assistance for affected employees, as well as encouraging a non-discriminatory and compassionate working environment.

Based on an actuarial study conducted in the previous financial year, the estimated prevalence within Sun International of 11,4% is lower than the national average and we believe this is, to a large extent, due to our early intervention and the initiatives the group has undertaken over the years. It remains our challenge to ensure that prevalence levels do not increase and that those living with HIV/AIDS lead productive and healthy lives for as long as possible.

During the past years, the following initiatives have been undertaken:

Education

- Briefing sessions have been held for executive management across the group by Dr Clive Evian.
- AIDS guidelines for managers were distributed initially in 1992, with a revised copy distributed in 1998.
- Specialised "Train the Trainer" education was conducted by the Department of Health for selected staff members across the group.
- AIDS education is an integral part of our induction programmes and covers topics such as prevention, precautions, methods of transmission, pre and post test counselling.
- Dealing with AIDS in the workplace is also included in certain in-house supervisory development programmes and industrial relations training programmes.
- Some of our properties have arranged specialised in-depth training for volunteer peer educators, who assist in counselling and educating their fellow staff members.

Non-discrimination

- The group's commitment to non-discrimination has been publicised across the group.
- No pre-employment testing for HIV takes place at Sun International.
- There is compliance with relevant labour legislation regarding HIV infected employees in the workplace.

Clinical Disease Management

- All members of the Quantum Medical Aid Society, and their dependants, have access to anti-retroviral medication as well as counselling and disease management programmes.

Testing and Counselling

- Part of the education process includes encouraging employees to get tested for HIV and to know their status.
- Most properties can arrange for staff to be tested free of charge for HIV and provide pre- and post- test counselling, either in-house or through an external referral.

General Wellness Programmes

- Programmes provide education on the link between Tuberculosis (TB) and HIV and the link between sexually transmitted diseases (STDs) and HIV.
- Staff are encouraged to seek early treatment of TB and STDs at local clinics.
- Programmes help in the prevention of infections (such as giving flu injections) and awareness of other diseases such as breast cancer awareness.

Free Condom Distribution

- Staff across the group have access to free condoms, which are distributed via on-site clinics, placed in staff change rooms and staff toilets.
- Education programmes encourage the practice of safe sex and the correct use of condoms.

AIDS Awareness Initiatives to Benefit our Staff/Local Communities

- Posters, pamphlets, stickers and booklets are placed on staff notice boards across the group.
- Articles are written in our group newspaper, *Winners*. Articles also appear in local unit newsletters.
- AIDS awareness committees have been established at many of our properties. These committees assist in planning initiatives and ensuring the momentum of the education and awareness programmes.
- Communication channels have been set up with local departments of health and local clinics and in some instances with local Life Line counsellors.

We continually monitor emerging trends and adopt and modify our policies accordingly. Government's planned roll-out of anti-retroviral medication as well as other initiatives currently being undertaken by the Department of Health are being carefully evaluated and assessed.

COMMUNICATION

Transparent communication is a cornerstone in our relationship with our employees. Our intranet site, which is accessible to staff across southern Africa as well as our offshore offices, provides useful information in respect of HIV/AIDS about different departments, labour legislation, job profiles, organisation structures and staff newsletters.

All new employees attend an induction programme during which they are informed about the group's values, mission statement, unit-specific as well as group-wide policies and procedures, AIDS awareness training, as well as an overview of the group's structure.

Our bi-monthly staff newsletter, *Winners*, is produced in-house with contributions from designated employee correspondents at our properties. It is distributed via the intranet as well as in printed form, to over 8 000 staff across southern Africa as well as to staff in our offshore offices.

HUMAN CAPITAL MANAGEMENT SYSTEM

Sun International was the first group in southern Africa to upgrade to PeopleSoft Human Capital Management, Version 8, and went live in July 2002. Together with over 5 300 customers worldwide, we continue to take advantage of PeopleSoft's internet architecture delivered with Version 8.

Sun International has made many enhancements to further assist with its human capital management as well as statutory and high level management reporting at both operational and central level. The interface into the payroll system (Paywell) provides for a single (data) point of entry, whilst the reverse interface allows for sophisticated, yet user-friendly real time cost to group reporting.

In order to up-skill our PeopleSoft user community, the group recently invested in additional (PeopleSoft) software that facilitates the easy creation, customisation and deployment of training content in multiple formats, faster and more effectively, all from a single platform.

CUSTOMERS

Those who visit a Sun International property know that they can expect the highest standards of probity, player protection and an ethical and responsible approach to social issues

SERVICE AND STANDARDS: CHERISHING THE CUSTOMER

Sun International operates the premier collection of luxury hotels and resorts in southern Africa and has nearly 50% of a highly competitive and vibrant gaming market in the sub-continent. What differentiates the group from its competitors is, first and foremost, Sun International's commitment and ability to provide a superior guest experience at all of its properties.

Crucial to our customers are the values which the Sun International brand has come to reflect. Built on the original success of Sun City, today this world-class brand inspires trust among its consumers, representing not just vitality, excitement, variety, the most modern slot machines and other gambling products, and premier entertainment, but the highest standards and quality in customer service and attention.

Each and every guest who visits a Sun International property is regarded as a stakeholder in the business, and receives commensurate levels of attention, service and respect.

This translates into providing a consistently extraordinary guest experience by developing enduring relationships, ensuring the highest service standards, guaranteeing superb entertainment and innovative promotions, making sure that guests receive appropriate recognition and feel cared for and safe, in addition to receiving the level of benefits, offers and rewards which are commensurate with their loyalty.

UNDERSTANDING THE CUSTOMER

Every day, more than 40 000 guests from over 50 countries visit a Sun International hotel, resort or casino. While many tourists, convention visitors and business travellers are sourced internationally, the group's gaming customers are predominantly domestic.

SUN INTERNATIONAL'S MAJOR SOURCE MARKETS

Market	Domestic	International
Tourists		
FIT	√	√
Groups	√	√
Business		
Travellers	√	√
MICE	√	√
Associations	√	√
Sport	√	√
Government	√	
Gaming customers	√	
Day visitors	√	

Sun International operates Africa's most sophisticated central hotel reservations system, which provides a world-class service to domestic and international tourists. The source of international hotel and resort customers is represented below:

SOURCE OF INTERNATIONAL CUSTOMERS

Market	2004 (%)
United Kingdom	22
Germany	12
France/Italy	8
Rest of Europe	5
Australia/New Zealand	4
United States	11
Hong Kong	6
China	5
South East Asia	4
Africa	17
Other	6

At the heart of Sun International's relationship with its gaming customers is the group's widely-envied Most Valued Guest (MVG) Programme, one of the most valuable customer management systems in the international gambling industry. With more than 420 000 active, rated cardholders it is also one of the biggest loyalty programmes of its kind.

REVENUE CONTRIBUTION (2004) BY MVG CUSTOMER SEGMENT				
	Platinum	Gold	Silver	Maroon
Customers	2%	15%	29%	54%
Revenue contribution	36%	48%	14%	2%

The introduction of smart card, and other new technology, has given a major impetus to the MVG programme, which was originally launched in 1994. One of the leading loyalty programmes in any industry in southern Africa, the MVG programme enables the group to market its gambling and leisure products directly to a substantial pool of committed patrons, and facilitates the highest level of personal care and attention for the group's most important consumers.

Understanding who our customers are, and their expectations, revolves around continuous and in-depth research. This applies to tourists as well as gaming customers.

New technological enhancements in recent years to the MVG customer database, including Sun International's comprehensive data warehouse, form the foundation of a Single Image Customer Database strategy which keeps the group at the forefront of research and database marketing. The group's MVG database is geo-coded for all South African casinos, with 80% of MVG members mapped to magisterial districts, and 50% to suburb level. The group is thus able to very accurately measure penetration in local markets for all South African casinos, and thereby accurately serve these markets.

CUSTOMER RESEARCH

In addition to this comprehensive database analysis, which provides the basis of the group's customer knowledge, significant resources are applied to ongoing market research.

Project Sparkle

Indicative of Sun International's commitment to building, and better understanding of its customer base, has been an ongoing study into the potential and preferences of the burgeoning black market in South Africa known within the group as *Project Sparkle*. This has yielded not just market intelligence but a more informed and sophisticated approach to multi-cultural customer service, product development and multi-lingual customer communication.

Other market research which is ongoing both domestically and internationally includes benchmarking the MVG Programme to other casino and loyalty programmes and into understanding the travel preferences of tourists.

RECOGNISING CUSTOMER LOYALTY

MVG guests receive a wide range of benefits, including personal hosts for top-rated players, complimentary tickets to a wide variety of shows and other entertainment at Sun International venues, trips, preferential treatment at major events such as the Nedbank Golf Challenge, and dedicated facilities and amenities at Sun International casinos. MVGs are also invited to exclusive events arranged for them such as the annual Big 5 Golf Safari, where 30 of the top golfing MVGs are hosted on a complimentary week-long trip to five of the group's premier casino and golf resorts.

New MVG members, who pay no entry fee, are issued with maroon cards, and progress up to silver, gold and platinum depending on their level of play. Each MVG member is also issued with a personalised smart card, with an electronic purse for storing cash, and which is utilised for player tracking at both slot machines and tables, and which can be used at all Sun International properties.

The group is also a global leader in research and development into new gambling products, games and services, driven by the latest technology in the industry, including Sun International's proprietary smartcard technology, a world first, and the successful Mystery Jackpots. Table game enhancements and jackpots enliven the customer options and experience.

CUSTOMERS
(CONTINUED)

DEMONSTRATING ACCOUNTABILITY

One of the most obvious products of South Africa's globally-admired regulatory environment is the emphasis in this jurisdiction on an ethical, safe, responsible and crime-free gambling industry.

South Africa's gambling industry today evolved against a background in which gambling in the country was dominated, prior to 1996, by a flourishing illegal casino industry in the country's urban areas. At that time there were 150 000 illegal slot machines in cities and towns, paying no tax, employing few people, and providing a platform for associated and common place criminal behaviour, such as fraud, prostitution, money laundering, and narcotics.

This vast illegal industry offered no player protection, was accessible to minors, and ignored social problems associated with gambling.

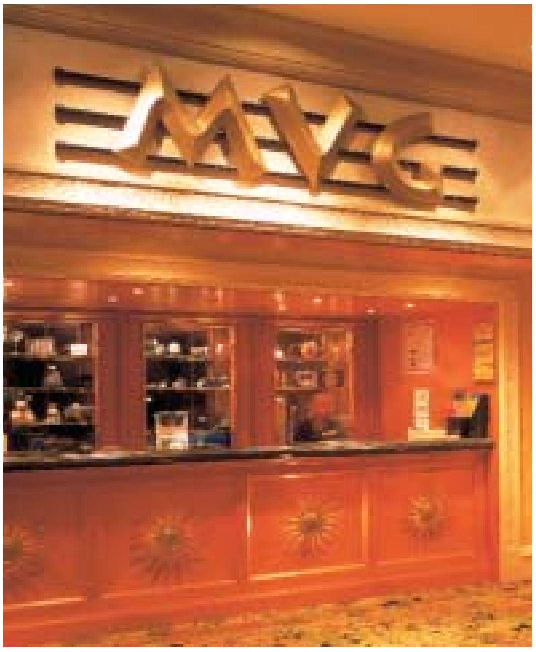
Today, as is evident at all Sun International casinos, the industry in South Africa is rigorously and effectively regulated. Those who visit a Sun International property know that they can expect the highest standards of probity, player protection, standardisation and high quality in respect of gambling equipment, and an ethical and responsible approach to social issues.

Quality

Being accountable to customers is also about ensuring customers have a quality experience each and every time they visit a Sun International property.

The group employs a number of research devices to ensure that these levels of quality are maintained.

- The Mystery Shopper Programme is carried out quarterly at each property according to a comprehensive standard set of questions. Results are monitored and examined at monthly management reviews in which the established benchmark requires more than 90% positive response.
- Prompt response lines are widely available within properties and provide immediate resolution to issues raised by customers.
- Customer response forms and cards are available at all properties and acted on immediately. The group receives substantial correspondence from customers, and it says much for the system that they feel able to communicate freely with management.



- In-house surveys, such as the *Voice of GrandWest*, are undertaken twice per annum in major properties and provide instant feedback for management.
- Random post-visit research is undertaken by independent tele-marketers to ascertain the delivery and suitability of MVG benefits.
- Brand audits are a rich source of customer feedback and help to ensure that properties live up to the brand promise.

Results of all these research and customer audit processes constitute a key element in employee training and refresher courses.

Customer Rights

As much as customers have the right to expect quality, service, integrity and honesty in their dealings with Sun International, there are other equally important expectations that we must uphold, such as the privacy of customer data, which is strictly upheld. Other rights are those in respect of facilities for disabled people, a safe, clean and healthy environment and a high level of accountability in terms of the promotion of responsible gambling, and measures to address problem and compulsive gambling. All Sun International staff are trained specifically not only to understand the importance of these values in respect of the group's corporate culture, but how to integrate these issues into all customer interaction.

For Sun International, this is not simply a matter of compliance with regulations: it is central to the group's commitment to its customers and their wellbeing.

RESPONSIBLE GAMBLING

It is widely acknowledged that South Africa's new casino gambling industry has done much to engender substantial new investment, create employment, advance transformation, and develop infrastructure and capacity in South Africa's leisure industry.

And for the vast majority of South Africans gambling is harmless recreational entertainment.

But in a small minority of cases, problem gambling can negatively impact on the lives of individuals who develop a dependency, resulting in financial stress with personal and sometimes legal consequences. And while it has always been Sun International's position that it does not assume any responsibility concerning an individual's personal decision to bet or gamble, it believes that it has a moral obligation to do everything it can to help people who experience these sorts of problems with their gambling. This is because Sun International strives to be a worldwide leader in the industry with regard to social issues, adding value through its

CUSTOMERS
(CONTINUED)

As market leader in the industry, we believe we have a special duty to promote responsible gambling

entertainment amenities, social responsibility programmes, and the human and financial resources of the group to make a positive and constructive impact on its customers, employees, their families, and society as a whole.

This commitment manifests itself in the group's deeply committed support for the National Responsible Gambling Programme (NRGP). Conceptualised and founded by Sun International four years ago, today the NRGP, now involving all sectors of the gambling industry, is a comprehensive response to the complex question of problem gambling, and one which has received wide international acclaim.

The NRGP is the only national initiative in the world funded to this degree by the private sector, and the only one internationally in which treatment, research and education are integrated in a single initiative. It is also the only programme of its type in the world which is jointly controlled by government and industry in a public/private sector partnership.

This model, and the fact that contributions are voluntary, yet substantial, is unique among gambling jurisdictions worldwide, and is one which is now likely to be introduced in the United Kingdom and in other countries. This reflects creditably and well on South Africa.

During the four years since the establishment of the NRGP:

- More than 75 000 calls have been received by the tollfree helpline (0800 006 008), and 3 691 callers referred for free treatment by a medical professional, on average some 75 per month. More than 8 176 have received assistance telephonically.

- The multilingual treatment network, 24 hours a day and seven days a week, has been extended to 35 towns and cities in southern Africa.
- Africa's most comprehensive research study into gambling behaviour, and the incidence of problem gambling, was published.
- An extensive public advocacy campaign to promote responsible gambling has been implemented, including Africa's first-ever education campaign aimed at the adolescents and senior citizens both in the Western Cape and Gauteng.
- The NRGP substantially exceeded its TAP (targeted access and procurement) empowerment targets. 86% of all its procurement was placed with the ADI sector (against a target 33%) while 85% of NRGP counsellors and clinical psychologists are HDIs.
- R16,8 million has been invested in the programme by the private sector up to February 2004.
- Funded by CASA, the NRGP initiated, for the first time, television advertising in a national R4 million campaign.
- Over 11 000 industry workers, along with staff from government regulatory authorities, have received formal training on the subject of compulsive and problem gambling, including over 6 000 at Sun International properties.

Sun International strives to provide its shareholders, promptly and transparently, with all relevant and significant information of a financial and non-financial nature

COMMUNICATION

Sun International strives to provide its shareholders, promptly and transparently, with all relevant and significant information of a financial and non-financial nature, through the publication of the annual report and the interim and year-end results announcements. The board utilises the services of SENS (the JSE Securities Exchange News Service) and the press to publish announcements in terms of the regulatory requirements, as and when applicable.

Sun International, through its website (www.suninternational.com), also makes accessible to its stakeholders information relating to the group, including *inter alia* press releases and announcements of interest on its various operations, the interim and year end results announcements, annual report, financial highlights and development updates.

Senior executives meet with industry analysts, fund managers and representatives of existing and prospective shareholders, both local and international, to assist them to gain a better appreciation of the industry and to deal with any queries relating to our operations. Management encourages and appreciates feedback received from shareholders and analysts regarding the usefulness, quality and extent of the group's reporting.

DIVERSIFICATION OF SHAREHOLDER BASE

As part of its stated objective of unlocking shareholder value Sun International has completed a number of previously reported strategic transactions, culminating in the acquisition, by way of a scheme of arrangement on 16 August 2004, of the minority interests in SISA which it and its subsidiaries did not already own. This has resulted in the de-listing of SISA and its becoming a wholly-owned subsidiary of Sun International, giving rise to:

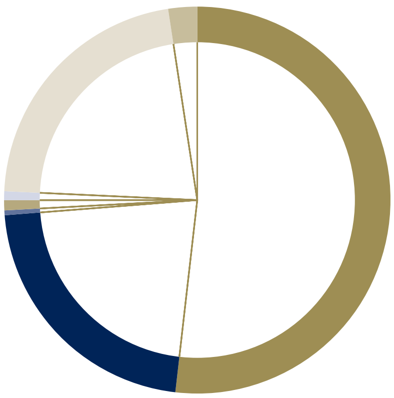
- the further simplification of the corporate structure of the group and creation of a single entry point into the group, thus further enhancing transparency;
- an improvement in the free float and liquidity of Sun International's shares on the JSE;
- the repositioning of Sun International, potentially reducing the discount at which it has historically traded relative to the value of its underlying assets; and
- the further diversification of the shareholder base by the issue to the former SISA shareholders of new shares in the company in exchange for their shareholdings in SISA.

As a result Sun International is currently ranked number 55 (previously number 65) in the FTSE/JSE All Share Index with a market capitalisation of approximately R5 billion and a 100% free float and number 29 (previously number 35) in the FTSE/JSE 25 Industrial Index.

Management's ongoing dialogue with prospective shareholders and communications and education with the investing public both local and international, are focused to achieve greater diversification of the shareholder base.

SHAREHOLDERS
(CONTINUED)

BENEFICIAL SHARE OWNERSHIP AT 30 JUNE 2004



TYPE OF SHAREHOLDERS
AT 30 JUNE 2004

- Insurance and assurance companies and provident funds **51,8%**
- Investment and trust companies **21,9%**
- Banks and nominee companies **0,4%**
- Directorate and management **0,8%**
- Corporate **0,8%**
- Foreign **21,9%**
- Individuals **2,4%**

Number of share owners	Category	Number of shares owned	% of total issued shares
	Size of shareholding		
1 410	1 – 500 shares	189 216	0,2
217	501 – 1 000 shares	161 590	0,2
301	1 001 – 5 000 shares	672 366	0,7
55	5 001 – 10 000 shares	413 973	0,5
124	10 001 – 50 000 shares	3 118 482	3,5
64	50 001 – 100 000 shares	4 784 744	5,3
127	100 001 + shares	80 709 935	89,6
2 298		90 050 306	100,00

Ten largest beneficial share owners at 30 June 2004	Number of shares owned	% of total issued shares
Old Mutual Life Assurance Co (SA)	11 193 384	12,4
Coronation Life – Special Opportunity Portfolio	5 218 488	5,8
Public Investment Commission – Equity Portfolio	4 500 117	5,0
JP Morgan Chase Bank – Onshore Clients Omnibus	2 955 370	3,3
Mellon Bank N.A.	2 255 362	2,5
Government Institutions Pension Fund, Namibia	2 184 156	2,4
Old Mutual Scrip Lending Pool Account	1 801 104	2,0
Bank of Bermuda Hamilton	1 693 491	1,9
Transnet Retirement Fund	1 633 100	1,8
Transnet 2nd Defined Benefit Fund	1 557 500	1,7
	34 992 072	38,8

Shareholder spread (beneficial) at 30 June 2004	Number of shareholders	% of total issued shares
Public:	2 287	86,8
Non-public:		
Directors of the company and its subsidiaries	7	0,4
Trustees of Employee Share Scheme	1	0,4
Shareholders beneficially interested in 10% or more of the issued shares	1	12,4
Employees restricted from trading	2	0,0
	2 298	100,00

A number of changes in the beneficial holdings of the major shareholders has taken place since 30 June 2004 following the completion of the scheme of arrangement whereby Sun International acquired the minority interests in SISA, which included the issue of additional shares to those minorities who elected to take up shares, with the Old Mutual Group's and PIC's interests reducing to 11,7% and 3,9% respectively, and Allan Gray's and Transnet's direct holdings increasing to 10,1% and 5,2% respectively.

BEE shareholders' interests in Sun International's South African subsidiaries is in aggregate approximately 28%. The group through preference share funding and guarantees given by the group facilitated the BEE shareholders acquisition of a significant portion of this interest. At 30 June 2004 the group had provided loans and preference share funding in the amount of R184 million to its BEE partners. The group has also guaranteed R51 million of funding provided by financial institutions to certain of its BEE partners.

Sun International donates R10 000 for every jackpot paid out on the Dream Machine. A total of R130 000 was donated during the year under review

POLICY AND DELIVERY STRUCTURES

Sun International strives to promote investment and social upliftment in the communication in which the group operates, primarily through the investment of financial resources, but also by providing skills and leadership. The group sets aside 1,5% of its annual profit after tax to invest in Corporate Social Investment (CSI) projects and in terms of its BEE strategy, this will become 2% from the 2006 financial year onwards. Funding is considered to non-governmental organisations (NGOs), institutions or groups performing services within the national or local communities on a non-profit basis for the alleviation of hardship and suffering and the assistance of disadvantaged groups.

Social equity managers are employed at the larger units, whilst human resources managers are responsible for this important function at the smaller units.

Each unit has a CSI committee whose responsibility is to identify projects in their communities. All projects undertaken at the different units are sanctioned by the unit's CSI committee, which consists of various elected management and line staff representatives.

Group level CSI is primarily directed at organisations or charities that are of a national nature, or are of interest, or significance, to the group as a whole. Unit level CSI is directed towards local beneficiaries.

Projects embarked upon on a national level include the following:

South African Sports Trust

Sun International is one of the founding partners of the SA Sports Trust, along with Nedbank, First National Bank, Grinaker Limited and M-Net/Supersport. More than 60 projects have been completed countrywide valued at more than R15 million. Projects range from multi-million Rand outdoor and indoor centres to simple assistance with travel to international competitions as well as the provision of sports equipment and kit.

Disability Sports South Africa

The group invested nearly R600 000 in disabled sport this past year. Sun International is honoured to be part of the biggest sports event in the world, in size and importance, for persons with a disability – the Paralympics. The Paralympics help to shape a different attitude towards disability among young people.

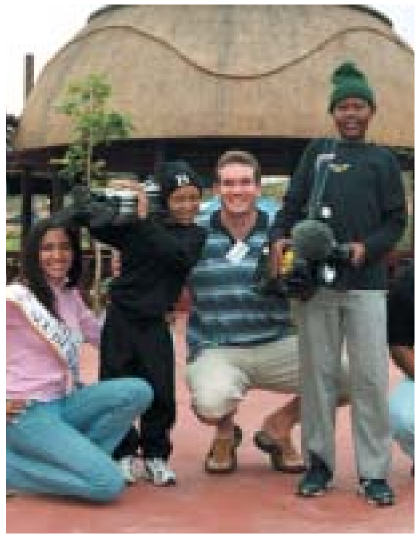
Arts and Culture Trust

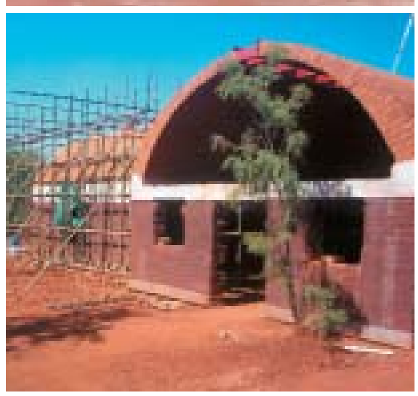
The Arts and Culture Trust was launched in 1994. Its mission is to attract and provide funding for the sustainable development and growth of the arts, culture and heritage in South Africa. This is made possible through mutually beneficial partnerships between the corporate, public and cultural sectors focused on making a positive difference to the lives of all South Africans.

Variety Club

One of Variety Club's main objectives is to support children's charities from all communities throughout the country. One such project is *Oboentoe House* – a safe haven for abused children.

They raise funds through arranging and hosting public events where the public purchase tickets. Such events have included the Chris de Burgh concert at Sun City and various celebrity golf days. Sun International contributes to this worthy cause by donating R10 000 every time the Grand Progressive jackpot is won on African Express.





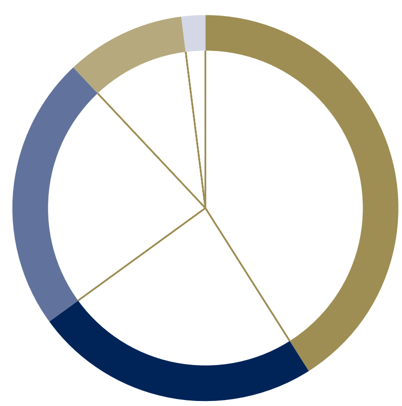
Reach for a Dream

The objective of the Foundation is to fulfil the dreams of children who have been diagnosed with a life-threatening illness. It applies to children of all income groups and of any race, colour or creed between the ages of 3 and 18 years. Sun International donates R10 000 for every jackpot paid out on the Dream Machine. A total of R130 000 was donated during the year under review.

Project Literacy

Project Literacy delivers a wide range of adult basic education and training programmes to educationally disadvantaged adults by way of adult education centres, teacher training, curriculum development and community outreach. Sun International donates funds to this worthy national cause every year.

The total CSI spend for the 2004 financial year was R7,7 million.



TOTAL CSI SPEND

- Health and Welfare incl HIV/AIDS **41%**
- Sports, Arts and Culture **24%**
- Education **23%**
- Community Development **10%**
- Other **2%**

REGIONAL PROJECTS AND INITIATIVES

Some of the major projects which were undertaken by our properties in 2004:

Sun International Black Diamond Tournament

This tournament was held in May 2004. Various players participated on behalf of certain charities with R100 000 being split between worthwhile organisations.

Morula Library Project

The group made available funding, as well as land, to construct a Library on the premises of its Morula Casino in Mabopane. This new facility provides access in a secure environment to surrounding scholars, students and adults.

Leshaba Primary School

Sun International sponsored a palisade fence and furniture to Leshaba Primary School in order for it to operate successfully. This investment will enhance the primary school facilities in the East Rand area.

Acres of Love

The group continues to support Acres of Love Children's Home situated in Bryanston, Johannesburg. Acres of Love cares for abandoned HIV positive children.

GrandWest Soundtrack 4 Life

GrandWest supports this imaginative lifeskills programme for grade 8 - 10 learners at schools identified by the Department of Education. It is based on the Boal method of interactive theatre and deals with issues like AIDS awareness, drug abuse and other social needs within their specific communities.

ArtsCape Schools Lifeskills Programme

GrandWest has funded this innovative programme to enable its partners ArtsCape, the Department of Education, Cape Heart and Childline to equip youth with some essential lifeskills to allow them to make informed decisions about their lives. The tag line reinforces this most aptly: "Stay sharp, stay smart, and know what's up with your world... because it's YOUR life."

e-Learning

GrandWest, in partnership with the Department of Education, Kanya and Rotary, funded the installation of computers at Tygerberg Hospital School and Brooklyn Chest Hospital School. Both schools accommodate children who receive medical treatment in excess of six weeks. These e-Learning centres ensure that the children's education continue while in hospital.

Itereleng Primary School

The Carousel embarked on a project to build five classrooms for the school which operates in the area surrounding the casino. In addition, Carousel upgraded Carousel View Pre-Primary School. These projects are aimed at upgrading and enhancing the immediate area surrounding the Carousel.

Holy Family School Hall, Mogwase

The group erected a school hall at Holy Family School, which operates in Mogwase, close to Sun City. The school provides much needed primary schooling facilities in the Mogwase area.

Mphoto Middle School

This school was built by Sun International and houses 750 students in the Tweelaagte area. Before the school was built, children had no proper classrooms and lessons were conducted outdoors and depended on weather conditions.

Used Linen

The Table Bay Hotel continues to supply all its used linen and other items to various charities in Cape Town.

Tapologo AIDS Hospice

In conjunction with the Catholic Church, the group is constructing an AIDS Hospice (20 beds) in Phokeng near Rustenberg. This is to provide a facility for the local community, built by the unskilled community labourers on the Adobe (mud brick) building method using materials found on the site.

Lady Mokwena

The group built an AIDS Homecare Centre in Chaneng (20 beds) near Sun City in the region of the Royal Bafokeng Administration, to assist patients in recovering through specialised dietary requirements and focused traditional treatment.

SUPPLIERS

During the financial year, 33% of Sun International's total procurement was from black-owned businesses

BEE PROCUREMENT

Sun International's BEE strategy encourages procurement from black businesses, particularly small, micro and medium enterprises, to the fullest extent possible. During the course of the past financial year, 33% of Sun International's total procurement (excluding imported equipment which is not available locally and warranty specific items) was sourced from black-owned businesses.

The group is undertaking a review of all its suppliers in respect of PDI ownership. A procurement policy has been implemented in line with the government's BEE strategy guidelines. Software has been installed that will enable more accurate reporting and ongoing monitoring of BEE spend against set targets. The 2005 target for BEE procurement is 35%, with an annual escalation of 5% per annum to 50% in 2008.

A scorecard has been developed to measure compliance to BEE initiatives, in accordance with the principles of broad-based BEE. The group is also committed to meeting the requirements stipulated in gaming licences, where procurement from SMME and local enterprises is encouraged.

The results of the review are being used to build a database of suppliers who conform to Sun International's expectations. Targets incorporate a direct empowerment measure per supplier, as well as a local and SMME evaluation. Direct empowerment targets incorporate measures in terms of equity and directors.

All operations are measured for compliance at unit level, according to their individual targets (such as local and SMME procurement) as well as the group's targets. The targets for the group as a whole are monitored, and appropriate measures are taken in order to achieve targets.

DEVELOPMENT OF SUPPLIERS

Sun International assists BEE suppliers to compete for group tenders. Guidelines are provided and the BEE weighting of tender bids is generally a minimum of 25%.

The group is also active in identifying existing BEE enterprises, which could supply and distribute commodities and services to properties.

Audit Process

In order to ensure that the assessment of suppliers is made in a systematic and fair manner, Sun International intends to have this process audited. External and independent agents will be appointed with the task of examining the methods of information gathering, and of ensuring that the BEE credentials have been correctly assessed.

GOVERNMENT AND REGULATORS

Sun International operates in a highly regulated environment. In terms of the Constitution, Parliament and the nine provinces have concurrent legislative competence regarding, among other things, casinos, racing, gambling and wagering. South Africa's gambling dispensation, introduced in 1996, is widely admired internationally.

The industry is governed by the National Gambling Act and legislation enacted by each of the nine provinces with their own regulatory authorities. The provincial licencing authorities (PLAs) exercise a range of statutory functions to control the conduct of gambling and racing, where applicable, in their respective provinces.

The principal asset of any casino operator is its licence to trade. Attached to casino licences are a variety of conditions and it is the function of PLAs to ensure operators comply with these and other terms of the licence.

It is therefore self-evident that Sun International's relationship with government be based on a high degree of compliance, mutual trust, constructive engagement and regular consultation. Sun International enjoys a close working relationship with all PLAs in the eight provinces in which it operates. At a policy level, Sun International engages government through the industry association to which it belongs.

CASINO ASSOCIATION OF SOUTH AFRICA (CASA)

CASA was formed in 2003 by the groups whose operating companies hold the casino licences in South Africa. Its aim is to serve as a forum for the advancement of matters of common interest to its members. The main activities are conducted under a governing council comprising the chief executives of its members, augmented by the office of CASA's own CEO.

CASA contributes significantly in the areas of research and information dissemination regarding the casino sector to the public, the media, regulators and a host of political and other decision makers.

There is a close working relationship with the National Responsible Gambling Programme (NRGP), the internationally-acknowledged public/private sector partnership which focuses on problem gambling research, education and treatment. The casino sector currently contributes some 93% of the NRGP budget.

Sun International is an active participant in the affairs of CASA through representation on its governing council and on a number of working sub-committees. Major contributions by its representatives over the past year include support to CASA in the establishment of a constructive relationship with the South African Revenue Service (SARS) regarding taxation matters of common import to the casino sector, and fruitful interactions with the Department of Trade and Industry during the drafting of certain aspects of the new National Gambling Act, which is expected to be implemented soon.

TOURISM BUSINESS COUNCIL OF SOUTH AFRICA (TBCSA)

TBCSA was established as an initiative by South Africa's tourism industry role players to bolster the funding of SA Tourism's marketing and promotional activities. Currently, a 1% levy on room rates is paid over to SA Tourism to add to their local and international marketing spend.

HOTEL INDUSTRY LIAISON GROUP (HILG)

HILG is an informal discussion forum at which senior executives of South Africa's major hotel and resort groups discuss matters of common interest. Meetings are held periodically, as and when agenda items of sufficient import have been collated.

Ever-mindful of the sanctity of proprietary information and the shared objective of avoiding perceptions of anti-competitive behaviour, discussions and research points are geared towards generating results which could be put to the common good of the hotel industry and the tourism sector, in the context of establishing and maintaining competitive products in both the local and international markets.

Examples of issues which were addressed over the past year include interactions with the national airline to assess whether optimum airlift of tourists into the country can be improved in terms of flight and seat availabilities; the composition and analysis of statistical information with a view to moving towards uniformity in the setting of star ratings for hotels and resorts; and researching, debating and analysing, both locally and comparatively with international markets, trend setting financial and commercial models and benchmarks for the industry.

ENVIRONMENT

Properties near significant conservation areas are involved in various initiatives to minimise their impact on the environment

Sun International is committed to environmental issues and has made significant progress in giving effect to this commitment during the past year. This is evidenced by the fact that for the first time since we started reporting on sustainability issues, we are in a position to provide information on the organisation as a whole, rather than for select properties where environmental management systems were being actively implemented. Hence, taking account of the integration between economic, social, and environmental issues in our business dealings is becoming a reality for the organisation.

In last year's report, it was stated that the group was taking account of environmental matters in the design, construction and operational phases of new and existing properties. We realised, however, that this approach was limited, with environmental management being undertaken by the various properties in isolation of each other, and without a central reporting structure. In October last year, management made the decision to develop a corporate environmental strategy, which would be driven at a group level.

Over the past year, we have focused on consolidating our environmental management across the group. One of the first steps in this process was the identification of an individual who would facilitate and champion the implementation of the strategy according to an agreed timeframe, monitor progress and ensure appropriate reporting structures are in place.

It was important that this individual was at the forefront of the group's property development, had a working understanding of existing properties, and had sufficient seniority within the organisation to steer the environmental management activities for the group. In November 2003, the general manager – development was identified as the environmental representative for the group.

CREATION OF AN ENVIRONMENTAL POLICY

In order to set the foundations for responsible environmental behaviour, a policy was created with the aid of independent facilitators. Following the principles of ISO14001, this policy was workshopped with management and staff, and later endorsed by the chief executive officer.

As one of southern Africa's leading organisations in the leisure industry, Sun International is committed to promoting responsible tourism, through safeguarding both the natural and social environments.

In recognition of this, we are committed to:

- Developing a strategy for environmental management that would be implemented at our properties.
- Establishing goals and targets in relation to waste reduction, water and energy consumption and pollution prevention.
- Promoting environmental awareness amongst our staff and suppliers.
- Complying with the relevant national and local government legislation.
- Engaging and informing stakeholders of our environmental management and performance by reporting on sustainability at a corporate level.
- Evaluating and improving our environmental management on an annual basis.

UNDERSTANDING THE BASELINE ENVIRONMENT

A survey was undertaken with the southern Africa properties in May 2004. This survey provided a consolidated view of environmental management across the organisation. A status report was produced which provides a baseline for setting future goals, by taking account of the strengths and weaknesses in environmental performance at the various operations. A cross comparison of environmental management was also undertaken, which made it possible to disseminate useful procedures and information.

IMPLEMENTING ENVIRONMENTAL MANAGEMENT SYSTEMS (EMS)

Sun International recognises that implementing an internationally recognised EMS is the ideal approach for systemising environmental management at our properties and is a legal requirement in terms of a number of our gaming licences.

Currently, ISO14001 is being implemented at those properties where an EMS is a legal requirement. In addition, some of our resorts are pursuing “Heritage”, a locally developed programme whereby silver, gold or platinum status is granted in relation to a range of environmental criteria.

The implementing of EMSs at all Sun International properties is an extensive task. We have therefore adopted an incremental approach, with priority being given to those with a legal obligation to establish an EMS. There are five properties where EMS implementation is underway, three of which are nearing completion. The remaining properties have been prioritised according to their location and visitor numbers and/or those that are located in an environmentally sensitive area. The EMS programme of implementation stretches over the next five years.

Sun International is one of the few hotel and leisure companies in South Africa to strive for ISO14001 accreditation.

REPORTING

This year shows a more defined manner for environmental reporting. In an effort to structure reporting, properties are required to provide feedback on environmental matters on a monthly basis.

ENVIRONMENTAL INITIATIVES

Water Use

The environmental survey indicated that water use was a key environmental issue at many of our properties. 15 properties have implemented active water conservation measures. These include:

- Management of the irrigation of landscaped areas, through system automation. Some properties have linked their automated irrigation systems to a weather station so that the watering schedule is determined by prevailing weather conditions.
- Installation of water saving devices, particularly in hotels, such as dual flush toilets, automatically flushing urinals and new (carbon filter) extraction systems.
- Management of water use within hotels, for example only using dishwashers when fully loaded and only using one boiler when demand is low.

Of the 13 properties that provided water use data, five experienced a usage decrease. The reduction in use has been attributed to improved irrigation management or to the use of alternative water supplies for irrigation such as from an on-site dam, groundwater or “grey” water. In general, water use from these sources is not being monitored, although some of the properties are in the process of implementing alternative water supply. Properties that recorded an increase in water use have determined that this was linked to dry weather conditions, a rise in visitor numbers or a combination of these two factors.

Goals for the next year include:

- To determine a standard reporting method for water use, which takes account of visitor numbers, applicable to all Sun International properties.
- To establish appropriate water use/visitor benchmark for properties.
- To obtain a clearer picture of water use and opportunities to conserve water across the group.

Energy Use

Electricity is the primary source of energy for Sun International operations. Usage is monitored by most operations and data for the past two years has been provided by 13 properties. Of these, five reported a usage decrease, which is attributable to improved maintenance practices and to the operation of energy management systems. These systems allow demand control and load shedding. A number of our properties have installed energy saving equipment and fittings such as low energy roof lighting, use of timers on lighting and water heating systems and a programme to replace incandescent lighting with a low energy alternative. Two operations reported the implementation of a staff awareness programme called *Switch Off Something*.

The rise in energy use experienced by nine of our operations is directly related to increased visitor numbers. Most of these properties have an energy management system, and without this, the increases in electricity use would have been more significant.

Goals for the next year include:

- o To determine a standard reporting method for energy use, linked to visitor numbers.
- o To establish an appropriate energy use/visitor benchmark.
- o To obtain a clearer picture of energy use and opportunities to conserve energy.

Biodiversity Protection

Many of the Sun International properties are located outside urban areas and therefore, biodiversity conservation has been identified as an important issue. Some of these operations are located in or adjacent to significant conservation areas, the most notable being the Zambian resort which is located within the Victoria Falls World Heritage Site. These operations are involved in various initiatives to minimise their impact on these environmentally sensitive areas, which include:

- o Implementation of guest awareness and staff training programmes.
- o Participation in local conservation organisations and/or initiatives.
- o Implementation of procedures to ensure the use of biodegradable substances (eg herbicides, pesticides).

Biodiversity protection is also important for facilities which are located in urban areas. Here, the focus is on maintaining features such as wetlands in a way that promotes their functioning as a natural ecosystem. Some operations have embarked on an active programme of indigenous planting, considered favourable for water conservation and/or biodiversity.

Goals for the next year include:

- o To provide a standard for comprehensive monitoring of potential impacts for those properties located within or adjacent to areas that are of biodiversity significance.
- o To establish a benchmark for properties with respect to the extent of indigenous planting, which takes account of the need for water-wise gardening practices.

Occurrence of Incidents and Complaints

No environmental incidents that could have resulted in significant harm to the environment or to people have occurred at any Sun International properties in the past year. The types of incidents that were reported included the disturbance of indigenous vegetation during clearing of a fire-break, a noise complaint from a neighbouring community and the necessity to address renewal of a wastewater treatment permit. Corrective measures have been implemented in all cases.

Goals for the next year include developing a common definition of environmental incidents.

ENVIRONMENT
(CONTINUED)

Community Interaction

A number of properties are involved in community projects that are directly linked to environmental issues. Some of the activities reported include:

- Conducting beach clean-ups.
- Supporting the Rhino Fund.
- Planting of trees and gardens in disadvantaged communities.
- Supporting local recycling programmes.

Through the group's CSI programme, many properties provide funding for social upliftment projects in adjacent communities. Of those surveyed, 11 participate in some form of community and environmental projects.

Goals for the next year include:

- To survey the types of projects undertaken by each property in terms of environmental and social contributions.
- To encourage every property to undertake at least one community/environmental project.

OCCUPATIONAL HEALTH AND SAFETY

As a leader in the leisure, entertainment and gaming industry locally and abroad, excellence in our management of safety, health, and environmental (SHE) risk is an integral part of our sustainability and governance philosophy. Compliance with occupational health and safety standards, as well as leading industry best practice, guide our SHE targets and objectives.

Each of our units has a formerly appointed health and safety officer. The officer is responsible for:

- where applicable ensuring compliance with the Occupational Health and Safety Act (No 85 of 1993).
- co-ordinating health and safety appointments.
- leading the health and safety committee.
- resolving health and safety issues which may arise.
- reporting on health and safety issues on a regular basis.

In recognition of the need to educate employees and contractors of Sun International's SHE standards and objectives, a comprehensive training programme is in place. Methods of communication include for example, information booklets, posters, and workshops.

Over the past year, we have introduced an internal health and safety audit which is conducted by group internal audit. Using criteria from the National Occupational Safety Association (NOSA) and OHSAS 1801 as a base, it is intended that audits are conducted at each unit on a yearly basis. To date, 12 audits have been conducted, of which four of the units scored above 80%, while two units scored over 90%. The results from the audits have been successful in assisting the properties in setting goals and improving their SHE performance.

Utilising our human capital management system, PeopleSoft, health and safety incidents are reported on and tracked. One of the important items recorded is the number of disabling injuries that occur at each facility. A disabling injury is one "where a person dies, becomes unconscious, suffers the loss of a limb or part thereof, suffers permanent injury or illness to such a degree that the employee suffers a permanent physical handicap and/or is unable to work for a period of fourteen days or more". The group's records show that five disabling injuries occurred over the past year.

Striving to improve its health and safety, Sun International has set a number of goals for the following year. These include:

- Raising the score on internal audits at all units.
- Reducing the incidents and accidents on site.
- Improving on the NOSA star safety grading of all the units in South Africa.
- Building a stronger link between the Health and Safety and Environmental Management Systems.

THE WAY FORWARD

Over the past year, we have succeeded in laying the appropriate foundations for our future environmental, health and safety management and as our policy states "year-on-year" improvement in our environmental management, we have set goals for the next reporting year.

SIBAYA, Umhlanga, KwaZulu Natal

OVERVIEW OF SUN INTERNATIONAL'S ENVIRONMENTAL PERFORMANCE AND GOAL

Goals for 2003/2004	Achievement
Compile the environmental strategy	√
Identify the individual to champion the process	√
Conduct introductory environmental awareness workshops with senior management	√
Compile the environmental policy	√
EMS implementation at facilities	∞
Conduct a baseline survey of facilities	√
Initiate EMS software use	∞
Devise a system for reporting	√

√ Achieved
∞ Ongoing

GOALS FOR 2004/2005

- Initiate EMS software use.
- Conduct environmental training workshops for middle management.
- Produce environmental education material for use at all Sun International properties.
- Define consistent measuring standards for water and energy use.
- Continue EMS implementation.
- Circulate an update questionnaire to monitor environmental progress.
- Update the group's website to include environmental information.
- Institute environmental management principles in the design phase of all properties in South Africa and abroad.

DIRECTORATE AND ADMINISTRATION

FROM LEFT TO RIGHT **Top row:** Peter Bacon and David Coutts-Trotter; Buddy Hawton **Middle row:** Leslie Boyd and Leon Campher; Hassen Adams; Nigel Matthews, Eddy Oblowitz and Graham Rosenthal **Bottom row:** David Nurek; Peter Swartz; Louisa Mojela; Mike Egan

EXECUTIVE DIRECTORS

Δ PD (PETER) **BACON** (58)

Chief executive

National Dip Hotelkeeping and Catering; FHCIMA (British)

Appointed to the board in 1994 and as the chief executive on 1 July 2003. Mr Bacon is also chief executive of SISA and holds directorships in various Sun International group companies, Sun International Management Limited and Royale Resorts Holdings Limited. He has over 30 years' experience in the hotel, resort and gaming industries.

Δ DC (DAVID) **COUTTS-TROTTER** (42)

Deputy chief executive

BBus Sci, BAcc, CA(SA)

Appointed to the board in 1996 and as the deputy chief executive on 1 July 2003. Mr Coutts-Trotter is also deputy chief executive of SISA and holds directorships in various Sun International group companies, City Lodge Hotels Limited and Sun International Management Limited. Mr Coutts-Trotter completed articles with PricewaterhouseCoopers Inc and has 10 years' experience in the hotel, resort and gaming industries.

NON-EXECUTIVE DIRECTORS

*** DA** (BUDDY) **HAWTON** (67)

Chairman

FCIS

Appointed to the board in 1987 and retired as an executive director of Sun International on 30 June 2003. Mr Hawton is a director of Standard Bank Group Limited, Liberty Group Limited, Liberty Holdings Limited, Nampak Limited, Altron Limited, City Lodge Hotels Limited, Woolworths Holdings Limited (chairman) and Royale Resorts Holdings Limited (chairman). Mr Hawton previously held directorships in South African Mutual Life Assurance Society, Rennies Group Limited, Safmarine and Rennies Holdings Limited (chairman) and South African Marine Corporation Limited (chairman).

† H (HASSEN) **ADAMS** (52)

HND Pr Tech Eng Civil Engineering

Appointed to the board in 2004. Mr Adams has many years' experience in the field of civil engineering through his personal interests in that industry and is a director of Grinrod Limited. Mr Adams is also a director of Grand Parade Investments which company he represents on the board of SunWest as deputy chairman.

***† L** (LESLIE) **BOYD** (67)

CEng, FIM

Appointed to the board in 2001. Mr Boyd is chairman of Datatec Limited and Imperial Holdings Limited and also holds directorships in various listed and unlisted companies, including ABSA, Aspen, 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.

***† PL** (LEON) **CAMPHER** (56)

BEcon

Appointed to the board in 2002. Mr Campher has extensive experience in investment and asset management with Old Mutual, Syfrets Managed Assets, Coronation and African Harvest. Retired from executive positions in February 2002.

***†# MP** (MIKE) **EGAN** (49)

BCom, CTA, CA(SA)

Appointed to the board in 1992. Mr Egan has significant experience in the leisure, film and entertainment industries in South Africa and was formerly group managing director of Interleisure Limited and chairman of Ster Kinekor, Computicket and Toron Film Studios and a director of Sasani Limited. At the end of 1997, Mr Egan retired from all executive positions and has since been a non-executive and independent director of a number of private and public companies. Mr Egan holds private equity investments in and provides project and consultancy services to the leisure, film and entertainment industries.

***†Δ IN** (NIGEL) **MATTHEWS** (59)

MA (Oxon), MBA

Appointed to the board in 1996. Mr Matthews holds a number of non-executive directorships, including City Lodge Hotels Limited, Prism Holdings Limited (chairman), Massmart Holdings Limited and Lenco Holdings Limited (chairman). Previously chairman of Sentry Group Limited and managing director of Holiday Inns Limited.

DIRECTORATE AND ADMINISTRATION
(CONTINUED)

† LM (LOUISA) **MOJELA** (48)

BCom

Appointed to the board in 2004. Ms Mojela is group chief executive officer of WIPHOLD of which she is a founder member, and holds non-executive directorships in, *inter alia*, ABB SA, Ericsson SA, Rebserve Holdings and SAA. Ms Mojela is also a director of Afrisun Leisure Investments (Pty) Limited, which company she represents as a director on the board of Emfuleni and as chairperson of Afrisun Gauteng. She is also a member of the Financial Services Board and Mintek and has held positions at Lesotho National Development Corporation, DBSA, SCMB and was executive chairperson of WIPHOLD when it listed in 1999.

†#Δ DM (DAVID) **NUREK** (54)

Dip Law, Grad Dip Company Law

Appointed to the board in 2002. Mr Nurek is the regional chairman of Investec's various businesses in the Western Cape and is also global head of legal risk. Mr Nurek is a non-executive director of various listed and unlisted companies, including Foschini Limited, Trencor Limited, New Clicks Holdings Limited, Pick 'n Pay Stores Limited, Allan Gray Property Trust Management Limited, Distell Group Limited, Business Connexion Group Limited, Aspen Pharmacare Limited and Lewis Group Limited. Mr Nurek served as chairman of the legal firm Sonnenberg Hoffman & Galombik until June 2000.

†# E (EDDY) **OBLOWITZ** (47)

BCom, CA(SA), CPA (Isr)

Appointed to the board in 2002. Mr Oblowitz is an independent financial and business consultant and non-executive director and trustee to various companies and trusts, including Mobile Industries Limited and Trencor Limited. Mr Oblowitz previously served as a senior partner of Arthur Andersen until January 2001.

†#Δ GR (GRAHAM) **ROSENTHAL** (60)

CA(SA)

Appointed to the board in 2002. Mr Rosenthal is a non-executive member of various audit committees including Macsteel Service Centres SA (Pty) Limited, Merseta, ICASA and Lgwseta as well as member of two group credit committees of Investec Bank Limited. He retired in 2000 as an international partner of Arthur Andersen after being in charge of their South African audit and business advisory practice. He also served as chairman of the investigations committee of the South African Institute of Chartered Accountants until 1999.

† PEI (PETER) **SWARTZ** (63)

Adv Pr Teachers Dip

Appointed to the board in 2004. Mr Swartz is deputy chairman of New Clicks Holdings Limited, and a non-executive director of ABSA Bank Limited and Ellerine Holdings Limited and chairman of Grand Parade Investments Limited which company he represents on the board of SunWest as chairman. He also served as a director of Sanlam. Mr Swartz has over the past 35 years held personal interests in various industries, including cinemas, hotels, supermarkets and fast foods, gaining him experience in those industries.

ADMINISTRATION

Sun International 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) 780 7716
  website: www.suninternational.com
- *Registrar*
  Computershare Investor Services 2004 (Pty) Limited
  Ground Floor, 70 Marshall Street, Johannesburg 2001
  Gauteng, Republic of South Africa

* *Member of the remuneration and nomination committee*
† *Independent director*
\# *Member of the audit committee*
Δ *Member of the group risk committee*

Our Commitment

We at Sun International believe long term competitive success depends on being trusted to meet society's expectations, and consequently we continue to improve and enhance our governance practices throughout the group

Sun International is committed to and endorses the application of the principles recommended in the King II Code of Corporate Practices and Conduct. Sun International has obtained the commitment of the boards of its group companies to subscribe to the code thereby fostering a uniform culture of sound corporate governance which recognises transparency, independence, accountability, responsibility, discipline, fairness and social responsibility as its core operating values.

The board monitors performance against the code on a regular basis and is satisfied that the company is compliant with the code in most material respects and with the related Listings Requirements of the JSE Securities Exchange South Africa (JSE) which were introduced as from 1 September 2003. The extent of the company's compliance therewith is dealt with under appropriate sections throughout this report.

The board continues to address those areas of the code which require improvement in line with best practice and to address the application of these principles within a rapidly changing and dynamic corporate and social environment. The board is mindful of the need to achieve a balance between conformance and performance, at all times observing the group's broader obligations to society in terms of environmental, economic and social sustainability.

The group's commitment to these principles is evidenced by, *inter alia*, the following achievements during the year:

- the company received an "excellent" ranking amongst the top 100 listed companies in the Ernst & Young Excellence in Corporate Reporting 2003 Survey;
- the formalisation and roll-out of the group's environmental policy which promotes, *inter alia*, responsible tourism through the safeguarding of both the natural and social environments;
- the formalisation and roll-out of the group's occupational health and safety policy which strives to create a safe and healthy environment for all employees;
- the company ranked third in the Leisure and Hotels sector in the Financial Mail's Empowerdex Top Empowerment Companies, and 19th overall;
- SISA was nominated as one of South Africa's Top Corporate Social Investment Companies by Impumelelo: South Africa's Top 300 Empowerment Companies; and
- SISA's annual report received a merit award in the ICSA and JSE 2003 Annual Reports Awards.

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

CORPORATE GOVERNANCE REPORT
(CONTINUED)

governance. Compliance with the terms of the charter and the company's memorandum and articles of association are an integral part of the directors' conditions of appointment.

The charter regulates and deals with, *inter alia*:

- board leadership, and defines the separate 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 group secretary.

The charter recognises that the operation of the board and the executive responsibility for the running of the 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. Accordingly, the roles of chairman and chief executive were separated from 1 July 2003.

The board is chaired by Mr Buddy Hawton, a non-executive director. Mr Hawton is not considered independent as he held the position of chief executive until 30 June 2003. The chairman of the board is responsible, *inter alia*, for ensuring the integrity and effectiveness of the board's governance process, and is subject to annual election from amongst its members. Mr Hawton has, following the recommendation of the remuneration and nomination committee, been re-elected chairman by the board for a further period not exceeding one year. In making its recommendation, the committee took into consideration the results of its evaluation of the chairman's performance. This was measured against the outcomes of the board's own self-evaluations, which also took into consideration the chairman's responsibilities as laid out in the charter.

Sun International 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 is 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 implementation of the policies and strategies adopted by the board. All board authority conferred on management is delegated through the chief executive and the 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 have been determined.

The board presently comprises two executive and 11 non-executive directors of whom 10 are considered independent in terms of the definitions contained in the code. The non-executive directors have the necessary skill and experience, as is evidenced from their CVs on pages 79 and 80, to provide judgement independent of management on material board issues. The composition of the board appears on pages 79 and 80 of the annual report and changes in the directorate during the financial year and to the date of this report on pages 101 and 102.

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 group 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. Further details of the group's succession planning strategies appear on page 54 of the report.

The board is required to evaluate its own performance, processes and procedures and, through the remuneration and nomination committee, to appraise the performance of the chairman. The board chairman evaluates the contribution of each individual non-executive director by way of regular informal one-on-one discussions. The remuneration and nomination committee through the board chairman is required to appraise the performance of the chief executive. The results of this appraisal are considered by the remuneration and nomination committee in the evaluation and determination of the remuneration of the chief executive.

Board committees are also required to be reviewed by the board on a regular basis, based on the outcomes of the committees' own self-evaluations. All the aforegoing evaluations have taken place during the year, and action plans to improve outcomes where necessary, or to implement suggestions for improvements made by the directors or committee members, are in place, and are subject to regular report back and monitoring by the board and the respective committees.

In terms of the company's articles, new directors may only hold office until the next annual general meeting at which they will be required to retire and offer themselves for re-election. Directors are subject to retirement by rotation at least once in every three years. The retirement age for an executive director is 60, and for a non-executive director, 70, subject to review by the board and the remuneration and nomination committee.

On appointment all directors are provided with 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 chairman and the group secretary, enabling the directors to have access, at reasonable times, to all relevant group 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 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 group secretary. The group secretary provides a central source of advice to the board on the requirements of the code and corporate governance and, in addition to the group 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 group secretary is a matter for the board as a whole.

Adequate directors' and officers' liability insurance cover is in place in the case of any claims being brought against them.

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*, strategic and key issues, financial issues, the review of quarterly operational performance, and any specific proposals for capital expenditure relative to the company and the group.

In addition, the board holds a strategy meeting with executive management on an annual basis to determine strategic direction and to consider plans proposed by management for the

CORPORATE GOVERNANCE REPORT
(CONTINUED)

achievement thereof. Progress against the strategic plan is monitored on a quarterly basis. 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. Non-executive directors meet without executive directors present after each board meeting.

Five board meetings were held during the 2004 financial year and a further two since then and to the date of this report. Attendance by each director was as follows:

	31 July 2003 (strategy)	29 August 2003 (quarterly)	25 November 2003 (quarterly)	4 March 2004 (quarterly)	26 May 2004 (quarterly)	22 – 24 July 2004 (strategy)	31 August 2004 (quarterly)
DA Hawton	√	√	√	√	√	√	√
PD Bacon	√	√	√	√	√	√	√
DC Coutts-Trotter	√	√	√	√	√	√	√
H Adams **	n/a	n/a	n/a	n/a	n/a	n/a	n/a
L Boyd	√	X	√	√	√	√	√
PL Campher	√	√	X	√	√	√	√
MP Egan	√	√	√	√	√	√	√
IN Matthews	√	√	√	√	√	√	√
LM Mojela **	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SC Mildenhall *	√	√	√	√	X	n/a	n/a
DM Nurek	√	√	√	√	√	√	√
E Oblowitz	√	√	√	√	X	√	√
GR Rosenthal	√	√	√	√	√	√	√
PEI Swartz **	n/a	n/a	n/a	n/a	n/a	n/a	n/a

√ present
X absent
n/a not applicable

* resigned on 30 June 2004
** appointed on 1 September 2004

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 board has recommended the establishment of a fourth committee, namely a transformation committee, to evaluate and oversee, *inter alia*, the group's progress with black economic empowerment and employment equity. The composition, mandate and terms of reference of this committee are presently being addressed.

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 report to the board on a quarterly basis in terms of their committees' respective terms of reference and copies of all committee minutes are circulated to the full board. The board has agreed that any one director should preferably not serve on more than two committees at a time.

Audit committee

Composition:

Messrs MP Egan (chairman), DM Nurek, E Oblowitz and GR Rosenthal.

Mr Nigel Matthews served on the committee throughout the financial year and up to 22 July 2004. Mr David Nurek was appointed a member of the committee on the same date.

The audit committee is primarily responsible for overseeing the company and group'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, consideration of non-audit services performed by them and the 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 and 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;
- review of compliance with the King Code and JSE Listings Requirements in so far as these relate to the financial statements; and
- evaluation of its own performance and effectiveness at least annually.

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 2004 financial year and a further two since then and to the date of this report.

CORPORATE GOVERNANCE REPORT
(CONTINUED)

Attendance by each member was as follows:

	28 Aug 2003 (year-end)	2 March 2004 (interim)	17 May 2004 (planning)	27 August 2004 (year-end)	4 October 2004 (financial statements)
MP Egan	√	√	√	√	√
IN Matthews *	√	√	√	n/a	n/a
DM Nurek **	n/a	n/a	n/a	√	X
E Oblowitz	√	√	√	√	√
GR Rosenthal	√	√	√	√	√

√ present
X absent
n/a not applicable

* resigned from the audit committee on 22 July 2004
** appointed to the audit committee on 22 July 2004

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 during the year.

The audit committee has carried out a self-evaluation of its performance as part of the board's evaluation processes.

Remuneration and nomination committee

Composition:

Messrs DA Hawton (chairman), L Boyd, PL Campher, MP Egan and IN Matthews.

Mr Nigel Matthews, an independent non-executive director, chaired the committee during the financial year and up to 22 July 2004. Mr Buddy Hawton, the non-executive board chairman, was appointed chairman of the committee on the same date. Mr Hawton is not an independent director. All other members of the committee are independent non-executive directors. For as long as the committee also performs a nomination function, the board chairman is to be appointed chairman of the committee.

The remuneration and nomination committee reviews the design and management of executive director and senior executive remuneration structures and policies, incentive schemes and share incentive and option programmes to ensure they motivate sustained high performance throughout the group. The committee also regularly reviews the composition of the board and makes recommendations to the board on its composition, the appointment of executive and non-executive directors and the composition of the board committees in terms of the pre-requisites set out in the board charter.

The group's remuneration philosophy is set out on page 93.

The mandate of the remuneration and nomination committee requires the committee, *inter alia*, to:

- ensure that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performance executive directors and senior executives in support of realising corporate objectives and in safeguarding shareholder interests;
- develop and implement a philosophy of remuneration and disclosure to enable a reasonable assessment of reward practices and governance processes to be made by stakeholders;
- recommend the level of non-executive directors and board committee fees to the board having received the proposals/recommendations of the executive directors, for consideration and approval by shareholders;
- regularly review the composition of the board and committees of the board, and if necessary make recommendations to the board on its composition, the appointment of new executive and non-executive directors and the composition of the board committees;
- ensure consideration is given to succession planning in the group;
- review and determine the remuneration of the chief executive, the deputy chief executive and their direct reports,

subject to consideration of the short and longer term components of their remuneration and individual contributions and performance;

- o review the performance of the board chairman in consultation with the executive directors, and to report on the review to the board; and
- o review compulsory employee benefits and ensure the proper administration of the company's share incentive and option schemes.

No executive director or senior executive may be present at meetings of the remuneration and nomination committee when his/her own remuneration is discussed or considered. The chairman of the remuneration and nomination committee, or in his absence another member of the committee 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 have been reviewed and amended 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. Four remuneration and nomination committee meetings were held during the 2004 financial year and to date of this report. Attendance by each member was as follows:

	1 August 2003	29 August 2003	3 March 2004	29 June 2004
DA Hawton	√	√	√	√
L Boyd *	n/a	n/a	n/a	n/a
PL Campher	√	√	√	√
MP Egan	√	√	√	√
IN Matthews	√	√	√	√

√ present
n/a not applicable
* appointed to the remuneration and nomination committee on 22 July 2004

The remuneration and nomination committee has carried out a self-evaluation of its performance as part of the board's evaluation processes.

Group risk committee

Mr Mike Egan served as chairman of the group risk committee throughout the year and up to 22 July 2004, on which date he resigned from the committee and the chairmanship passed to Mr David Nurek, who is also 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-business 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 group risk committee is responsible for monitoring, developing and communicating the processes for managing risks across the group. The committee assists the board in the discharge of its duties relating to corporate accountability and associated risk in terms of management, assurance and reporting. The board is responsible for monitoring and reviewing the risk management strategy of the company and the group, and the committee assists the board in fulfilling this responsibility.

An enterprise risk management specialist has assisted the committee since its inception with the development of the group's risk governance processes in accordance with the principles of King II and international best practice. The specialist attends meetings of the committee by invitation.

The committee, which was established in 2002, 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 includes, *inter alia*:

- o the review and assessment of the effectiveness of the risk management systems to ensure that risk policies and strategies are appropriately managed;

CORPORATE GOVERNANCE REPORT
(CONTINUED)

- 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 is required to meet no less than three times a year. Two meetings have been held during the financial year and a further one up to the date of this report.

Attendance by each member was as follows:

	4 August 2003	2 March 2004	24 July 2004
DM Nurek *	n/a	n/a	√
MP Egan **	√	√	n/a
PD Bacon	√	√	√
SA Bailes	√	√	√
HJ Brand	√	√	√
G Collins	X	√	√
DC Coutts-Trotter	√	√	√
PG Georgas	X	√	√
PR Hellings	√	√	√
JA Lee	√	√	√
IN Matthews	√	√	√
FJ Reeder	√	√	X
PT Reinecke	√	√	√
RG Rimmer	√	√	√
GR Rosenthal	√	√	√
SG Shaw	√	√	√

√ present
X absent
n/a not applicable
* appointed to the group risk committee on 22 July 2004
** resigned from the group risk committee on 22 July 2004

The risk committee has carried out a self-evaluation of its performance as part of the board's evaluation processes.

RISK MANAGEMENT, ACCOUNTABILITY AND AUDIT

Risk Management

The board has adopted the following risk management policy, the principles of which have been successfully implemented:

"The directors of Sun International have committed the company to a process of risk management that is aligned to the principles of the King II report. The features of this process are outlined in the company's risk policy framework. It is expected that all group business units, divisions and processes will be subject to the risk policy framework.

Effective risk management is imperative to a company with our risk profile. The realisation of our business strategy depends on us being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable us to anticipate and respond to changes in our business environment, as well as take informed decisions under conditions of uncertainty.

An enterprise-wide approach to risk management will be adopted by the company, which means that every key risk in each part of the group will be included in a structured and systematic process of risk management. All key risks will be managed within a unitary framework that is aligned to the company's corporate governance responsibilities.

It is expected that risk management processes will become embedded in our business systems and processes, so that our responses to risk remain current and dynamic. All key risks associated with major change and significant actions by the company will also fall within the processes of risk management. The nature of our risk profile demands that Sun International Limited adopts a prudent approach to corporate risk, and our decisions around risk tolerance and risk mitigation will reflect this. Nonetheless it is not the intention to slow down the company's growth with inappropriate bureaucracy. Controls and risk interventions will be chosen on the basis that they increase the likelihood that we will fulfil our intentions to stakeholders.

Every employee has a part to play in this important endeavour and in achieving these aims."

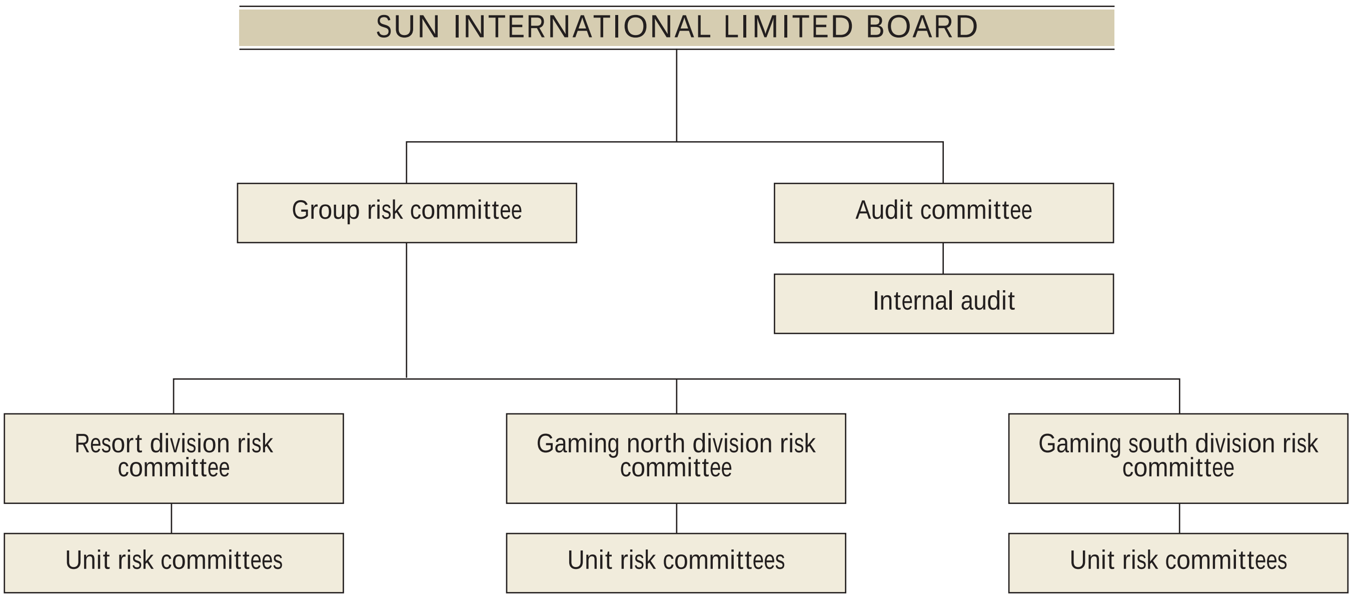
The group pursues strategies aimed at maximising long term shareholder value. The risks to which the group's existing businesses are exposed are continuously identified and mitigated in terms of a group process that allocates responsibility, determines the action to be taken and monitors compliance with 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 group and remains committed to the group's process of enterprise risk management. 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.

During the year, the group's top 50 risks were updated and reviewed, re-ranked and documented in a comprehensive risk register. The register is updated on an annual basis, or as often as circumstances necessitate. Ownership of each risk remains the responsibility of assigned senior executives, who report on progress made with agreed action plans and existing internal controls. The top 20 risks are monitored by senior executives on a two-monthly basis, and by the board, on a quarterly basis.

CORPORATE GOVERNANCE REPORT
(CONTINUED)

The following diagram sets out the group's risk management organisation:



The key risks that form the focus of this process at a strategic level include:

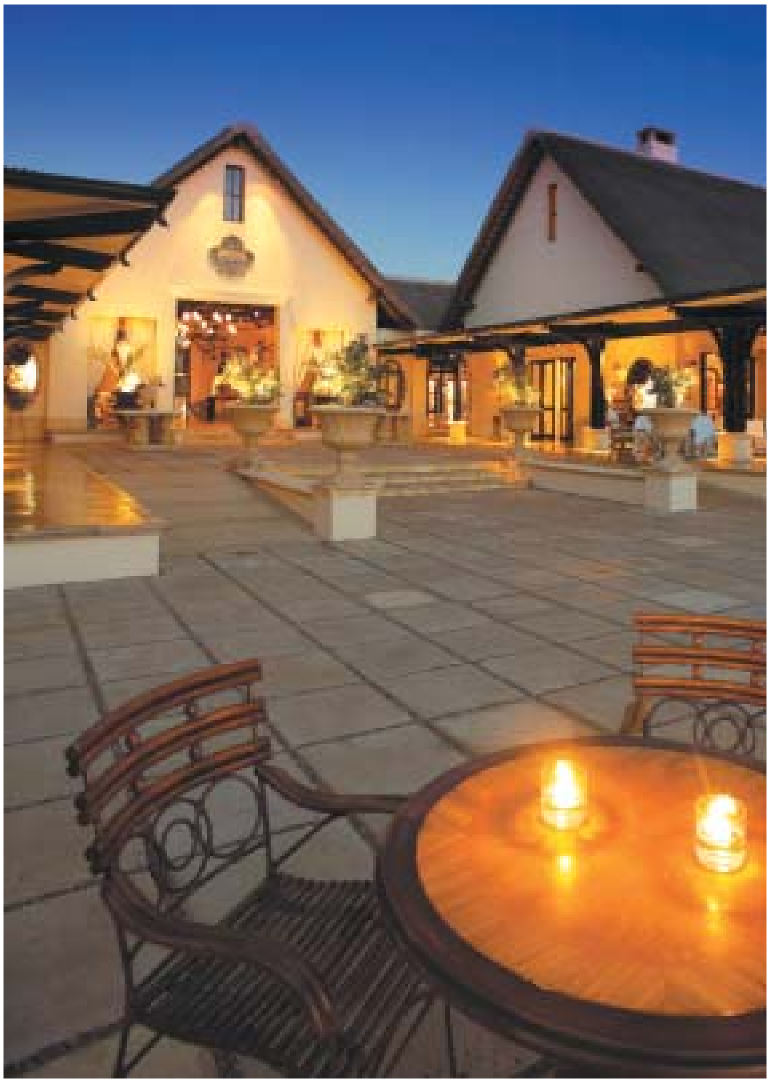
- The impact of potential increases in gaming taxes
- Changes in the legislative and regulatory environment of the gaming industry
- Risks associated with entering new markets
- Reliance on IT systems in a modern casino environment
- Limited growth opportunities in South Africa to expand the gaming business
- Failure to secure and retain high-level PDI skills

Each risk has been measured in terms of its potential impact upon income statement items and the group's balance sheet. The group's propensity for risk tolerance is used to guide decisions for risk mitigation. The process of enterprise risk management is therefore embedded at a strategic level and the process has been cascaded to the group's major subsidiaries and associates.

The board has adopted and disseminated a risk policy framework outlining the group's framework and processes of risk management. These are based on the Institute of Risk Management's Code of Practice for Enterprise Risk Management. The group has developed a strong culture of managing risk, with a significant number of embedded processes, resources and structures in place to address risk management needs. These range from internal audit systems, insurance and risk finance, IT security, compliance processes, quality management and a range of other line management interventions. The risk policy framework provides an integrated framework through which the group's risk management efforts are maximised. All operations are required to follow the policy's directives in terms of risk assessment, risk monitoring and risk reporting.

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 and at quarterly divisional meetings. There is a comprehensive system of incident reporting that allows for exception reporting to executive management. The group's operational risk control functions have performed well.

The group's annual internal audit plan has been extended to incorporate the outcomes of the enterprise risk management process and the top risks in the group have been incorporated into the internal audit plan. These risks will be addressed by the



ROYAL LIVINGSTONE, Victoria Falls, Zambia

PALACE OF THE LOST CITY, Sun City, North West Province

ROYAL SWAZI SUN, Swaziland

MEROPA CASINO, Polokwane, Limpopo Province

THE TABLE BAY HOTEL, V&A Waterfront, Cape Town plan at least once a year. The head of internal audit is a member of the risk committee and attends 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.

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, including gaming compliance and compliance with the responsible gaming programme.

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 is reviewed on an annual basis.

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, the audit committee and the group risk committee. The appointment or dismissal of the head of internal audit is with the concurrence of the audit committee.

External Audit

The external auditors provide the board and the audit committee with their independent observations and suggestions on the group's internal controls, as well as suggestions for the improvement of the financial reporting and operations of the business.

The external auditors' audit approach is risk-based, requiring them to continually identify and assess risks throughout the audit processes. The external auditors are reliant on the operating procedures and place emphasis on understanding how management obtains comfort that the business is generating reliable information and then evaluating and validating the basis of this comfort. This approach aligns the way they work closely with the organisational structures and risk management processes.

There is close co-operation between internal and external audit and reliance is placed, where possible, on the work of internal audit, therefore minimising the duplication of effort.

The annual external audit plan is placed before the audit committee for review and approval.

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 casinos and resorts 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.

Money Laundering

Money laundering is a global problem. In terms of South African legislation, the group has an obligation to assist the country in curbing money laundering. In line with international best practice, Sun International meets all obligations in respect of reporting procedures and administration, as well as money laundering training.

A compulsory training programme, including all staff in the slots, tables, cashiering and surveillance departments has been implemented throughout the group to mitigate against the potential reputational, relationship and financial integrity risks associated with money laundering. This is of particular relevance to the gaming industry in which the group operates and closely akin to the requirements of its casino licences with which the group observes compliance. The programme includes a process of customer identification and record keeping, ensuring compliance and reporting in terms of the requirements of FICA (Financial Intelligence Centre Act).

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.

REMUNERATION AND SHARE OPTION REPORT

The remuneration policy of the group is structured to attract, retain and incentivise employees, and rewards performance that meets the interests of both the group and its shareholders.

Remuneration Philosophy

Sun International is committed to ensuring that its approach to the remuneration of its management and staff underpins the need to attract, retain and incentivise the best talent available within the industry and the country. It is Sun International's philosophy to adopt best practice and ensure that overall remuneration takes account of current trends. To this end, a comprehensive cost to company (TCOE) remuneration strategy for all permanent full-time positions was introduced to all South African operations during the year under review, and plans are underway to roll TCOE out to operations in the rest of southern Africa. All increments are now based on TCOE. This methodology has been adopted to ensure full compliance with SARS regarding fringe benefit taxation. In addition, it provides a platform to enable a small degree of employee choice in package structuring and reflects current best practice.

Effort and performance is measured via performance appraisals and performance management systems and competitive remuneration levels are achieved by careful, ongoing monitoring of relevant remuneration markets and trends.

Remuneration Structure

Sun International's policy is to compensate executive managers on or about the 75th percentile (Q3) of the relevant remuneration market. Remuneration scales are benchmarked and are generally structured so that midpoints equate to the upper quartile levels.

Through the remuneration and nomination committee, Sun International reviews its remuneration strategy on a regular basis and benchmarks itself against companies of similar size to ensure that the overall level of compensation of its senior executive management is competitive and structured to achieve the optimum balance between guaranteed and variable remuneration, both short term (bonus scheme) and long term (share option scheme).

Remuneration strategy at the executive and senior management level comprises market related guaranteed remuneration and variable remuneration in the form of participation in an executive bonus scheme, comprising "EVA" target and "EBITDA" target components. Additionally, and where appropriate, executives also participate in the share option scheme.

Terms of Service

A variety of benefits are available to employees, including retirement funds, medical aid, annual bonuses, long service awards at five-year intervals, meals at work, and in some instances – subsidised transport. Additionally, access to home loans via a variety of preferential schemes is available, as well as a home loan subsidy arrangement in terms of an agreement with SACCAWU.

Emoluments

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

	Remuneration	Bonus Gross	Bonus Deferred**	Retirement contri-butions	Other benefits	Gains on exercise of share options	Total
	R	R	R	R	***R	R	R
Executive directors:							
2004							
PD Bacon	3 167 000	3 501 756	(945 041)	270 000	293 502	1 295 400	7 582 617
DC Coutts-Trotter	2 011 029	1 547 185	(300 548)	361 986	240 894	556 500	4 417 046
	5 178 029	5 048 941	(1 245 589)	631 986	534 396	1 851 900	11 999 663
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

	Directors' fees	Committee fees	Total 2004	Total 2003
	R	R	R	R
Non-executive directors				
DA Hawton	750 000	–	750 000	-
L Boyd	110 000	–	110 000	90 000
PL Campher	110 000	35 000	145 000	118 726
MP Egan	110 000	195 000	305 000	260 000
IN Matthews	110 000	150 000	260 000	220 000
SC Mildenhall	110 000	–	110 000	90 000
DM Nurek	110 000	–	110 000	90 000
E Oblowitz	110 000	45 000	155 000	127 932
GR Rosenthal	110 000	80 000	190 000	152 342
	1 630 000	505 000	2 135 000	1 149 000
Gains on exercise of share options				
DA Hawton			3 334 536	–
			5 469 536	1 149 000

* For the purposes of emoluments foreign currency denominated 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.

*** "Other benefits" paid in 2003 include cash distributions of R239 958 made following the termination of the Royale Share Option Scheme, converted to Rands at the exchange rate at date of payment in respect of each of Messrs Bacon and Coutts-Trotter and, in respect of Mr Hawton, an amount of R1 884 025 paid by a group offshore subsidiary on completion of a service contract which commenced on 1 July 1998.

The service contracts with executive directors and senior executives are terminable on six months' notice and there are no contracts with fixed durations.

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 2005 appear in the table below. 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 2005	Approved 2004
Services as directors		
fees – chairman of the board	750 000	*750 000
– directors	120 000	110 000
Audit committee		
fees – chairman	100 000	90 000
– members	50 000	45 000
Remuneration and nomination committee		
fees – chairman	77 000	70 000
– members	38 500	35 000
Group risk committee		
fees – chairman	77 000	70 000
– members	38 500	35 000

* *Included participation in or attendance at committee meetings.*

CORPORATE GOVERNANCE REPORT
(CONTINUED)

SHARE OPTIONS HELD BY DIRECTORS IN TERMS OF THEIR PARTICIPATION IN THE SUN INTERNATIONAL LIMITED EMPLOYEE SHARE INCENTIVE SCHEME AS AT 30 JUNE 2004

	Date of grant	Exercise price R	No of options held 30 June 2003	Options exercised during year ended 30 June 2004	No of options held 30 June 2004	Lapse date	No of options vesting 30 June 2004
PD Bacon	17.08.1998	19,375	43 750	–	43 750	17.08.2008	43 750
	11.09.1998	19,050	156 375	(86 000)	70 375	11.09.2008	70 375
	22.09.1999	19,525	43 750	–	43 750	22.09.2009	43 750
	24.08.2000	31,200	43 750	–	43 750	24.08.2010	32 812
	04.12.2001	22,975	43 750	–	43 750	04.12.2011	21 875
	06.03.2003	26,500	43 750	–	43 750	06.03.2013	10 937
	01.08.2003	31,555	nil	–	124 875	01.08.2013	nil
	12.09.2003	32,950	nil	–	85 125	12.09.2013	nil
	25.11.2003	39,005	nil	–	90 000	25.11.2013	nil
			375 125	(86 000)	589 125		223 499
DC Coutts-Trotter	01.03.1995	38,750	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	(35 000)	20 000	11.09.2008	20 000
	22.09.1999	19,525	17 500	–	17 500	22.09.2009	17 500
	24.08.2000	31,200	17 500	–	17 500	24.08.2010	13 125
	04.12.2001	22,975	17 500	–	17 500	04.12.2011	8 750
	06.03.2003	26,500	17 500	–	17 500	06.03.2013	4 375
	01.08.2003	31,555	nil	–	93 750	01.08.2013	nil
	12.09.2003	32,950	nil	–	37 500	12.09.2013	nil
	25.11.2003	39,005	nil	–	56 250	25.11.2013	nil
			145 900	(35 000)	298 400		84 650
DA Hawton*	17.08.1998	19,375	7 500	(7 500)	nil	n/a	n/a
	11.09.1998	19,050	117 500	(117 500)	nil	n/a	n/a
	22.09.1999	19,525	46 876	(46 876)	nil	n/a	n/a
	24.08.2000	31,200	62 500	–	62 500	24.08.2010	62 500
	04.12.2001	22,975	62 500	–	62 500	04.12.2011	62 500
	06.03.2003	26,500	62 500	–	62 500	06.03.2013	62 500
			359 376	(171 876)	187 500		187 500
			880 401	(292 876)	1 075 025		495 649

* *In terms of the rules of the scheme all options held by Mr DA Hawton vested on 1 July 2003, following his retirement on 30 June 2003. These options were granted to Mr DA Hawton while he was an executive director.*

DEALING IN LISTED SECURITIES

Directors, the group secretary and certain identified senior executives defined as "insiders" may not deal in the shares of the company 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 is trading under cautionary or pending any price sensitive announcements.

Directors and the group secretary are required to obtain prior clearance in writing of any proposed share transactions (which includes any transactions under the share option scheme) from the chairman of the board, or failing him 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 group secretary who also maintains a written record of requests for dealing and clearances.

Details of any transactions by directors and the group 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.

REGULATORY ENVIRONMENT

The gaming industry in which the group operates is highly regulated and is subject to significant probity and outside regulatory monitoring. This requires the group, its major shareholders, directors, senior management and key employees to observe and uphold the highest levels of corporate governance.

HIV/AIDS

The group has a comprehensive programme aimed at educating staff (and communities) on the risks related to HIV/AIDS and to assist in reducing the incidence thereof. Full details of the programme and progress made by the group in this regard appear on page 58 of this report.

COMMUNICATIONS

The board strives to provide its shareholders, employees, government regulatory bodies, industry analysts and the media with relevant and accurate information, promptly and transparently. In this connection, the regulatory requirements regarding the dissemination of information are strictly observed.

ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY

The board is responsible for compliance with the Occupational Health and Safety regulations and environmental health standards. Compliance with the occupational health and safety requirements is monitored by the internal audit department. The policies adopted by the group with regard to environmental health and occupational health and safety are set out on pages 73 and 76 respectively.

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 stakeholders, comprising 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 98 of this report.

Employees who are aware of any crime or fraud within the group may contact our Ethics Line on an anonymous basis. This toll-free number is manned by operators employed by an external group, and is available to our staff 24 hours a day.

As the code of ethics was adopted by the board many years ago, it is their intention to review and perfect the code as part of a programme which will ensure that the values of the group are further embedded in the culture of the organisation.

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

Directors' Approval

The annual financial statements which appear on pages 101 to 142 and the corporate governance report on pages 81 to 97 were approved by the board of directors on 29 October 2004 and signed on its behalf by

DA HAWTON
Chairman

PD BACON
Chief Executive

GROUP SECRETARY'S CERTIFICATE

TO THE MEMBERS OF SUN INTERNATIONAL 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, in respect of the year ended 30 June 2004 and that all such returns are true, correct and up to date.

SA BAILES
Group secretary
29 October 2004

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF SUN INTERNATIONAL LIMITED

We have audited the annual financial statements of Sun International Limited and its subsidiaries that are set out on pages 101 to 142 for the year ended 30 June 2004. 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 2004 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
29 October 2004

REPORT OF THE DIRECTORS

for the year ended 30 June 2004

NATURE OF BUSINESS

The Sun International group 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 108.

Segmental information is set out on pages 112 to 113.

DIVIDENDS

Dividends totalling 125 cents per share (2003: 75 cents) have been declared by the directors in respect of the year under review, as follows:

Interim, declared 4 March 2004, paid 5 April 2004	45 cents
Final, declared 31 August 2004, paid 4 October 2004	80 cents

The final dividend referred to above will be accounted for in the 2005 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 Chairman's Report, the Chief Executive's Report, Review of Operations and Group Financial Review commencing on pages 6, 8, 14 and 34 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. In terms of a special resolution registered on 8 June 2004, the authorised share capital was increased from R9 800 000 to R13 000 000 by the creation of 40 000 000 new ordinary shares with a par value of 8 cents each.

The following ordinary shares in the unissued share capital of the company remain and/or were placed under the control of the directors during the financial year as specific authorities in terms of section 221(2) of the Companies Act:

- 9 005 000 shares to allot and issue in accordance with the share option scheme;
- a maximum of 33 960 918 at a general meeting held on 8 June 2004, to allot and issue as part of the settlement to the minority shareholders of Sun International (South Africa) Limited (SISA) for the acquisition of their shares in SISA.

SHARE OPTION SCHEME

Particulars relating to options under the share option scheme are given in note 31 to the annual financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars relating to interests in principal subsidiaries and associates appear on page 142.

BORROWING CAPACITY

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

DIRECTORS AND GROUP 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 79 and 80.

As has previously been reported, 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, as from 1 July 2003.

REPORT OF THE DIRECTORS
(CONTINUED)

Mr SC Mildenhall resigned as a director on 30 June 2004 and Ms LM Mojela and Messrs H Adams and PEI Swartz were appointed non-executive directors on 1 September 2004.

In terms of the company's articles of association, Ms LM Mojela and Messrs H Adams, DM Nurek, E Oblowitz, GR Rosenthal and PEI Swartz are required to retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

As at 30 June 2004, the directors of the company beneficially held, indirectly, 318 460 (2003: 318 460) shares in the issued capital of the company, as follows:

	2004 & 2003
DC Coutts-Trotter	130 000
DA Hawton	131 137
IN Matthews	1 500
SC Mildenhall	55 823
	318 460

The following directors, who held shares in SISA as at 30 June 2004, exchanged their SISA shares for Sun International shares on the implementation of the scheme of arrangement between SISA and its shareholders on 16 August 2004. Their beneficial holdings in Sun International have accordingly increased by the following number of shares since the year end:

DC Coutts-Trotter	8 500
DA Hawton	4 004
IN Matthews	2 000
SC Mildenhall	2 331
	16 835

HOLDING COMPANY

Sun International has no holding or ultimate holding company.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARIES

A special resolution was passed at the annual general meeting of SISA held on 3 December 2003 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.

SUBSEQUENT EVENTS

In terms of resolutions passed by shareholders at a general meeting held on 8 June 2004:

- the company changed its name from Kersaf Investments Limited to Sun International Limited as from 6 August 2004;
- the company acquired the remaining 441 491 938 ordinary shares in SISA that it and its subsidiaries did not already own on 16 August 2004 for a consideration comprising the allotment and issue of 26 342 597 ordinary shares and the payment of R346 640 052 in cash.

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 are those entities over which the group has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets exchanged, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

Acquisitions of additional interests in the group's subsidiaries are accounted for as equity transactions and the excess of the purchase consideration over the carrying value of the net assets acquired is treated as goodwill.

Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the group.

The company accounts for subsidiary undertakings at cost.

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.

The company accounts for associated entities at cost.

Special Purpose Entities

Special purpose entities (SPEs) are those entities that are created to satisfy specific business needs of the group, which has the right to obtain the majority of the benefits of the SPE and is exposed to the risk incident to the activities thereof. SPEs are consolidated in the same manner as subsidiaries when the substance of the relationship indicates that the SPE is controlled by the group.

ACCOUNTING POLICIES
(CONTINUED)

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 licence 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 stated 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.

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 is based on quoted market prices at the balance sheet date. 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.

TRADE RECEIVABLES

Trade receivables are carried at original invoice amount, less a provision for impairment. This provision is 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

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and investments in money market instruments. 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.

ACCOUNTING POLICIES
(CONTINUED)

Other investments are classified as available-for-sale. These are included in non current assets unless the directors have 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. The directors determine the appropriate classification of its investments at the time of the purchase and re-evaluate 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 values of assets and liabilities and their carrying amounts 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.

SECONDARY TAXATION ON COMPANIES

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

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

BORROWINGS

Borrowings are recognised initially at gross proceeds. In subsequent periods, borrowings are stated at amortised cost using the effective interest rate method; any difference between proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

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 taxation on companies is accrued on recognition of the expense.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

EMPLOYEE BENEFITS

Pension Obligations

The group operates one defined benefit plan and a number of 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 the defined benefit plan, 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 plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of 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 valuations are similar to those used for deferred benefit schemes. The actuarial valuation to determine the liability is performed annually.

Share Options

Share options are granted to executive directors and eligible 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 income derived from hotel trading, casino winnings, 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 segments its business by operating unit. Segmental information is set out in note 1 to the annual financial statements. Further operating and financial performance information has been included as part of the group financial review.

INCOME STATEMENTS

for the year ended 30 June

COMPANY 2003 R000's	COMPANY 2004 R000's		Notes	GROUP 2004 R000's	GROUP 2003 R000's
53 328	**103 568**	**Revenue**		**4 476 606**	4 213 556
–	**–**	Casino		**3 261 545**	2 983 016
–	**–**	Rooms		**620 830**	631 209
–	**–**	Food and beverage		**383 799**	388 000
53 328	**103 568**	Other		**210 432**	211 331
–	**–**	**Direct costs**		**(1 908 260)**	(1 810 752)
–	**–**	Casino – Levies and VAT		**(661 773)**	(604 140)
–	**–**	– Other		**(660 181)**	(619 360)
–	**–**	Rooms		**(138 856)**	(134 203)
–	**–**	Food and beverage		**(310 717)**	(316 825)
–	–	Other		**(136 733)**	(136 224)
53 328	**103 568**	**Gross profit**		**2 568 346**	2 402 804
(13 309)	**(5 622)**	**Indirect costs**		**(1 145 306)**	(1 120 117)
(12 363)	**(4 853)**	Administration and general		**(542 231)**	(527 946)
(946)	**(769)**	Marketing		**(280 462)**	(279 335)
–	–	Property		**(322 613)**	(312 836)
40 019	**97 946**	**EBITDA**	2	**1 423 040**	1 282 687
(9 464)	**(7 126)**	Depreciation and amortisation	3	**(456 902)**	(440 418)
–	**–**	Property and equipment rentals		**(80 669)**	(85 621)
(2 699)	**(66)**	Exceptional items	4	**544 084**	11 255
27 856	**90 754**	**Operating profit**		**1 429 553**	767 903
(50)	**–**	Foreign exchange (losses)/profits		**(75 843)**	(115 708)
(50)	**–**	Continuing operations		**(75 843)**	(141 451)
–	**–**	Discontinuing operations		**–**	25 743
43 971	**41 868**	Interest income	5	**63 422**	72 829
43 971	**41 868**	Continuing operations		**59 540**	52 464
–	**–**	Discontinuing operations		**3 882**	20 365
(44 888)	**(47 514)**	Interest expense	6	**(277 143)**	(296 557)
26 889	**85 108**	**Profit before equity accounted earnings**		**1 139 989**	428 467
–	**–**	Share of associates' profits/(losses)			
–	**–**	Normal	7	**59 480**	(8 126)
–	**–**	Continuing operations		**64 838**	58 269
–	**–**	Discontinuing operations		**(5 358)**	(66 395)
		Exceptional			
–	**–**	Discontinuing operations	7	**–**	(30 108)
26 889	**85 108**	**Profit before taxation**		**1 199 469**	390 233
(6 278)	**(7 537)**	Taxation	8	**(270 271)**	(190 407)
(6 278)	**(7 537)**	Continuing operations		**(270 271)**	(187 857)
–	–	Discontinuing operations		**–**	(2 550)
20 611	**77 571**	**Profit after taxation**		**929 198**	199 826
–	**–**	Minority interest		**(285 481)**	(74 372)
20 611	**77 571**	**Net profit attributable to ordinary shareholders**		**643 717**	125 454
		Earnings per share (cents)	10		
		Basic earnings per share		**715**	139
		Headline earnings/(loss) per share		**423**	(54)
		Adjusted headline earnings per share		**307**	214
		Fully diluted earnings per share (cents)	10		
		Basic earnings per share		**708**	137
		Headline earnings/(loss) per share		**419**	(53)
		Adjusted headline earnings per share		**304**	210

BALANCE SHEETS

as at 30 June

COMPANY 2003 R000's	COMPANY 2004 R000's		Notes	GROUP 2004 R000's	GROUP 2003 R000's
		ASSETS			
		Non current assets			
31 841	**–**	Property, plant and equipment	11	**4 776 619**	4 595 016
–	**–**	Intangible assets	12	**854 989**	722 992
1 186 067	**1 192 278**	Investments in subsidiaries	13		
211 676	**211 676**	Investments in associates	14	**220 100**	211 074
284	**284**	Available-for-sale investments	15	**142 514**	335 250
302 473	**310 363**	Other non current assets	16	**251 731**	227 054
6 389	**355**	Deferred taxation	21	**–**	–
1 738 730	**1 714 956**			**6 245 953**	6 091 386
		Current assets			
–	**–**	Inventory	17	**29 665**	35 949
50 352	**41 367**	Accounts receivable	18	**313 605**	307 090
–	**–**	Available-for-sale investments	15	**390 195**	364 107
26 020	**65 230**	Loans receivable	16	**6 844**	142 929
6 394	**–**	Cash and cash equivalents		**477 083**	349 361
82 766	**106 597**			**1 217 392**	1 199 436
1 821 496	**1 821 553**	**Total assets**		**7 463 345**	7 290 822
		EQUITY AND LIABILITIES			
		Capital and reserves			
555 175	**555 175**	Share capital and premium	19	**504 485**	555 175
–	**–**	Foreign currency translation reserve		**324 150**	635 600
778 612	**770 635**	Retained earnings	20	**1 836 943**	1 278 774
1 333 787	**1 325 810**	Ordinary shareholders' equity		**2 665 578**	2 469 549
–	**–**	Minority interest		**1 454 509**	1 600 275
1 333 787	**1 325 810**			**4 120 087**	4 069 824
		Non current liabilities			
–	**–**	Deferred taxation	21	**364 035**	403 143
399 834	**447 253**	Borrowings	22	**1 759 696**	1 698 536
–	–	Post retirement medical benefits	25	**40 304**	40 022
399 834	**447 253**			**2 164 035**	2 141 701
		Current liabilities			
79 173	**13 940**	Accounts payable and accruals	23	**605 748**	610 994
–	**–**	Provisions	24	**55 221**	120 235
1 773	**34 119**	Borrowings	22	**341 007**	296 192
6 929	**431**	Taxation		**177 247**	51 876
87 875	**48 490**			**1 179 223**	1 079 297
487 709	**495 743**	**Total liabilities**		**3 343 258**	3 220 998
1 821 496	**1 821 553**	**Total equity and liabilities**		**7 463 345**	7 290 822

CASH FLOW STATEMENTS

for the year ended 30 June

COMPANY 2003 R000's	COMPANY 2004 R000's		Notes	GROUP 2004 R000's	GROUP 2003 R000's
		Cash flows from operating activities			
		Cash receipts from customers		**4 474 609**	4 247 273
		Cash paid to suppliers, government and employees		**(3 162 366)**	(3 033 410)
71 704	**(41 058)**	Cash generated/(utilised) by operations	26.1	**1 312 243**	1 213 863
75 753	**112 197**	Investment income	26.2	**80 919**	92 594
–	**–**	Pre-opening expenses		**(2 399)**	–
(39 983)	**(35 087)**	Interest paid	26.3	**(261 160)**	(288 097)
(11 671)	**(8 001)**	Taxation paid	26.4	**(160 917)**	(184 497)
(22 515)	**(85 548)**	Dividends paid	26.5	**(232 474)**	(80 584)
73 288	**(57 497)**	*Net cash inflow/(outflow) from operating activities*		**736 212**	753 279
		Cash flows from investing activities			
		Purchase of property, plant and equipment			
–	**–**	Expansion		**(258 178)**	(79 954)
(13 588)	**–**	Replacement		**(224 938)**	(246 636)
–	**–**	Purchase of intangible assets		**(5 958)**	(25 391)
3 382	**24 715**	Proceeds on disposal of property, plant and equipment		**27 787**	12 873
–	**–**	Proceeds on disposal of shares in subsidiaries	26.6	**334 451**	–
–	**–**	Purchase of subsidiary – net cash acquired		**–**	56 760
–	**(6 211)**	Purchase of additional shares in subsidiaries	26.7	**(569 198)**	(154 812)
–	**–**	Proceeds on disposal of shares in subsidiaries		**–**	136 297
(12 485)	**(32 181)**	Other non current investments and loans made		**(147 246)**	(270 119)
10 000	**32 500**	Other non current investments and loans realised		**403 807**	611 497
(12 691)	**18 823**	*Net cash (outflow)/inflow from investing activities*		**(439 473)**	40 515
		Cash flows from financing activities			
(55 407)	**32 280**	(Decrease)/increase in borrowings	26.8	**(181 238)**	(745 216)
–	–	Increase in minority shareholder funding		**38 368**	58 270
(55 407)	**32 280**	*Net cash (outflow)/inflow from financing activities*		**(142 870)**	(686 946)
–	**–**	Effects of exchange rate changes on cash and cash equivalents		**(26 147)**	(43 891)
5 190	**(6 394)**	**Net increase/(decrease) in cash and cash equivalents**		**127 722**	62 957
1 204	**6 394**	Cash and cash equivalents at the beginning of the year		**349 361**	286 404
6 394	**–**	**Cash and cash equivalents at the end of the year**		**477 083**	349 361

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 June

	Notes	Share capital R000's	Share premium R000's	Foreign currency translation reserve R000's	Retained earnings R000's	Total R000's
GROUP						
Balance at 1 July 2002		**7 204**	**547 971**	**1 132 058**	**1 200 294**	**2 887 527**
Currency translation differences						
– movement for the year				(283 822)		(283 822)
– realised during the year				(212 636)		(212 636)
Net profit for the year					125 454	125 454
Hedge accounted fair value loss					(24 459)	(24 459)
Dividend paid	9				(22 515)	(22 515)
Balance at 30 June 2003		**7 204**	**547 971**	**635 600**	**1 278 774**	**2 469 549**
Treasury share options	19		(50 690)			(50 690)
Currency translation differences						
– movement for the year				(129 033)		(129 033)
– realised during the year				(182 417)		(182 417)
Net profit for the year					643 717	643 717
Dividends paid	9				(85 548)	(85 548)
Balance at 30 June 2004		**7 204**	**497 281**	**324 150**	**1 836 943**	**2 665 578**
COMPANY						
Balance at 1 July 2002		**7 204**	**547 971**		**780 516**	**1 335 691**
Net profit for the year					20 611	20 611
Dividend paid	9				(22 515)	(22 515)
Balance at 30 June 2003		**7 204**	**547 971**		**778 612**	**1 333 787**
Net profit for the year					77 571	77 571
Dividends paid	9				(85 548)	(85 548)
Balance at 30 June 2004		**7 204**	**547 971**		**770 635**	**1 325 810**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

	Revenues (Rm)		EBITDA (Rm)		Depreciation and amortisation (Rm)	
	2004	2003	**2004**	2003	**2004**	2003
1 GROUP SEGMENTAL ANALYSIS						
GrandWest	**1 006**	866	**400**	324	**97**	97
Sun City	**818**	790	**128**	94	**57**	51
Carnival City	**570**	532	**180**	167	**62**	62
Sugarmill/Sibaya	**363**	402	**118**	134	**35**	34
Boardwalk	**281**	256	**102**	88	**33**	32
Wild Coast Sun	**202**	180	**37**	31	**16**	16
Carousel	**175**	158	**39**	21	**12**	9
Morula	**145**	140	**26**	28	**6**	5
Table Bay	**138**	144	**42**	46	**12**	13
Swaziland	**134**	134	**18**	28	**6**	6
Botswana	**122**	139	**43**	50	**6**	8
Meropa	**118**	104	**40**	34	**17**	17
Zambia	**96**	84	**14**	–	**17**	23
Namibia	**89**	82	**29**	28	**5**	5
Flamingo	**78**	73	**26**	23	**13**	13
Thaba'Nchu Sun and Naledi Sun	**77**	69	**9**	6	**8**	6
Zimbali	**29**	31	**4**	4	**3**	3
Sun International Management	**251**	241	**118**	108	**29**	14
Central office and other	**28**	22	**50**	69	**23**	26
Elimination of intragroup revenues	**(243)**	(233)				
Total	**4 477**	4 214	**1 423**	1 283	**457**	440
Associates						
Lesotho						
Ster Century Europe						
Ster Century Middle East						
City Lodge						
Net interest expense and foreign exchange loss						
Taxation						
Minority interest						
Deferred taxation						
Borrowings						
	4 477	4 214	**1 423**	1 283	**457**	440

Operating profits before exceptional items (Rm)		Exceptional items (Rm)		Segment results (Rm)		Assets (Rm)		Liabilities (Rm)		Capital expenditure (Rm)	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
303	228	–	(7)	303	221	1 250	1 299	74	64	28	25
70	38	–	–	70	38	1 233	1 087	127	116	80	120
115	98	–	(4)	115	94	638	677	43	54	23	27
56	76	–	(3)	56	73	534	312	69	39	260	73
69	56	–	(10)	69	46	374	402	22	29	13	5
21	14	–	(20)	21	(6)	164	185	46	27	9	7
20	5	–	–	20	5	292	203	15	12	8	3
21	22	–	–	21	22	66	66	12	12	13	7
12	14	(42)	–	(30)	14	195	204	26	56	1	6
12	20	–	(1)	12	19	90	89	22	21	14	5
35	40	–	–	35	40	73	73	13	13	7	15
23	17	–	(1)	23	16	164	185	7	8	3	6
(3)	(23)	–	–	(3)	(23)	299	364	12	13	4	(1)
19	18	–	–	19	18	33	30	6	6	8	2
12	10	–	(1)	12	9	113	125	5	4	1	5
(4)	(5)	–	–	(4)	(5)	28	36	17	7	2	2
–	–	–	–	–	–	74	73	3	3	1	1
89	92	–	–	89	92	337	295	82	3	–	22
16	37	586	58	602	95	1 285	1 255	101	254	29	18
886	757	544	11	1 430	768	7 242	6 960	702	741	504	348
				59	(38)	221	331	–	30		
				5	7	11	9	–	–		
				–	(71)	1	123	–	–		
				(5)	(25)	–	–	–	30		
				59	51	209	199	–	–		
				(290)	(339)						
				(270)	(190)			177	52		
				(285)	(74)						
								364	403		
								2 100	1 995		
886	756	544	11	644	125	7 463	7 291	3 343	3 221	504	348

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(CONTINUED)

for the year ended 30 June

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
2 EBITDA IS STATED AFTER (CHARGING)/ CREDITING THE FOLLOWING:				
Operating lease charges				
Plant, vehicles and equipment	**(21 837)**	(13 879)	**(1 381)**	(1 096)
Auditors' remuneration	**(7 154)**	(8 723)	**(630)**	(852)
Audit fees	**(6 259)**	(7 848)	**(618)**	(650)
Fees for other services	**(813)**	(689)	**–**	(164)
Expenses	**(82)**	(186)	**(12)**	(38)
Professional fees	**(11 232)**	(17 587)	**(141)**	(8 449)
Profit on disposal of property, plant and equipment	**3 637**	189	**–**	–
Dividend income			**82 756**	36 687
Subsidiaries			**61 908**	22 187
Associates			**20 848**	14 500
Staff costs	**(982 859)**	(961 526)	**(82 791)**	(103 637)
Salaries and wages	**(896 240)**	(894 021)	**(74 207)**	(95 052)
Pension costs – defined contribution plan	**(76 382)**	(59 808)	**(7 694)**	(7 934)
– defined benefit plans	**(10 237)**	(7 697)	**(890)**	(651)
Number of employees at the end of the year	**8 024**	8 433		
3 DEPRECIATION AND AMORTISATION				
Property, plant and equipment (refer note 11)	**(378 415)**	(374 259)	**(7 126)**	(9 464)
Intangible assets (refer note 12)	**(70 211)**	(57 883)	**–**	–
Associate goodwill (refer note 14)	**(8 276)**	(8 276)	**–**	–
	(456 902)	(440 418)	**(7 126)**	(9 464)
4 EXCEPTIONAL ITEMS				
Pre-opening expenditure	**(2 399)**	–	**–**	–
Write up/(down) of KZL to market value	**183 426**	(73 519)	**–**	–
KZL dispute legal costs	–	(1 932)	**–**	–
Impairment of investments in discontinuing operations	**(20 088)**	(5 275)	**–**	–
Profit realised on discontinued share purchase scheme	**30 575**	–	**–**	–
Impairment of goodwill	**–**	(36 177)	**–**	–
Impairment of property	**(4 040)**	–	**–**	–
Fair value adjustment to share trust loans	**(2 335)**	(64 396)	**(66)**	(2 699)
Fair value adjustment to long term liabilities	**(31 668)**	–	**–**	–
Post retirement medical aid funding	**–**	(40 022)	**–**	–
Profits on sale of shares in subsidiaries	**208 196**	43 142	**–**	–
Currency translation reserve realised	**182 417**	212 636	**–**	–
Gaming levies relating to prior periods	**–**	(23 202)	**–**	–
	544 084	11 255	**(66)**	(2 699)
5 INTEREST INCOME				
Interest earned on cash and cash equivalents	**41 757**	70 902	**24 696**	31 140
Preference share dividends	**13 932**	1 927	**4 745**	7 926
Imputed interest on loans receivable	**7 733**	–	**12 427**	4 905
	63 422	72 829	**41 868**	43 971
6 INTEREST EXPENSE				
Interest paid on borrowings	**(252 159)**	(260 079)	**(18 948)**	(18 404)
Preference share dividends	**(24 546)**	(33 182)	**(16 139)**	(21 579)
Imputed interest on loans payable	**(15 983)**	(8 460)	**(12 427)**	(4 905)
Capitalised to property, plant and equipment	**15 545**	5 164	**–**	–
	(277 143)	(296 557)	**(47 514)**	(44 888)

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
7 SHARE OF ASSOCIATES' PROFITS/(LOSSES)				
Dividend income				
Continuing operations	**25 230**	19 765		
Equity retained profits/(losses)	**11 944**	(50 295)		
Continuing operations	**17 302**	18 650		
Discontinuing operations	**(5 358)**	(68 945)		
Associates' taxation	**22 306**	22 404		
Continuing operations	**22 306**	19 854		
Discontinuing operations	**–**	2 550		
	59 480	(8 126)		
Exceptional items				
Discontinuing operations	**–**	(30 108)		
	59 480	(38 234)		
Exceptional items comprise:				
Pre-opening expenditure	**–**	(283)		
Impairment of goodwill	**–**	(1 381)		
Impairment of cinema assets	**–**	(11 128)		
Loss on translation of loan notes	**–**	(3 470)		
Loss on sale and scrapping of cinema assets	**–**	(12 305)		
Other items	**–**	(1 541)		
	–	(30 108)		

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
8 TAXATION				
Normal taxation – South African	**(169 508)**	(123 512)	**1 257**	(6 278)
– Foreign	**(26 157)**	(24 764)		
	(195 665)	(148 276)	**1 257**	(6 278)
Current taxation – this year	**(213 405)**	(143 104)	**7 291**	(8 051)
– prior years	**(21 746)**	598	**–**	(3 612)
Deferred taxation – this year	**12 000**	(1 929)	**(6 044)**	5 385
– prior years	**27 486**	(3 841)	**10**	–
Associates' taxation	**(22 306)**	(22 404)		
Secondary tax on companies	**(21 998)**	(16 681)	**–**	–
Capital gains tax	**(24 428)**	(2 882)	**(8 794)**	–
Other taxes	**(5 874)**	(164)	**–**	–
	(270 271)	(190 407)	**(7 537)**	(6 278)
Estimated tax losses available for set off against future taxable income	**37 510**	196 053		
Utilised to offset temporary differences	**(14 457)**	(34 247)	**–**	–
Utilised to create deferred tax assets	**(23 053)**	(44 383)	**–**	–
	–	117 423	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's
8 TAXATION *(continued)*				
Reconciliation of rate of taxation	**%**	%	**%**	%
Standard rate – South Africa	**30,0**	30,0	**30,0**	30,0
Adjusted for:				
(Exempt income)/disallowable expenditure	**(5,1)**	15,5	**(31,4)**	(20,1)
Foreign tax rate variations	**(0,1)**	(0,3)	**–**	–
Capital gains on sale of investments	**(6,3)**	(3,6)	**–**	–
Tax losses	**0,1**	5,2	**–**	–
Prior year (over)/under provision	**(0,1)**	0,6	**–**	–
Secondary tax on companies	**1,2**	4,6	**–**	13,4
Capital gains tax	**2,1**	0,7	**10,3**	–
Associates' taxation	**0,4**	(6,8)	**–**	–
Other tax charges	**0,3**	2,9	**–**	–
Effective tax rate	**22,5**	48,8	**8,9**	23,3
9 DIVIDENDS PAID				
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)
Final dividend in respect of the 2003 financial year of 50 cents per share declared on 29 August 2003 and paid on 29 September 2003	**(45 025)**		**(45 025)**	
Interim dividend in respect of the 2004 financial year of 45 cents per share declared on 4 March 2004 and paid on 5 April 2004	**(40 523)**		**(40 523)**	
	(85 548)	(22 515)	**(85 548)**	(22 515)

A final dividend in respect of the 2004 financial year of 80 cents was declared on 31 August 2004 and paid on 4 October 2004. No STC is payable on this dividend as the company has sufficient STC credits.

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
10 EARNINGS PER SHARE				
Attributable profit per the income statement	**643 717**	125 454		
Headline earnings adjustments	**(353 739)**	(204 745)		
Goodwill (included in depreciation and amortisation)	**16 383**	7 649		
KZL dispute legal costs	**–**	1 932		
Impairment of goodwill	**–**	36 177		
Impairment of investments in discontinuing operations	**20 088**	5 275		
Net profits on sale of shares in subsidiaries	**(208 196)**	(43 142)		
Impairment of property, plant and equipment	**4 040**	–		
Net profit on disposal of property, plant and equipment	**(3 637)**	–		
Currency translation reserve realised	**(182 417)**	(212 636)		
Associate headline earnings adjustments	**–**	26 355		
Impairment of cinema assets	**–**	14 050		
Loss on sale and scrapping of cinema assets	**–**	12 305		
Taxation on the above items	**24 428**	2 882		
Minority interests in the above items	**66 497**	1 564		
Headline earnings/(loss)	**380 903**	(48 490)		
Adjusted headline earnings adjustments	**(125 999)**	278 009		
Pre-opening expenditure	**2 399**	–		
Write (up)/down of KZL to market value	**(183 426)**	73 519		
Foreign exchange losses on intercompany loans	**55 482**	97 235		
Fair value adjustments to long term liabilities	**34 003**	64 396		
Post retirement medical aid funding	**–**	40 022		
Earnings from discontinuing operations	**(3 882)**	(20 365)		
Provision for gaming levies related to prior periods	**–**	23 202		
Profit realised on discontinued share purchase scheme	**(30 575)**	–		
Associate adjusted headline earnings adjustments	**5 358**	70 148		
Discontinuing operations – Pre-opening expenditure and other	**–**	3 753		
Losses from discontinuing operations	**5 358**	66 395		
Taxation relief on the above items	**(10 201)**	(33 539)		
Minority interests in the above items	**26 807**	(73 732)		
Adjusted headline earnings	**276 868**	192 395		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000's	R000's	**R000's**	R000's
10 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	**892**	1 711		
	90 942	91 761		
Earnings per share (cents)				
Basic earnings per share	**715**	139		
Headline earnings/(loss) per share	**423**	(54)		
Adjusted headline earnings per share	**307**	214		
Fully diluted earnings per share (cents)				
Basic earnings per share	**708**	137		
Headline earnings/(loss) per share	**419**	(53)		
Adjusted headline earnings per share	**304**	210		

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 attaching 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	
	2004	2003	**2004**	2003
	R000's	R000's	**R000's**	R000's
11 PROPERTY, PLANT AND EQUIPMENT				
At year end				
Cost:				
Freehold property	**2 137 233**	2 042 131	**–**	–
Leasehold property	**2 085 062**	2 008 880	**–**	–
Plant and equipment	**2 373 281**	2 280 857	**–**	66 408
Capital work in progress	**394 510**	181 562	**–**	–
	6 990 086	6 513 430	**–**	66 408
Accumulated depreciation:				
Freehold property	**(173 086)**	(136 609)	**–**	–
Leasehold property	**(476 606)**	(437 457)	**–**	–
Plant and equipment	**(1 563 775)**	(1 344 348)	**–**	(34 567)
	(2 213 467)	(1 918 414)	**–**	(34 567)
Net carrying value:				
Freehold property	**1 964 147**	1 905 522	**–**	–
Leasehold property	**1 608 456**	1 571 423	**–**	–
Plant and equipment	**809 506**	936 509	**–**	31 841
Capital work in progress	**394 510**	181 562	**–**	–
	4 776 619	4 595 016	**–**	31 841
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	**19 900**	14 740	**–**	–
Leasehold property	**52 695**	27 832	**–**	–
Plant and equipment	**174 066**	163 024	**–**	13 588
Capital work in progress	**251 329**	121 152	**–**	–
	497 990	326 748	**–**	13 588
Capitalisation of long term property leases:				
Freehold property	**99 435**	–	–	–
Leasehold property	**99 565**	–	**–**	–
	199 000	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(CONTINUED)

for the year ended 30 June

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
11 PROPERTY, PLANT AND EQUIPMENT *(continued)*				
Disposals:				
Freehold property	**(12 654)**	–	**–**	–
Leasehold property	**(2 788)**	(927)	**–**	–
Plant and equipment	**(8 708)**	(11 669)	**(24 715)**	(3 382)
Capital work in progress	**–**	(90)	**–**	–
	(24 150)	(12 686)	**(24 715)**	(3 382)
Transfers from work in progress:				
Freehold property	**10 724**	–	**–**	–
Plant and equipment	**8 180**	10 912	**–**	–
Capital work in progress	**(37 921)**	(10 912)	**–**	–
Reclassified to intangible assets	**(19 017)**	–	–	–
	–	–	**–**	–
Reclassifications:				
Freehold property	**–**	(56 075)	**–**	–
Leasehold property	**(18 479)**	(2 114)	**–**	–
Plant and equipment	**18 479**	58 189	**–**	–
	–	–	**–**	–
Operating equipment utilisation and asset impairment:				
Freehold property	**(6 187)**	(2 907)	**–**	–
Plant and equipment	**(12 727)**	(17 249)	**–**	–
Capital work in progress	**–**	(2 429)	**–**	–
	(18 914)	(22 585)	**–**	–
Currency translation adjustments:				
Freehold property	**(11 665)**	(6 909)		
Leasehold property	**(51 754)**	(92 978)		
Plant and equipment	**(11 012)**	(20 174)		
Capital work in progress	**(460)**	(239)		
	74 891	120 300	**–**	–
Depreciation:				
Freehold property	**(40 928)**	(38 454)	**–**	–
Leasehold property	**(42 206)**	(52 629)	**–**	–
Plant and equipment	**(295 281)**	(283 176)	**(7 126)**	(9 464)
	(378 415)	(374 259)	**(7 126)**	(9 464)
Total movements for the year	**181 603**	(203 082)	**(31 841)**	742

Borrowing costs of R15 545 000 (2003: R5 164 000) were capitalised during the year and are included in "Additions" above. A capitalisation rate approximating the borrowing costs of the loans used to finance the relevant projects was used.

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
12 INTANGIBLE ASSETS				
Net carrying value comprises:				
Goodwill	**251 933**	69 802		
Bid costs	**361 724**	378 825		
Sun International name	**71 627**	89 252		
Management contracts	**141 949**	153 690		
Lease premiums	**27 756**	31 423		
	854 989	722 992		
Movements on intangible assets:				
Balance at the beginning of the year	**722 992**	664 529		
Acquisition of minority's interest in management contracts	**–**	144 500		
Acquisition of KZL interest in the Egypt management contracts	**–**	17 705		
Goodwill on shares acquired in subsidiary	**190 238**	39 055		
Negative goodwill on acquisition of subsidiary	**–**	(22 577)		
Bid costs incurred	**5 958**	3 609		
Currency translation adjustments	**(13 005)**	(29 769)		
Bid costs	**1 821**	2 633		
Sun International name	**11 184**	27 136		
Reclassified from property, plant and equipment	**19 017**	–		
Goodwill impairment	**–**	(36 177)		
Amortised during the year	**(70 211)**	(57 883)		
Goodwill	**(8 107)**	626		
Bid costs	**(40 255)**	(40 857)		
Management contracts	**(11 741)**	(8 515)		
Sun International name	**(6 441)**	(5 470)		
Lease premiums	**(3 667)**	(3 667)		
	854 989	722 992		
13 INVESTMENTS IN SUBSIDIARIES				
Shares at cost			**1 192 278**	1 186 067

The interests of the company in the aggregate profits and losses of its subsidiaries amounted to R769 million (2003: R631 million) and R86 million (2003: R142 million) respectively.

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for the year ended 30 June

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's
14 INVESTMENTS IN ASSOCIATES				
Investment in associates comprise:				
Shares at cost less amortised goodwill	**110 972**	119 248	**211 676**	211 676
Listed	**50 816**	50 816	**211 676**	211 676
Unlisted	**2 784**	2 784	**–**	–
Goodwill	**57 372**	65 648	**–**	–
Retained earnings	**109 128**	91 826	**–**	–
	220 100	211 074	**211 676**	211 676
Directors' valuation of unlisted associates	**32 400**	11 903		
Market value of listed associates	**416 148**	298 063		
	448 548	309 966		
Movements on associates:				
Balance at the beginning of year	**211 074**	231 508	**211 676**	211 676
SCE reclassified as other non current assets	**–**	68 277	**–**	–
SCME reclassified as provision for liabilities and charges	**(29 994)**	19 042	**–**	–
Additional investment	**49 510**	7 578	**–**	–
Goodwill amortised	**(8 276)**	(8 276)	**–**	–
Impairment of investment in SCME	**(17 398)**	–	**–**	–
Loss on sale and closures	**–**	(1 238)	**–**	–
Currency translation adjustments	**3 240**	7 959	**–**	–
Associate profits/(losses)	**37 174**	(94 011)	**–**	–
Share of profits/(losses) before tax	**59 480**	(38 234)	**–**	–
Hedge accounted losses	**–**	(33 373)	**–**	–
Share of tax	**(22 306)**	(22 404)	**–**	–
Dividends received	**(25 230)**	(19 765)	**–**	–
Balance at end of the year	**220 100**	211 074	**211 676**	211 676

A listing of the group's interest in its principal equity investments is given on page 142.

There were no material changes in the interests held in the equity investments in 2004 or 2003.

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. SCE completed the sale of all remaining operations during the current year. As at 30 June 2004, SCME operated cinemas in Jordan and the United Arab Emirates. The group settled R49,5 million of SCME's bank borrowings that it had guaranteed. An impairment provision of R17,4 million was raised against SCME and the provision for equity accounted losses created in the current and prior years was utilised to write off the balance.

Significant associate

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 R209 million (2003: R199 million).

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's
14 INVESTMENTS IN ASSOCIATES *(continued)*				
Summarised balance sheet of City Lodge Hotels Limited				
Assets				
Property, plant and equipment	**439 857**	386 665		
Investments and loans	**37 361**	36 524		
Deferred taxation	**4 022**	3 764		
Current assets	**48 986**	56 565		
	530 226	483 518		
Equity and liabilities				
Shareholders' funds	**394 079**	345 026		
Non current borrowings	**61 116**	66 937		
Deferred taxation	**42 390**	34 063		
Current liabilities	**32 641**	37 492		
	530 226	483 518		
Summarised income statement of City Lodge Hotels Limited				
Revenue	**335 844**	292 910		
EBITDA	**174 373**	152 825		
Depreciation	**(23 157)**	(22 351)		
Net interest paid	**(565)**	(1 948)		
Exceptional items	**–**	(314)		
Profit before taxation	**150 651**	128 212		
Taxation	**(52 675)**	(44 261)		
Profit after taxation	**97 976**	83 951		
Income from joint venture	**2 964**	3 501		
Earnings attributable to ordinary shareholders	**100 940**	87 452		
Fully diluted earnings per share (cents)	**238**	207		
Market price per share (Rand)	**25,55**	17,00		

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(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000's	R000's	**R000's**	R000's
15 AVAILABLE-FOR-SALE INVESTMENTS				
Available-for-sale investments comprise:				
Kerzner International Limited	**390 195**	556 736	**–**	–
Cape Town International Convention Centre Company (Proprietary) Limited	**140 735**	140 735	**–**	–
Other	**1 779**	1 886	**284**	284
	532 709	699 357	**284**	284
Current portion	**(390 195)**	(364 107)	**–**	–
	142 514	335 250	**284**	284
Movement on available-for-sale investments:				
Balance at the beginning of the year	**699 357**	1 893 964	**284**	284
Currency translation adjustments	**(94 652)**	(319 088)	**–**	–
Additions	**202**	1 922	**–**	–
Disposals	**(255 624)**	(803 922)	**–**	–
Revaluation gain/(loss) (refer note 4)	**183 426**	(73 519)	**–**	–
	532 709	699 357	**284**	284
Director's valuation of unlisted investments	**142 514**	142 621		
Market value of listed investment	**390 195**	556 736		
	532 709	699 357		

The group's investment in KZL comprises 1 333 779 (2003: 2 293 539) shares which are traded on the New York Stock Exchange and its fair value is determined with reference to the market price.

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

	GROUP		COMPANY	
	2004	2003	**2004**	2003
16 OTHER NON CURRENT ASSETS				
Loans				
Sun International Employee Share Trust	**71 803**	64 028	**3 110**	2 639
Share incentive schemes	**–**	19 864	**47 730**	16 020
Preference share funding of empowerment partners	**179 928**	135 787	**–**	–
Tusk Resorts (Proprietary) Limited	**–**	26 342	**–**	–
Loan funding of empowerment partners	**4 008**	–	**–**	–
Preference shares in subsidiaries	**–**	–	**37 500**	60 000
Loans to subsidiaries	**–**	–	**287 253**	249 834
Net investment in SCE	**1 236**	123 065	**–**	–
Loan	**1 236**	196 617	**–**	–
Equity accounted losses	**–**	(68 277)	**–**	–
Impairment provision	**–**	(5 275)	**–**	–
	256 975	369 086	**375 593**	328 493
Other	**1 600**	897	**–**	–
	258 575	369 983	**375 593**	328 493
Current portion	**(6 844)**	(142 929)	**(65 230)**	(26 020)
	251 731	227 054	**310 363**	302 473

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's

16 OTHER NON CURRENT ASSETS *(continued)*

	2004 R000's	2003 R000's	2004 R000's	2003 R000's
Loans are due over the following financial years:				
2005	**6 844**	142 929	**65 230**	26 020
2006	**–**	–	**–**	10 000
2007	**–**	–	**40 000**	40 000
2008	**–**	–	**–**	–
2009 onwards	**179 928**	136 684	**267 253**	249 834
	186 772	279 613	**372 483**	325 854
Other loans with no fixed repayment terms:				
Tusk Resorts (Proprietary) Limited	**–**	26 342	**–**	–
Sun International Employee Share Trust	**71 803**	64 028	**3 110**	2 639
	258 575	369 983	**375 593**	328 493
The weighted average interest and dividend rates were as follows:	**%**	%	**%**	%
Sun International Employee Share Trust	**12,0**	12,0	**12,0**	12,0
Share incentive schemes	**–**	NIB	**NIB**	NIB
Preference share funding of empowerment partners	**8,9**	12,2	**–**	–
Loan funding of empowerment partners	**11,5**	**–**	**–**	–
Tusk Resorts (Proprietary) Limited	**–**	13,2	**–**	–
Preference shares in subsidiaries	**–**	–	**8,6**	11,6
Loans to subsidiaries	**–**	–	**13,4**	11,2
Loan to associate	**6,7**	7,9	**–**	–
	9,7	9,8	**11,2**	10,6

NIB – Non interest bearing

17 INVENTORY

	2004 R000's	2003 R000's
Merchandise	**2 477**	3 197
Consumables and hotel stocks	**27 188**	32 752
	29 665	35 949

18 ACCOUNTS RECEIVABLE

	2004 R000's	2003 R000's	2004 R000's	2003 R000's
Trade receivables	**109 737**	104 828	**88**	10 221
Less provision for impairment	**(6 584)**	(5 967)	**–**	–
Net trade receivables	**103 153**	98 861	**88**	10 221
Prepayments	**59 622**	103 855	**–**	463
VAT	**43 767**	17 985	**–**	–
Capital debtors	**13 674**	39 183	**–**	–
Receivables from subsidiaries	**–**	–	**27 723**	33 175
Discontinued share purchase scheme	**30 575**	–	**–**	–
Other receivables	**62 814**	47 206	**13 556**	6 493
	313 605	307 090	**41 367**	50 352

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000's	R000's	**R000's**	R000's
19 SHARE CAPITAL AND PREMIUM				
Authorised				
150 000 000 (2003: 110 000 000) ordinary shares of 8 cents each	**12 000**	8 800	**12 000**	8 800
100 000 000 (2003: 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 (2003: 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
Treasury share options	**(50 690)**	–		
	504 485	555 175	**555 175**	555 175

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

Treasury share options represent the beneficial interest of the company in options held by the share option scheme which has been consolidated in the current year.

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

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

- 9 005 000 ordinary shares for the purposes of the share option scheme; and
- a maximum of 33 960 918 ordinary shares for the settlement of the acquisition of the SISA minority shareholdings on 16 August 2004.

Options
Details of options under the share option scheme are disclosed under note 31.

	GROUP		COMPANY	
20 RETAINED EARNINGS				
Retained earnings at the end of the year comprise:				
Company	**770 635**	778 612	**770 635**	778 612
Subsidiaries and equity investments	**1 066 308**	500 162	**–**	–
	1 836 943	1 278 774	**770 635**	778 612

Any future dividend declarations out of the retained earnings of the company or any of its subsidiaries incorporated in South Africa will be subject to STC, to the extent STC credits are not available, at the prescribed rate which is currently 12,5% of the dividend declared.

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's
21 DEFERRED TAXATION				
Balance at the beginning of the year	**403 143**	394 852	**(6 389)**	(1 004)
Income statement (credit)/charge for the year	**(39 486)**	5 770	**6 034**	(5 385)
Currency translation adjustments	**378**	(2 602)	**–**	–
Acquisition of subsidiary	**–**	5 123	**–**	–
Balance at the end of the year	**364 035**	403 143	**(355)**	(6 389)
Deferred taxation arises from the following temporary differences:				
Deferred tax liabilities				
Accelerated asset allowances	**448 964**	490 166	**–**	–
Balance at the beginning of the year	**490 166**	499 485	**–**	3 541
Acquisition of subsidiary	**–**	5 123	**–**	–
Currency translation adjustments	**(2 764)**	(2 607)	**–**	–
Credited to income statement	**(38 438)**	(11 835)	**–**	(3 541)
Prepayments	**5 891**	1 657	**–**	11
Balance at the beginning of the year	**1 657**	11 087	**11**	5 271
Charged/(credited) to income statement	**4 234**	(9 430)	**(11)**	(5 260)
Fair value adjustments	**–**	–	**–**	–
Balance at the beginning of the year	**–**	9 302	**–**	–
Credited to income statement	**–**	(9 302)	**–**	–
	454 855	491 823	**–**	11
Deferred tax assets				
Assessed losses	**(11 253)**	(23 589)	**–**	–
Balance at the beginning of the year	**(23 589)**	(72 427)	**–**	–
Charged to income statement	**12 336**	48 838	**–**	–
Disallowed accruals and provisions	**(56 746)**	(57 861)	**(335)**	(5 590)
Balance at the beginning of the year	**(57 861)**	(52 595)	**(5 590)**	(9 816)
Currency translation adjustments	**3 142**	5		
(Credited)/charged to income statement	**(2 027)**	(5 271)	**5 255**	4 226
Fair value adjustments	**(22 821)**	(7 230)	**(20)**	(810)
Balance at the beginning of the year	**(7 230)**	–	**(810)**	–
(Credited)/charged to income statement	**(15 591)**	(7 230)	**790**	(810)
	(90 820)	(88 680)	**(355)**	(6 400)
Net deferred tax liability/(asset)	**364 035**	403 143	**(355)**	(6 389)

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(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's
22 BORROWINGS				
Non current:				
Term banking facilities	**693 853**	541 995	**–**	–
General banking facilities	**292 763**	622 308	**–**	–
Transnet loan	**267 253**	219 834	**267 253**	219 834
Redeemable preference shares	**230 000**	280 000	**180 000**	180 000
Lease liabilities	**235 562**	450	**–**	–
Vacation Club Members	**40 265**	33 949	**–**	–
	1 759 696	1 698 536	**447 253**	399 834
Current:				
Bank overdrafts	**63 014**	3 791	**34 119**	70
Term banking facilities	**258 318**	143 797	**–**	–
General banking facilities	**–**	66 266	**–**	–
Redeemable preference shares	**12 500**	80 000	**–**	–
Lease liabilities	**7 175**	2 338	**–**	1 703
	341 007	296 192	**34 119**	1 773
Total borrowings	**2 100 703**	1 994 728	**481 372**	401 607
Secured	**1 563 656**	1 331 556	**–**	1 703
Unsecured	**537 047**	663 172	**481 372**	399 904
	2 100 703	1 994 728	**481 372**	401 607
Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
Net book value of property, plant and equipment encumbered by secured loans	**1 915 162**	1 915 203	**–**	–
The non current borrowings are repayable over the following financial years:				
2005	**–**	805 827	**–**	–
2006	**464 015**	170 199	**–**	–
2007	**426 075**	321 141	**180 000**	180 000
2008	**127 919**	15 210	**–**	–
2009 onwards	**741 687**	386 159	**267 253**	219 834
	1 759 696	1 698 536	**447 253**	399 834

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
22 BORROWINGS *(continued)*				
	%	%	**%**	%
Year end interest rates				
Bank overdrafts	**10,5**	15,5	**10,5**	–
Term banking facilities	**11,5**	15,4	**–**	–
General banking facilities	**9,9**	13,5	**–**	–
Transnet loan	**12,2**	10,2	**12,2**	10,2
Redeemable preference shares	**8,2**	11,2	**8,0**	10,9
Lease liabilities	**12,6**	13,0	**–**	13,0
Vacation Club Members	**11,7**	11,7	**–**	–
Weighted average	**11,1**	13,4	**10,5**	10,5
Redeemable preference shares:				
Sun International Limited	**180 000**	180 000	**180 000**	180 000
Afrisun Gauteng (Proprietary) Limited	**–**	80 000	**–**	–
SunWest International (Proprietary) Limited	**62 500**	100 000	**–**	–
	242 500	360 000	**180 000**	180 000

Dividends on the preference shares are payable semi-annually on 31 July and 31 January. Dividends are payable at 70% and 75% of the bank prime overdraft rate for the Sun International and SunWest preference shares respectively. The Sun International preference share redemption date is 1 July 2006. At the option of SunWest R12,5 million of the preference shares may be redeemed at any time 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 R911 million (2003: R439 million) at 30 June 2004. The company's borrowings are not restricted by its articles of association.

23 ACCOUNTS PAYABLE AND ACCRUALS

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
Trade payables	**66 787**	66 132	**–**	14 649
Accrued expenses	**407 171**	450 017	**6 058**	58 935
Capital creditors	**22 499**	15 713	**–**	–
Other payables	**109 291**	79 132	**7 882**	5 589
	605 748	610 994	**13 940**	79 173

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(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's
24 PROVISIONS				
Movements on provisions				
Balance at the beginning 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		
Created during the year:				
Lease commitments and property closure costs	**–**	5 686		
Equity accounted losses	**5 358**	19 042		
Corporate social investment	**5 200**	6 471		
Net progressive jackpots	**10 735**	–		
	21 293	31 199		
Utilised during the year:				
Lease commitments and property closure costs	**(46 161)**	(5 000)		
Equity accounted losses	**(35 352)**	–		
Retrenchment and restructure costs	**–**	(7 896)		
Corporate social investment	**(4 417)**	(7 347)		
Net progressive jackpots	**–**	(776)		
Other	**–**	(10 013)		
	(85 930)	(31 032)		
Currency translation adjustments	**(377)**	(7 924)		
Balance at the end of the year:				
Lease commitments and property closure costs	**12 346**	58 686		
Equity accounted losses	**–**	29 994		
Corporate social investment	**9 161**	8 486		
Progressive jackpots	**33 714**	23 069		
	55 221	120 235		

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 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 provision for 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 scheme, which was closed to new employees in 1995, and a number of 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. 90% (2003: 78%) of employees were members of one of these schemes as at 30 June 2004.

The pension scheme is a defined benefit fund, which requires an actuarial valuation 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 the pension scheme are charged against profits and are based upon actuarial advice following the periodic valuations of the fund. The latest valuation of the Sun International 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 next actuarial valuation with an effective date of 30 June 2004 is in the process of being completed. No asset has been recognised in respect of the surplus in the Sun International Pension Fund 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.

The group contributed R86,6 million (2003: R58,6 million) to these schemes during the year.

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(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000's	R000's	**R000's**	R000's
25 RETIREMENT BENEFIT INFORMATION *(continued)*				
Surplus on the defined benefit plan				
Present value of funded obligations	**(131 610)**	(118 469)		
Fair value of plan assets	**179 419**	163 097		
	47 809	44 628		
Unrecognised actuarial gains	**24 504**	20 973		
Surplus at the end of the year	**72 313**	65 601		
Movement on surplus				
Balance at the beginning of the year	**65 601**	58 011		
Contributions paid	**10 297**	8 251		
Other expenses included in staff costs	**(3 585)**	(661)		
Current service cost	**(7 602)**	(8 000)		
Interest cost	**(10 662)**	(11 664)		
Expected return on plan assets	**14 679**	19 003		
Balance at the end of the year	**72 313**	65 601		
The principal actuarial assumptions used were as follows:				
	%	%		
Discount rate	**9,50**	9,00		
Expected return on plan assets	**9,00**	12,00		
Future salary increases	**6,50**	6,00		
Future pension increases	**5,50**	5,00		

Post retirement medical benefits

The company contributes 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 company subsidy from the group upon retirement. Employees are eligible for such benefits on retirement based upon the number of completed years of service. The method of accounting and valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
Amounts recognised in the income statement	**282**	40 022		
Liability recognised in the balance sheet	**40 304**	40 022		
The principal actuarial assumptions used for accounting purposes were:				
	%	%		
Discount rate	**9,50**	9,00		
Price inflation allowed by the group	**5,00**	4,50		

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
26 CASH FLOW INFORMATION				
26.1 Cash generated/(utilised) by operations				
Operating profit	**1 429 553**	767 903	**90 754**	27 856
Non cash items and items dealt with separately:				
Dividend income	**–**	–	**(82 756)**	(36 687)
Depreciation and amortisation	**456 902**	440 418	**7 126**	9 464
Profit on disposal of property, plant and equipment	**(3 637)**	(189)	**–**	–
Exceptional items of a non-cash nature	**(547 030)**	(37 717)	**66**	2 699
Pre-opening expenses	**2 399**	–	**–**	–
Foreign exchange losses	**(75 843)**	(115 708)	**–**	(50)
Unrealised foreign exchange losses	**55 482**	122 985	**–**	–
Other	**(3 263)**	(10 130)	**–**	–
Cash generated from operations before working capital changes	**1 314 563**	1 167 562	**15 190**	3 282
Working capital changes	**(2 320)**	46 301	**(56 248)**	68 422
Inventory	**4 712**	(9 158)	**–**	–
Accounts receivable	**322**	(13 272)	**8 985**	71 355
Accounts payable and accruals	**(7 354)**	68 731	**(65 233)**	(2 933)
	1 312 243	1 213 863	**(41 058)**	71 704
26.2 Investment income				
Dividends received:				
Associates	**25 230**	19 765	**20 848**	14 500
Subsidiaries	**–**	–	**61 908**	22 187
Interest income	**63 422**	72 829	**41 868**	43 971
Imputed interest on fair valued loans	**(7 733)**	–	**(12 427)**	(4 905)
	80 919	92 594	**112 197**	75 753
26.3 Interest paid				
Interest expense	**(277 143)**	(296 557)	**(47 514)**	(44 888)
Imputed interest on loans payable	**15 983**	8 460	**12 427**	4 905
	(261 160)	(288 097)	**(35 087)**	(39 983)
26.4 Taxation paid				
Liability at the beginning of the year	**(51 876)**	(77 874)	**(6 929)**	(6 937)
Current tax provided (refer note 8)	**(235 151)**	(142 506)	**7 291**	(11 663)
Other taxes (refer note 8)	**(52 300)**	(19 727)	**(8 794)**	–
Currency translation adjustment	**1 163**	3 734		
Liability at the end of the year	**177 247**	51 876	**431**	6 929
	(160 917)	(184 497)	**(8 001)**	(11 671)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's
26 CASH FLOW INFORMATION *(continued)*				
26.5 Dividends paid				
To shareholders	**(85 548)**	(22 515)	**(85 548)**	(22 515)
To minorities in subsidiaries	**(146 926)**	(405 306)	**–**	–
Less KZL shares distributed in specie	**–**	347 237	**–**	–
	(232 474)	(80 584)	**(85 548)**	(22 515)
26.6 Proceeds on disposal of shares in subsidiaries				
Emfuleni Resorts (Proprietary) Limited	**34 039**	–	**–**	–
Afrisun Gauteng (Proprietary) Limited	**141 328**	–	**–**	–
SunWest International (Proprietary) Limited	**159 084**	–	**–**	–
	334 451	–	**–**	–
26.7 Purchase of additional shares in subsidiaries				
Sun International (South Africa) Limited	**(565 368)**	–	**(6 211)**	–
Sun International Management Limited	**–**	(154 812)	**–**	–
Other subsidiaries	**(3 830)**	–	**–**	–
	(569 198)	(154 812)	**(6 211)**	–
26.8 (Decrease)/increase in borrowings				
Borrowings repaid	**(240 461)**	(688 630)	**(1 769)**	(3 282)
Increase/(decrease) in bank overdrafts	**59 223**	(56 586)	**34 049**	(52 125)
	(181 238)	(745 216)	**32 280**	(55 407)

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000's	R000's	**R000's**	R000's

27 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, Sterling and Euros. Companies in the group use foreign exchange contracts to hedge certain of their exposures to foreign currency risk. 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.

(ii) Financial effects

At 30 June 2004 and 2003 the net fair value of foreign exchange contracts were:

	Group 2004 R000's	Group 2003 R000's	Company 2004 R000's	Company 2003 R000's
Contracts with negative fair values GBP 90 000 (2003: GBP 180 000)	**1 029**	2 340		
Contracts with negative fair values Euro 500 000 (2003: Euro 650 000)	**3 862**	6 146		
Contracts with negative fair values US$ 6 222 000 (2003: US$6 850 000)	**40 581**	55 658		

As at year end the fair values of foreign exchange contracts exceeded their face values by R6 million (2003: R9 million). Full provision was made for these unfavourable differences.

Interest rate swaps

As at 30 June 2004, interest rates on 70% (2003: 56%) of the group's borrowings were fixed. 32% (2003: 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.

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's

28 CONTINGENT LIABILITIES

In the event of default by the current tenants, the group will be liable for lease liabilities relating to the Mmabatho Staff Flats and the Taung Flats. The Mmabatho Staff Flats' current rental is R3,5 million per annum, escalating at 11% per annum and expires on 30 November 2011. The Taung Flats' current rental is R2,2 million per annum, escalating at 11% per annum and expires on 31 October 2010.

The group has granted a put option in respect of preference share funding provided by institutions to certain of the group's empowerment partners. Preference share funding amounting to R51 million (2003: R28 million) has effectively been underwritten.

The group has issued a guarantee in favour of ABSA Bank in respect of a loan made to Tusk Resorts (Proprietary) Limited amounting to R53 million.

Group companies have guaranteed borrowing facilities of certain group subsidiaries in which the group has less than 100% shareholding. The group has therefore effectively underwritten the minorities' share of these facilities in the amount of R256 milllion.

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$6 million (2003: US$5,5 million) annually. Three of the leases are for a period of five years and one for a period of 10 years.
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$1,5 million (2003: US$1,4 million) annually for a period of five years.

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's

29 CAPITAL EXPENDITURE AND RENTAL COMMITMENTS

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
Capital commitments				
Contracted	**522 000**	244 000		
Authorised by the directors but not contracted	**617 000**	812 000		
	1 139 000	1 056 000		
To be spent in the forthcoming financial year	**1 062 000**	544 000		
To be spent thereafter	**77 000**	512 000		
	1 139 000	1 056 000		

Future capital expenditure will be funded by a combination of internally generated cash 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 R7,8 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 2004:

(i) For the Naledi Sun Hotel and staff flats, expiring on 21 May 2009, with the annual rental of R5,3 million, escalating at 11% per annum.

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

For phase 5 of the Thaba'Nchu Sun Staff Flats with the annual rental of R0,8 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 R0,9 million, escalating at 10% per annum.

(iv) For the land upon which the Wild Coast Sun Resort is situated, 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 is situated, expiring on 30 September 2096, with an annual rental of R0,1 million, plus contribution to the maintenance cost of the golf course.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's
30 RELATED PARTY TRANSACTIONS				
Details of the ownership of ordinary share capital are set out on pages 65 to 67 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:				
Lesotho Sun (Proprietary) Limited	**1 226**	2 115		
Sun International of Lesotho (Proprietary) Limited	**1 969**	2 066		
	3 195	4 181		
At year end, an amount of R925 306 (2003: R1 185 853) was owing by the above two associates in respect of management fees.				
Management fees were received from the following associates by Royale Resorts Holdings Limited:				
Ster Century Europe Limited	**–**	2 213		
Management fees are contractually determined.				
Dividends were received from the following associate companies:				
City Lodge Hotels Limited	**20 848**	14 500		
Sun International of Lesotho (Proprietary) Limited	**4 382**	3 550		
Lesotho Sun (Proprietary) Limited	**–**	1 715		
	25 230	19 765		
(ii) Loans to related parties				
Loan to Ster Century Europe Limited				
Balance at the beginning of the year	**123 065**	219 520		
Repaid during year	**(106 362)**	(88 526)		
Advances during year	**–**	103 691		
Currency translation adjustment	**(13 322)**	(38 068)		
	3 381	196 617		
Impairment of loan	**(2 145)**	(5 275)		
Equity accounted losses	**–**	(68 277)		
Balance at end of year	**1 236**	123 065		
Interest received	**3 882**	20 365		

(iii) Share options granted to directors

The aggregate number of share options granted to the directors of the group during 2004 was 487 500 (2003: 123 750) at an average excercise price of R34,15 (2003: R26,50). 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 1 075 025 (2003: 880 401).

	GROUP 2004 R000's	GROUP 2003 R000's	COMPANY 2004 R000's	COMPANY 2003 R000's
30 RELATED PARTY TRANSACTIONS *(continued)*				
(iv) Directors' emoluments				
Non-executive directors				
Fees			**2 135**	1 149
Gains on share options by former executive director			**3 335**	–
			5 470	1 149
Executive directors				
Basic remuneration			**5 178**	7 215
Bonuses/performance related payments			**3 804**	5 861
Pension fund contributions			**632**	176
Other benefits			**534**	3 111
Gains on share options			**1 852**	–
			12 000	16 363
			17 470	17 512

Details of individual directors' emoluments and share options are set out on page 96 of this report.

31 SHARE OPTION SCHEME

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

	GROUP 2004	GROUP 2003	COMPANY 2004	COMPANY 2003
Balance at the beginning of the year			**6 093 859**	6 193 462
Cancelled			**(11 800)**	(29 277)
Granted			**4 978 500**	1 281 250
Exercised			**(2 164 197)**	(961 273)
Lapsed			**(362 597)**	(390 303)
Balance at the end of the year			**8 533 765**	6 093 859
Options held by Share Option Trust				
Balance at the beginning of the year			**1 048 731**	988 708
Purchased from employees			**2 164 197**	961 273
Re-issued			**(2 722 684)**	(901 250)
Re-issued options cancelled			**170 938**	–
Cancelled			**(90 643)**	–
Balance at the end of the year			**570 539**	1 048 731
			9 104 304	7 142 590

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(CONTINUED)

for the year ended 30 June

	GROUP		COMPANY	
	2004 R000's	2003 R000's	**2004 R000's**	2003 R000's

31 SHARE OPTION SCHEME *(continued)*

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
1995	2005	38 580	38 580	21	38,39
1999	2009	675 751	675 751	31	19,25
2000	2010	331 532	331 532	67	20,05
2001	2011	782 964	587 223	130	30,89
2002	2012	789 831	394 916	143	22,93
2003	2013	1 106 607	276 652	160	26,36
2004	**2014**	**4 808 500**	**–**	**181**	**35,33**
		8 533 765	2 304 654		30,76

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 10 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.

The new accounting standard on share-based payments, IFRS2, requires that the compensation expense for all options issued after 7 November 2002 and that have not vested by 1 January 2005 be recognised in the group's income statement with effect from the year ended 30 June 2006. The statement requires the recognition of the expense over the vesting period based on the fair value of options granted to employees. The group has not recognised any compensation expense relating to options granted under the scheme at 30 June 2004.

Had the group adopted IFRS2, the fair value of 5,0 million (2003: 1,3 million) options granted was R46,3 million (2003: R9,6 million) and the expense for the year in respect of the options granted post 7 November 2002 would have been R19,3 million (2003: R1,6 million). The fair values were estimated using the Binomial asset pricing model.

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000's	R000's	**R000's**	R000's

32 SUN INTERNATIONAL EMPLOYEE SHARE TRUST

The Sun International Employee Share Trust was established to enable eligible employees to share in the success of the group through share ownership. The share scheme excludes participation by directors or employees holding executive and senior management positions. Eligible employees will benefit from income and growth distributions made by the trust.

The trust is funded through interest-free loans from the participating companies in the group. Loans will be repaid through dividend flows and proceeds on the disposal of the underlying investments held by the trust.

The trust is controlled by its trustees. The trustees are representatives elected by and from the employees belonging to the trust. The company has no beneficial interest in and no control over the trust.

The economic interest held by the trust in group companies is set out below:

	2004	2003
	%	%
Afrisun Gauteng (Proprietary) Limited	**3,5%**	3,5%
Emfuleni Resorts (Proprietary) Limited	**3,5%**	3,5%
Sun International (South Africa) Limited	**3,0%**	3,0%
SunWest International (Proprietary) Limited	**3,5%**	3,5%
Meropa Leisure and Entertainment (Proprietary) Limited	**3,5%**	–
Teemane (Proprietary) Limited	**3,5%**	–

33 POST BALANCE SHEET EVENTS

On 16 August 2004, the company concluded the acquisition of the remaining 37,6% minority interest in SISA. The acquisition was settled by the issue of 26 342 597 shares in the company at a price of R40,45 per share and payment of R346 million in cash to the SISA minority shareholders. The total purchase consideration including acquisition costs amounted to R1 431 million. The transaction will result in an increase in share capital and premium of R1 066 million and the amount paid in excess of the book value of the shares acquired of R520 million will be accounted for as goodwill. In terms of IAS38 the goodwill will not be amortised, but will be subject to an annual impairment test.

INTEREST IN PRINCIPAL SUBSIDIARIES AND ASSOCIATES

for the year ended 30 June

	*	Amount of issued capital 2004 R000's	Effective holding * 2004 %	Effective holding * 2003 %	Interest of holding company Shares 2004 R000's	Shares 2003 R000's	Indebtedness 2004 R000's	Indebtedness 2003 R000's
SUBSIDIARIES								
Unlisted								
Afrisun Gauteng (Pty) Ltd	(1)	**199**	**44**	38	**–**	–	**–**	–
Afrisun KZN (Pty) Ltd	(1)	**–**	**62**	36	**–**	–	**–**	–
Emfuleni Resorts (Pty) Ltd	(1)	**85**	**45**	36	**–**	–	**20 000**	30 000
Meropa Leisure and Entertainment (Pty) Ltd	(1)	**38**	**42**	44	**–**	–	**–**	–
Royale Resorts Holdings Ltd**	(7)	**737**	**73**	73	**–**	–	**–**	–
Sands Hotels Holdings (Namibia) (Pty) Ltd	(5)	**1**	**100**	100	**–**	–	**–**	–
Sun International (South Africa) Ltd	(1)	**35 261**	**62**	44	**327 218**	321 007	**–**	–
Sun International (Botswana) (Pty) Ltd***	(2)	**500**	**80**	80	**–**	–	**–**	–
Sun International (Zambia) Ltd**	(10)	**3 750**	**100**	100	**–**	–	**–**	–
Sun International Inc	(6)	**1 580**	**100**	100	**865 060**	865 060	**–**	–
Sun International Management Ltd	(7)	**449**	**100**	100	**–**	–	**–**	–
SunWest International (Pty) Ltd	(1)	**337**	**37**	31	**–**	–	**267 253**	219 834
Swazispa Holdings Ltd	(3)	**3 497**	**51**	51	**–**	–	**–**	–
Teemane (Pty) Ltd	(1)	**28**	**48**	44	**–**	–	**–**	–
Transkei Sun International Ltd	(1)	**14 495**	**42**	31	**–**	–	**–**	–
Mangaung Sun (Pty) Ltd	(1)	**–**	**62**	–	**–**	–	**–**	–
					1 192 278	1 186 067	**287 253**	249 834
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**	37	**–**		**–**	–
Ster Century Middle East Ltd	(9)	**–**	**37**	37	**–**		**–**	–
Sun International of Lesotho (Pty) Ltd	(4)	**–**	**47**	47	**–**		**–**	–
					211 676	211 676		

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

** Amount of share capital is stated in US Dollars.

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twentieth annual general meeting of members of Sun International Limited ("the company") will be held in the boardroom, 4th Floor, 27 Fredman Drive, Sandown, Sandton, Gauteng, Republic of South Africa, on Tuesday, 30 November 2004 at 09h00 for the following purposes, namely:

1. To receive and adopt the annual financial statements for the year ended 30 June 2004.

2. To re-elect Ms L M Mojela and Messrs H Adams, D M Nurek, E Oblowitz, G R Rosenthal and P E I Swartz as directors by way of separate resolutions, who retire in accordance with the provisions of the company's articles of association. (Please refer to pages 79 and 80 of the annual report for a brief CV of each director standing for re-election.)

3. To approve fees payable to the non-executive directors in respect of the financial year ending 30 June 2005, as follows:

3.1 to the chairman of the board, R750 000;

3.2 for their services as directors, R120 000 each;

3.3 to the chairman of the audit committee, R100 000;

3.4 to the other members of the audit committee, R50 000 each;

3.5 to the chairman of the remuneration and nomination committee, R77 000;

3.6 to the other members of the remuneration and nomination committee, R38 500 each;

3.7 to the chairman of the group risk committee, R77 000; and

3.8 to the other members of the group risk committee, R38 500 each.

SPECIAL BUSINESS

4. 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 that it shall not extend beyond 15 (fifteen) months from the date of the 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 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% (ten percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was 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;

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

- 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 79 and 80;

- major beneficial shareholders – page 67;

- directors' interests in ordinary shares – page 102; and

- share capital of the company – page 126.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 79 and 80 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 79 and 80 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.

5. Amendments to the trust deed of The Sun International Limited Employee Share Purchase Trust (1986) (formerly The Kersaf Investments Limited Employee Share Purchase Trust)

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 Sun International Limited Employee Share Purchase Trust (1986) 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 Sun International Limited Employee Share Incentive Scheme (1986) ("the share option scheme") in order to increase the maximum aggregate number of scheme shares which may be subject to the share option scheme, and share options which may at any time be outstanding in terms of the share option scheme from 9 005 000 to 11 639 200, representing 10% (ten percent) of the ordinary shares in issue as at the date of the passing of this resolution, the details of which amendment are incorporated in the draft seventh addendum to the trust deed, initialled by the chairman for the purposes of identification."

A copy of the draft seventh 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 share option 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 share option scheme by 2 634 200 to 11 639 200, representing 10% of the company's issued share capital as at the date of the passing of the resolution.

6. Placing of additional shares under the control of the directors for purposes of The Sun International Limited Employee Share Incentive Scheme (1986) (formerly The Kersaf Investments Limited Employee Share Incentive Scheme)

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

"RESOLVED that an additional 2 634 200 ordinary shares with a par value 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 ("the Act"), with power to allot and issue these shares in accordance with and for the purposes of The Sun International Limited Employee Share Incentive Scheme (1986), 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 2 634 200 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 share option scheme. Prior to the implementation of the ordinary resolution in 5, if passed, 9 005 000 shares were under the specific control of the directors for this purpose. The additional 2 634 200 shares will increase the total number of shares under the specific control of the directors to 11 639 200 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 share option scheme.

7. Amendments to the trust deed of The Sun International Employee Share Trust

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

"RESOLVED that the directors of the company (by agreement between the group companies and the trustees of The Sun International Employee Share Trust ("the 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 trust in order to:

- constitute the employee share scheme in terms of the trust as an employee share scheme of the company;
- amend all references in the trust deed to "Kersaf Investments Limited" to "Sun International Limited";
- delete references to "SIDOK", being defined as the Sun International Division of Kersaf;
- expand the description of the group to include the company;
- amend all references to shares in the issued share capital of Sun International (South Africa) Limited ("SISA") to shares in the issued share capital of the company; and

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

– allow for the trust to indirectly hold shares in group companies through companies the sole assets of which are shares in group companies and the sole objects of which are to hold shares in group companies.

the details of which amendments are incorporated in the draft first addendum to the trust deed, initialled by the chairman for the purposes of identification."

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

The Sun International Employee Share Trust was established by SISA in 2003, to hold shares in SISA and the SISA group companies. Shareholders are referred to pages 55 and 56 of the annual report for particulars of the purpose of, operation and shareholdings of the trust. Following the offer by the company to acquire the shares in SISA which the company and its subsidiaries did not already own and which was concluded on 16 August 2004, the trust exchanged shares it held in SISA for shares in the company in terms of that offer. The effect of the ordinary resolution will be to amend the trust deed to incorporate consequential changes arising from the aforementioned transaction, and to expand the definition of eligible employees to include employees from companies in which the company holds at least a 30% interest. The proposed amendments will further allow for the trustees to indirectly hold shares in group companies, should this be required in the future. The references to SIDOK are also deleted as this definition is no longer applicable.

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 Investor Services 2004 (Pty) Limited, at the addresses given alongside, 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.

In order to more effectively record the votes and give effect to the intentions of shareholders, voting on all resolutions will be conducted by way of a poll.

By order of the board

SA BAILES
Group secretary

8 November 2004

Postal address
Computershare Investor
Services 2004 (Pty) Limited
PO Box 61051
Marshalltown
2107
Gauteng
Republic of South Africa

Delivery address
Computershare Investor
Services 2004 (Pty) Limited
Ground floor
70 Marshall Street
Johannesburg
Gauteng
Republic of South Africa

Sun International
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 twentieth annual general meeting of members to be held in the boardroom, 4th Floor, 27 Fredman Drive, Sandown, Sandton, Gauteng, Republic of South Africa, on Tuesday, 30 November 2004 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: Voting on all resolutions will be conducted by way of a poll. On a poll a member is entitled to one vote for each share held.

	Number of votes (poll)		
	FOR	AGAINST	ABSTAIN
1. Adoption of annual financial statements			
2. Re-election of directors : 2.1 Ms LM Mojela			
2.2 Mr H Adams			
2.3 Mr DM Nurek			
2.4 Mr E Oblowitz			
2.5 Mr GR Rosenthal			
2.6 Mr PEI Swartz			
3.1 Fees – chairman of the board R750 000			
3.2 Fees – services as directors R120 000			
3.3 Fees – chairman of audit committee R100 000			
3.4 Fees – other members of audit committee R50 000			
3.5 Fees – chairman of remuneration and nomination committee R77 000			
3.6 Fees – other members of remuneration and nomination committee R38 500			
3.7 Fees – chairman of group risk committee R77 000			
3.8 Fees – other members of group risk committee R38 500			
4. Special resolution: General authority to repurchase shares			
5. Amendments to trust deed: The Sun International Limited Employee Share Purchase Trust (1986)			
6. Specific authority to place additional unissued shares under directors' control: The Sun International Limited Employee Share Incentive Scheme (1986)			
7. Amendments to trust deed: The Sun International Employee Share Trust			

Signed at ______________________ on ______________________ 2004

Signature ______________________ Assisted by me (where applicable) ______________________

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

4. To be valid, forms of proxy must be lodged at the offices of the company's Registrar, Computershare Investor Services 2004 (Pty) Limited, 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, 29 November 2004.

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

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

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

SHAREHOLDERS' DIARY

ANNUAL GENERAL MEETING	30 November 2004
REPORTS	
Interim results for half year to December	February/March
Announcement of reviewed annual results	August/September
Annual financial statements	November
FINANCIAL YEAR END	30 June

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