



# Sun International Limited



ANNUAL REPORT 2005



# *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

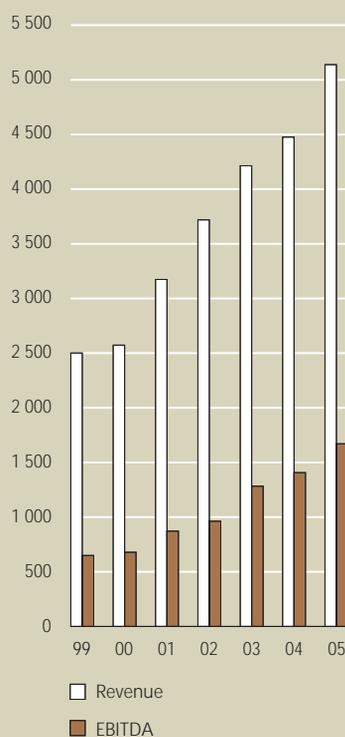
## Abbreviations

SIML	: Sun International Management Limited
SISA	: Sun International (South Africa) Limited
SCE	: Ster Century Europe
SCME	: Ster Century Middle East
KZL	: Kerzner International Limited
MVG	: Most Valued Guest
City Lodge	: City Lodge Hotels Limited

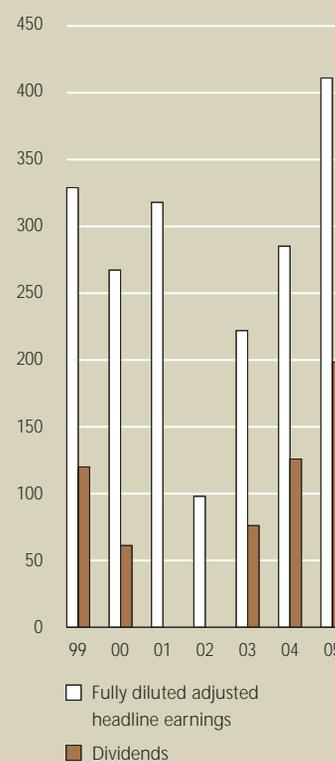
1	Financial highlights
2	Our corporate focus
4	The Sun International Limited group
6	Chairman's report
8	Chief executive's report
	Review of operations
17	Gaming & casinos
25	Hotels & resorts
30	Information technology
32	Our people
35	Chief financial officer's review
44	Seven year financial review
48	Sustainability report
78	Directorate and administration
83	Corporate governance report
102	Code of ethics
103	Financial statements
146	Notice of annual general meeting
151	Form of proxy
ibc	Shareholders' diary

## Financial highlights

Revenue and EBITDA  
(Rm)



Fully diluted adjusted  
headline earnings and  
dividends per share  
(Cents)

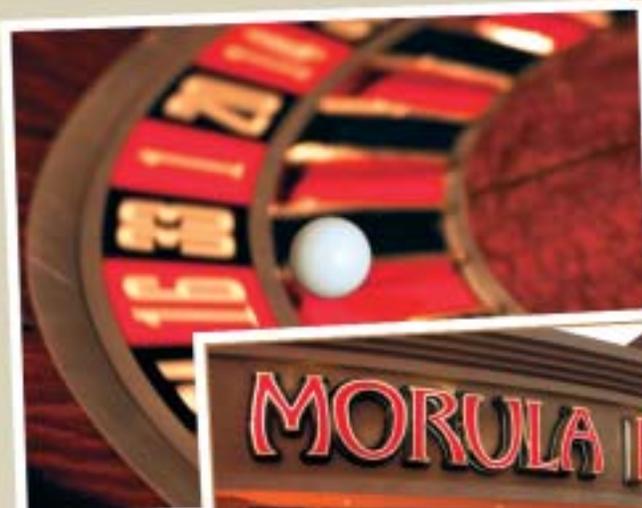
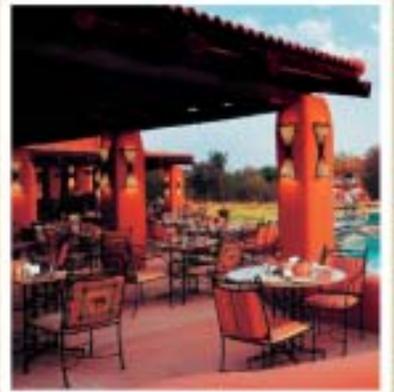


for the year ended 30 June

	2005 Rm	2004 Rm	Change %
<b>TRADING</b> (including adjusted headline earnings adjustments)			
Revenue	5 139	4 476	15
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	1 671	1 407	19
Profit from operations	1 163	896	30
Profit before taxation	1 011	657	54
Adjusted headline earnings	435	233	87
<b>ORDINARY SHARE PERFORMANCE</b>			
Fully diluted adjusted headline earnings per share	(cents) 411	284	45
Dividends per share	(cents) 200	125	60
<b>FINANCIAL RATIOS</b>			
Return to equity shareholders	(%) 16	10	
Interest bearing debt to total shareholders' funds	(%) 58	56	
Interest cover	(times) 5	3	
<b>MARKET SHARE PRICE AT 30 JUNE</b>	(Rands) 61,85	40,50	53

# Our Corporate Focus

Hotels, Resorts and Casinos



*Morula*

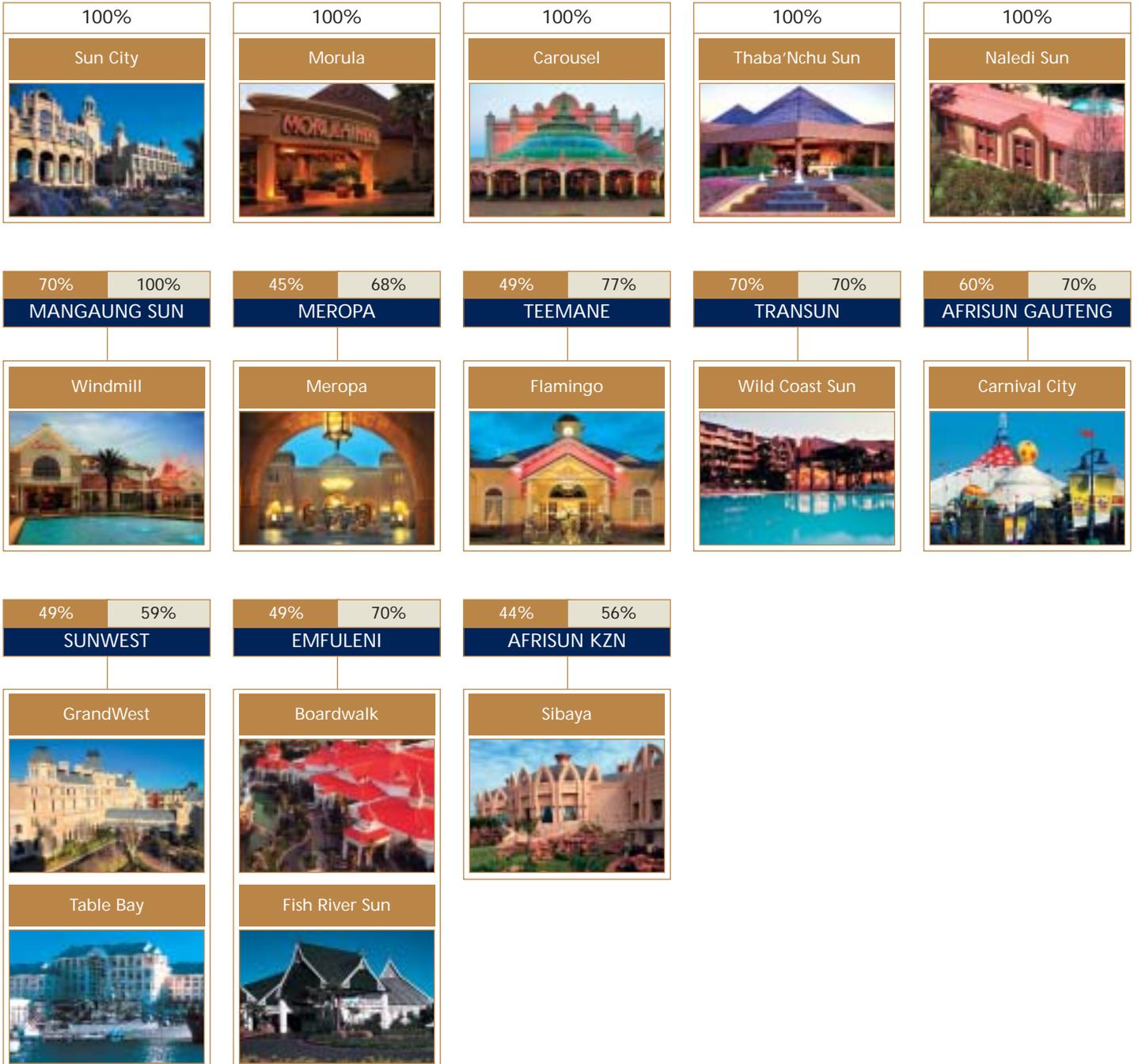
Gaming & Casinos



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

## South African operations



 Voting interest  
 Economic interest



100% Sun International Management Limited

Other southern African operations

100%  
ZAMBIA

Royal Livingstone



Zambezi Sun



100%  
NAMIBIA

Kalahari Sands



80%  
BOTSWANA

Gaborone Sun



Marang



Menateng



51%  
SWAZILAND

Royal Swazi Sun



Ezulwini Sun



Lugogo Sun



49%/47%  
LESOTHO

Lesotho Sun



Maseru Sun



39%\* City Lodge Hotels Limited

\* The group disposed of its interest in City Lodge on 6 September 2005 through a scheme of arrangement.



## Chairman's report



*We intend to*

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



### ANOTHER VERY GOOD YEAR

We continued to build and grow our business during the year under review.

Our financial performance was excellent, assisted by the strength of consumer spending on the back of continuing low interest rates and lower inflation in South Africa.

We opened the Sibaya casino and Entertainment Kingdom at the beginning of December 2004. This completed the major capital expenditure relating to our success in obtaining new gaming licences in South Africa.

Our commitment to transformation was further manifested in our announcement to move forward in structuring a BEE participation in the shareholding of Sun International, and our recent appointments at senior executive level.

We continued to progress our technology to enable us to maintain our leading position in the market, particularly in the casino gambling sector.

## EXCELLENT FINANCIAL RESULTS

Fully diluted adjusted headline earnings per share grew 45% to 411 cents well exceeding the prior year's growth of 30%. This improvement was primarily attributable to improved levels of trading in our gaming operations. Higher earnings and improved cash flows provided the basis for increasing the dividend for the year by 60% to 200 cents per share.

## THE DISPOSAL OF OUR NON-CORE CITY LODGE SHAREHOLDING

In our progress to achieve a core focus on gaming and premier hospitality and resorts, and to continue with the simplification of our group structure, we completed the sale of shares held by the company in City Lodge to our shareholders in September 2005.

## CORPORATE GOVERNANCE

Our long-term competitive success depends on being trusted to meet society's expectations, and we are proud of our governance practices throughout the group.

Our risk management and audit committees are functioning well as sub-committees of the board and considerable emphasis is placed on the identification and management of risk.

## SOCIAL RESPONSIBILITY AND SUSTAINABILITY

The group continues to improve safety at its numerous facilities. Having introduced the appropriate measures to address problem gambling proactively, we act both individually and with industry and government to focus on this important issue.

Sustaining and enhancing the business environment in which we are operating requires that we strive to achieve above-average returns for our shareholders, reduce our operating risk and share with our stakeholders the opportunities and wealth which our business can create.

Our corporate social investment philosophy and implementation thereof is described in the sustainability section within this report and explains our extensive commitment to socio-economic development in southern Africa.

## FURTHER DEVELOPMENTS

Approval has been obtained from the Western Cape Gaming Board for a significant expansion of the GrandWest casino and Entertainment World to 2 324 slot positions from the current 1 814. The extension is expected to cost approximately R320 million and will include the construction of a new smoking casino and related facilities, an upgrade to the Salon Privé, an extension to the covered parking, the construction of a 5 000 seat multipurpose arena, and a significant enhancement to the family entertainment facilities. It is anticipated that the additional casino capacity will open the second quarter of 2007.

The Windmill casino development in Bloemfontein and the soon to be constructed casino complex in Worcester add to the exciting and innovative portfolio of gaming outlets provided by the group.

We are continuing in our pursuit of gambling licences beyond South Africa. In this respect, we have developed exciting plans and

have forged important associations to assist us in what is likely to be a highly competitive bid process for regional casinos in the United Kingdom.

## OUR PARTNERSHIPS IN THE GAMING OPERATIONS

Given our success in attaining numerous licences in the regulated gambling industry in South Africa, we have been able to significantly enhance the wealth and influence of our various BEE partners throughout the country. The extension of this wealth creation continues apace with the growth and performance of our casino operations.

Sun International continues to assist our partners by providing them with facilitated funding.

## PROSPECTS FOR 2006

The group believes that Sun International casinos will benefit from the anticipated ongoing growth in disposable income, although the rate of growth experienced in the year under review is unlikely to be sustainable. The outlook for the group's hotels and resorts has improved and the trend in forward bookings is ahead of last year. We expect good growth in adjusted headline earnings per share in the year ahead and we again intend to increase the level of dividends at a rate in excess of the earnings growth rate.

## OUR PEOPLE

Our ability to retain our market leadership position in the leisure and hospitality sector is heavily dependent upon the investment we make in our people.

We have been extremely successful in our ability to attract and retain key people. In addition, we are not only mindful of the need to redress past imbalances, but also of our commitment to the country through employment equity, training and development and affirmative procurement. Sun International has moved rapidly in this area.

Peter Bacon is due to retire on 30 June 2006, having given the group over three decades of outstanding service. A significant amount of credit must go to Peter for the lead role he played in the group's successful acquisition of numerous new gambling licences in South Africa and the development and commissioning of our new highly successful casino operations.

David Coutts-Trotter, the chief executive designate, has worked closely with Peter and me over the last number of years. He has a good financial and operational background and this should assist him greatly in the future.

I would like to welcome Rob Becker as our newly appointed chief financial officer to the Sun International board.

Finally, I would like to thank my non-executive colleagues, the management and all our people for their support and hard work, which has enabled the group to continue on its path of success.

**Buddy Hawton**  
*Chairman*



## Chief executive's report



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



### TRADING ENVIRONMENT

Sun International achieved another very positive performance this financial year. Improved levels of disposable income arising from lower interest rates and increased consumer confidence were the primary drivers, particularly of our gaming operations.

Our hotels and resorts had a challenging year, largely as a consequence of increased competition from Dollar denominated destinations due to the Rand strength, additional capacity in the five-star market, and a trend to a "buy down" by international tourists.

The Rand's performance has served to keep inflation down to levels which make a 6% growth in GDP that much more achievable. Sound planning and focused cost control will be required in the future, given that revenue growth rates currently being achieved are unlikely to be sustained.

Operations in neighbouring countries all reported stable performances, except in Botswana where a weaker economy, driven by the devaluation of the Pula and the introduction of VAT, put downward pressure on consumer spending. Namibia improved its performance and our Zambian operation reported significantly improved results and is now regarded as a premier international tourist destination.

Tourism trends in South Africa have shown a decline in visitor numbers and length of stay from Europe, the country's premier source market. While the UK, Europe, the USA and Hong Kong continue to be areas of focus, we believe that significant new growth is to be found in emerging new markets in Asia and Africa.

We have recently established a marketing presence in high-potential new markets such as China and Russia, and we are soon to extend this to India. We have also been actively marketing in African countries such as Kenya and Nigeria, where we are seeing considerable growth in leisure business to our properties.

Of concern is the record high oil price, which could have a significant impact on inflation and personal disposable income. On the positive side, the prospects for the South African tourism industry are encouraging and we believe the hosting of the Football World Cup in 2010 will result in substantial infrastructural spending and an increased focus on South Africa in the build-up to the event.

## OPERATING AND FINANCIAL PERFORMANCE

Group revenue at R5,1 billion was 15% ahead of last year with gaming revenues up 18% and rooms revenues in line with the previous year. Gaming revenue growth was boosted by the opening of the Sibaya casino at Umhlanga, north of Durban, in early December 2004. Rooms revenue was impacted by the disposal of the Zimbali Lodge and Mpekweni operations in July and March 2004 respectively and on a comparable basis was 4% up on the previous year.

Costs continued to be well controlled and the EBITDA margin improved by one percentage point to 32,5%. EBITDA grew 19% to R1,7 billion with the group's major gaming operations contributing significantly to the overall improvement in profitability and cash flow. This, together with lower interest charges, resulted in the group achieving growth of 45% in fully diluted adjusted headline earnings per share.

The improved profitability has resulted in enhanced returns to shareholders which increased six percentage points to 16%. Return on net assets improved to 21%, five percentage points above last year.

## LEGISLATIVE DEVELOPMENTS

The new National Gambling Act was signed into law in November 2004, and was followed by the introduction of the Regulations made under the Act. The legislative environment has achieved noteworthy levels of maturity and sophistication, which augurs well for operators and regulators alike.

The Casino Association of South Africa (CASA), of which I am now chairman, has been effective in representing the interests and views of industry. A high level of co-operation and common purpose exists on industry matters, both with respect to the regulatory environment and to industry programmes such as the National Responsible Gambling Programme.

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*It is our intention to retain leadership  
of the markets in which we operate  
through innovation and an obsession  
with service excellence*

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## BRAND DEVELOPMENT AND POSITIONING

Following the consolidation and simplification of the group's structure, Sun International has positioned itself to be recognised locally and 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 leadership of the markets in which we operate through innovation and an obsession with service excellence and the delivery of unique, market leading and customer focused products.

## GAMING

The group operates 19 casinos in southern Africa including 12 of the 32 casinos currently operating in South Africa. The group is the leading casino operator in Africa and enjoys a 43% share of the South African casino market.

While our casino operations performed well during the year under review, our new generation casinos did particularly well.

Approval has been obtained from the Western Cape Gambling and Racing Board to expand the GrandWest gaming and ancillary facilities to accommodate growing customer demand. These facilities will become operational in the second quarter of 2007.

Boardwalk significantly improved its performance, driven by a strong Eastern Cape economy. Carnival City achieved a very

## Chief executive's report (continued)

respectable 22% growth in gaming revenue against the Gauteng market growth of 14%.

Following the refurbishment at Morula and the upgrading of the casino floors at both Morula and Carousel, we saw an improvement in revenue during the last quarter. Carousel will also benefit from a new offramp off the N1 highway, which will reduce the journey time from Pretoria and Johannesburg.

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*The group is the leading casino operator in Africa with a 43% share of the domestic casino market*

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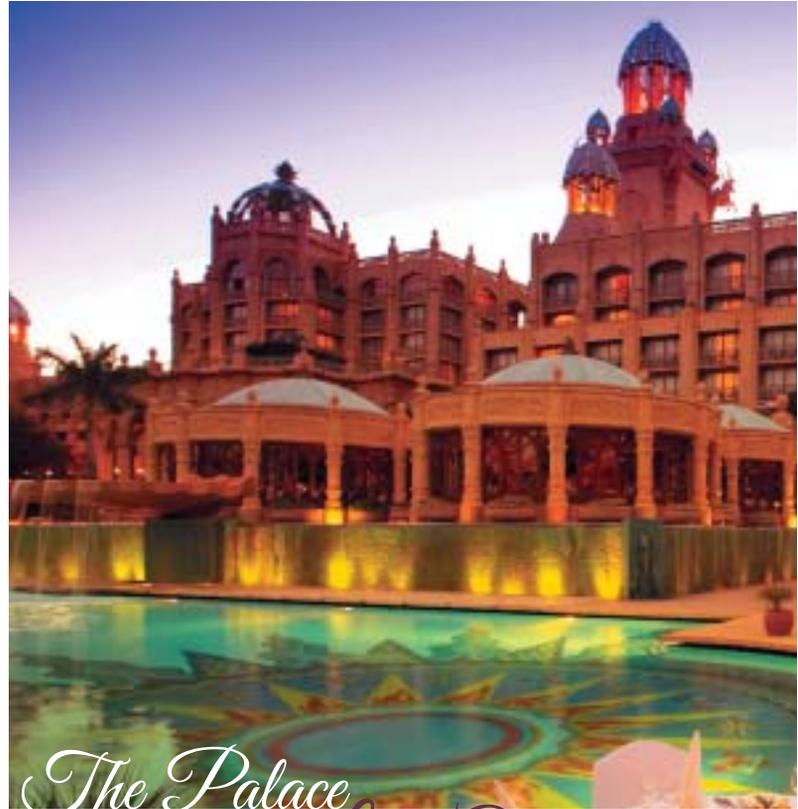
The Sibaya complex in Umhlanga was opened on 1 December 2004 and has performed in line with our expectations. This exciting new property currently has an estimated 43% of the Durban casino market. Although capital expenditure was over budget on the development, an insurance claim has been submitted for the recovery of R46 million of the overrun under the group's professional indemnity cover.

The new Windmill casino in Bloemfontein was opened to the public on 30 September 2005. Capital expenditure by the group on the project was R165 million, but including the restaurant, family entertainment centre and an 80-room hotel, financed by others, the total investment is R250 million. The Windmill casino is well located on the N1, attracting both north and south-bound traffic as well as enjoying easy access to the residential suburbs of Bloemfontein. The group believes this operation will become a major attraction in the Free State.

Looking ahead, progress has been made with the development of a R150 million casino at Worcester which will be completed towards the end of the 2006 calendar year, and a small casino at Palapye between Gaborone and Francistown in Botswana which is expected to open in November 2005. These operations will have 150 and 50 slot machines respectively.

### HOTELS AND RESORTS

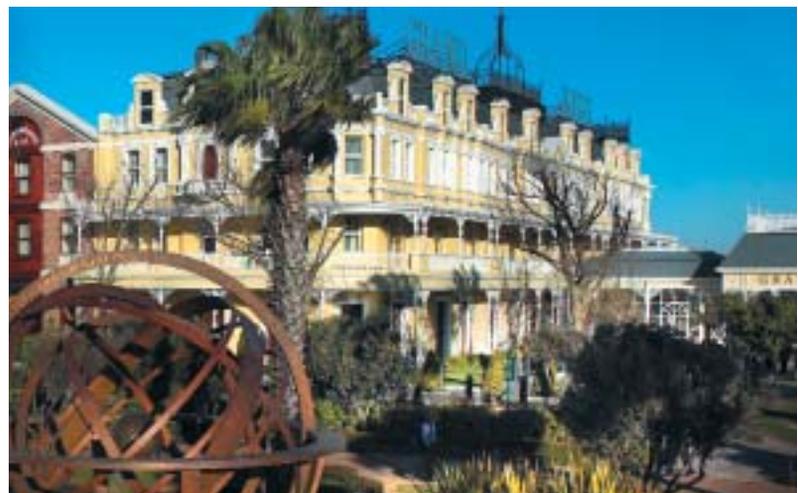
The group operates superior luxury hotels and resorts and a portfolio of smaller regionally-focused hotels, many with casinos, in southern Africa. These properties are positioned at the premier end of the market and offer excellent conference facilities, as well as high-quality banqueting and food and beverage options.



*The Palace of the Lost City*



▼ GrandWest, Cape Town





Views of the King and African Suites, The Palace of the Lost City – Sun City ▼



Royal Livingstone, Zambia ▼



The Table Bay at the Waterfront in Cape Town, The Palace 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 further 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 infrastructure that provides marketing, reservations, sales, purchasing, development and management expertise locally and internationally.

During the year, the group launched the second phase of the Vacation Club at Sun City. At year end, this second phase comprising 130 two-bedroom units was already 70% sold. The first phase of the Vacation Club comprised 150 rooms and enjoys 95% occupancy year round, significantly increasing visitor numbers and helping the complex to achieve critical mass.

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*Condé Nast in the United States  
voted the Table Bay Hotel the  
best hotel in Africa and the  
Middle East, for the second time*

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Our Zambian operation achieved a significantly improved performance, growing occupancy levels nine percentage points to 62% and rooms revenue in US Dollars by 34%. The complex had a slow start due to neighbouring Zimbabwe's economic and political problems. However, this operation is now reaping the benefits of focused and sustained marketing and service excellence and has already established itself as an international destination.

Our E-scapes reservations service now has 300 000 customers in its database. In addition, we expanded "Dreams", the group's in-house tour operator, which made a significant contribution to the increased bookings achieved in Zambia.

Sun International properties were again the recipients of a number of prestigious international travel industry awards.

## Chief executive's report (continued)

These included the Table Bay being named by Conde Nast in the US as the best hotel in Africa and the Middle East, for the second time. Its fine dining restaurant, The Atlantic Grill, was chosen by the same publication as one of the top 50 new restaurants in the world. The hotel was also the joint winner of the World Quality Summit Gold Achiever Award as the top city banqueting and conferencing facility in South Africa.

The Royal Livingstone, Zimbali Lodge, Sun City, Kalahari Sands, Wild Coast Sun and Royal Swazi Sun also received a number of awards and citations in respect of quality standards, range of facilities and amenities, environmental best practice, and for social responsibility.

### TECHNOLOGY AND PRODUCT DEVELOPMENT

We continue to invest in new technology in order to improve and enhance customer service levels and efficiencies. During the year, the group embarked on a number of initiatives, including re-assessing its needs and requirements in terms of its Customer Relationship Marketing Programme with a view to introducing a single image database linked to the MVG Programme, with the goals of providing an improved customer experience and more cost-effective marketing.

Sun International continues to invest in research, development and innovation, and the group's smart card technology has given it a unique and competitive edge in the marketplace. The group is currently assessing and evaluating its technology platforms and proprietary casino management system. The evaluation will provide the group with a sound basis to improve its key systems and achieve further competitive advantage.

To ensure Sun International stays at the forefront of customer entertainment standards, the group has developed new proprietary games, such as "DemBones". The success of these products is a direct consequence of consumer preferences and demand. The group's executive management team and its IT specialists combine their efforts to ensure products such as these, and promotions such as "Mystery Jackpots", are always well received by our customers.

The key resort platform will be upgraded within the next two years to ensure that customer service levels are continually improved and that our reservations, property management and key hospitality systems remain globally competitive.

### PEOPLE

The group directly employs approximately 8 000 people and their loyalty, commitment, skills base and intellectual capacity is Sun International's most valuable resource.



➤ Windmill casino, Bloemfontein  
▼ Port Ghalib, Egypt



Skills development remains a high priority and includes ongoing training and development to enhance the customer experience, to improve productivity, and to provide our people with fulfilling and rewarding careers.

The group is firmly on track to achieve its employment equity targets, and in the past year, the appointment of a number of senior black executives has further broadened the diversity of top management.

The Sun International Employee Share Trust, which was established during 2003 for the benefit of over 6 200 of our employees in South Africa, has seen pleasing growth in distributions to employees and has benefited from substantial growth in its underlying investments. The Trust distributed R1 728 per participant in respect of the 2005 financial year and has distributed over R14 million since inception in 2003. This initiative enables all of our employees to share in the success of Sun International. Looking forward, we intend to include employees of the group's non-South African units into the Trust.

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*We continue to invest in new technology  
in order to improve and enhance  
customer service levels and efficiencies*

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## EXPANSION AND OTHER STRATEGIC INITIATIVES

Given that South Africa is a regulated environment with the number of casinos limited by legislation, there are few opportunities for new development. Of the 40 permissible licences, 33 have been awarded, and we do not see scope or market demand for any further large casinos in the short to medium term. Therefore, it is necessary to look beyond South Africa for growth opportunities in the gaming industry and respond to global opportunities as and when they arise.

The group is currently involved in providing technical and management services to the Kharafi Group, developer of the Port Ghalib integrated resort at Marsa Alam on the Red Sea in Egypt. The resort is scheduled to open in 2007. The total investment by the Kharafi Group will amount to some US\$150 million and includes two hotels with 1 000 keys, a marina, a corniche with a large selection of restaurants and bars and an international convention centre.

We will also continue to look at opportunities for city-based hotels with casinos in African capital cities, or other large cities in Africa which draw the majority of their business from local markets and regional travellers. The group's management has made a number of visits to Angola and Nigeria to examine hotel and casino opportunities. These vibrant environments have substantial potential and the group will continue to investigate and pursue these opportunities.

A number of jurisdictions are considering the introduction of a regulated casino industry, and among these, we believe that the United Kingdom is an excellent prospect, as this environment is ideally suited to Sun International's capabilities and experience.

The group is presently investigating two potential projects, at Rainham in the Thames Gateway to the east of London, and in the Lower Don Valley at Sheffield. Both sites offer considerable potential to advance the public interest by regenerating urban areas which are in need of catalytic investment, and both have access to substantial local markets. Preparatory work, such as project conceptualisation, financial feasibilities and economic and environmental impact analyses, is well underway, and the preliminary results confirm our early and positive assessment of the high potential of these projects. Legislation passed in May 2005, just prior to the general election, reduced the number of trial regional casinos to one. The process by which the United Kingdom will introduce mass market gambling is still evolving, and it is hoped that the eventual policy framework will permit up to eight such facilities.

The group has carefully assessed a number of opportunities in Asia. In Singapore the group was selected to proceed into the final round when a number of qualifying companies will be invited to submit an application for a casino licence. The government's Request for Proposals has yet to be published, but it is already clear that if the group were to decide to proceed, upwards of US\$1,5 billion in expenditure would be required. Additionally, casinos in Singapore are likely to experience strong regional competition from Macau and potentially Thailand, Indonesia and India. This will necessitate caution and careful consideration of opportunities in this part of the world.

The group will continue to monitor other jurisdictions in Asia, an attractive and high-potential market, but only those which are of sufficient scale and after thorough commercial, reputational and political risk assessments have been completed.



Chief executive's report (continued)



▼ The Atlantic Grill Restaurant, Table Bay Hotel – Cape Town

Boardwalk casino, Port Elizabeth ▲



▼ Windmill, Bloemfontein



## CAPITAL EXPENDITURE AND FUNDING

The group has committed to capital expenditure of some R814 million in the year ahead. This includes expenditure for the completion of the Bloemfontein (R73 million) and Worcester (R127 million) casinos and the 118-room Sibaya Lodge (R83 million).

Refurbishments totalling R116 million have been budgeted for Sun City, Wild Coast Sun, Table Bay, Kalahari Sands and Gaborone Sun. Ongoing capital expenditure of R380 million has been approved, which includes R188 million for slot machines and R101 million in respect of IT equipment and software respectively. Capital expenditure will be funded out of new debt facilities for the Bloemfontein and Worcester projects and out of existing facilities for the Sibaya Lodge refurbishments and replacement capital expenditure.

## 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 contributing factor to our success in obtaining new casino licences throughout the country.

As market leader, we believe that we have a special duty to promote responsible gambling. For the overwhelming majority of our customers, gambling is harmless entertainment, however, a small minority develop a compulsive gambling problem and this can have negative implications for them and their families. Recognising this, Sun International originally established the internationally recognised National Responsible Gambling Programme (NRGP), now supported by all operators in the casino industry, as well as the racing, Limited Payout Machines and bingo sectors.

The NRGP, today a public/private sector partnership, is accepted as one of the foremost programmes of its kind in the world, and enjoys strong support from government, regulators and industry alike. Sun International contributed R3,6 million to the NRGP during the year. In addition, the group invested a significant amount in customer education and staff training, with over 2 100 staff who received problem gambling awareness training in the past 12 months.

## THE TEAM AND SUCCESSION PLANNING

It is my intention to retire at the end of the 2006 financial year and therefore, this will be my last report as chief executive.

I have been immensely fortunate to enjoy an event-filled and rewarding 33-year career with Sun International, a period which has seen significant change, progress and growth in our tourism, leisure and gambling industries. It has been a privilege for me to serve as chief executive of Sun International both in South Africa and overseas.

David Coultts-Trotter has been appointed chief executive designate with effect from 1 September 2005. David's close involvement with all aspects of the business will ensure a smooth transition and I believe the company is in capable and talented hands going forward.

We are pleased to welcome Rob Becker, who joined the group on 1 July 2005 as chief financial officer. Rob was appointed to the board on 30 July 2005.

The group strengthened its executive management structure with the following appointments to the SIML board of directors: Khati Mokhobo as new business development director, Clarence Benjamin as director group internal audit, Sean Montgomery as development director and Joe Lukwago-Mugerwa as group human resources director (designate). Tristan Kaatze was promoted to divisional director: gaming north following the retirement of Stuart Shaw.

My sincere thanks and appreciation go to our shareholders, the main and subsidiary boards, our chairman, Buddy Hawton, and especially the staff and SIML management. Recognition is also appropriate for our partners and suppliers who contributed substantively to Sun International's success.

Lastly, in this and past years, we would not have been able to achieve what we have without our customers, whose loyalty and patronage have played the key role in our success.

**Peter Bacon**  
*Chief Executive*





*The Carousel* - Babelegi

# Gaming & Casinos

Sun International is the only southern African gaming operator with a comprehensive R&D function, which gives us a clear competitive advantage in anticipating, meeting and exceeding customer expectations.



## Review of operations (continued)

### GAMING MARKET IN SOUTH AFRICA

The gaming market in South Africa includes casinos, the national lottery, horse racing, limited payout machines (LPMs), bingo and sports betting.

For the year to 31 March 2005 the overall gaming market grew by 12% compared to the previous year's 17% growth, with the reduced rate of growth due to the significant relative under performance of the National Lottery. South African casinos with growth of 19% on last year still enjoy the largest share of the gaming market at 72%, up from 68% in 2004. The lottery contracted by 13%, losing significant market share to the other forms of gaming, in particular casinos and horse racing.

#### South African gaming market revenues

Sector	Year ended	Year ended	% Increase
	31 March 2005	31 March 2004	
	Rm	Rm	
Casino	8 700	7 330	19
Lottery	2 232	2 564	(13)
Horse Racing	1 156	860	34
LPM	32	10	220
Bingo and Sports	18	30	(40)
<b>Total</b>	<b>12 138</b>	<b>10 794</b>	<b>12</b>

Source: National Gambling Board and Uthingo

### SUN INTERNATIONAL'S SHARE OF THE CASINO GAMING MARKET

Sun International's share of gaming revenues at 43% was one percentage point up on last year, with the group's share of gaming positions declining one percentage point to 43%. Increased

marketing activity at Carnival City resulted in the group increasing its share of the highly competitive Gauteng market by one percentage point to 18%. The group's share of the KwaZulu-Natal market declined by two percentage points due to the opening of the second phase of our major competitor's facilities in July 2004. The group has since regained some market share following the opening of the Sibaya casino. The decline in market share at Thaba'Nchu Sun in the Free State is due to a full year's trading from a competitor facility, which opened in December 2003. The Thaba'Nchu Sun casino closed at the end of September 2005 to coincide with the opening of the Windmill casino in Bloemfontein.

### COMPETITORS

Casino gaming in South Africa is highly competitive, particularly in Gauteng and KwaZulu-Natal. This necessitates significant promotional, marketing and media expenditure, resulting in higher costs of attracting and retaining customers. The sixth casino licence in Gauteng was awarded to Silverstar Development Limited. Gold Reef Casino Resorts Limited and its empowerment partner have acquired an option to acquire the entire issued share capital of Silverstar. The new casino is expected to open mid-2007 and is not expected to have a material impact on any of the group's operations but will in all likelihood have a significant impact on competitors' casinos, Montecasino and Gold Reef City.

### PRODUCT OFFERING

Sun International has continued with an aggressive slot machine replacement and upgrade strategy at all its properties. Contemporary and attractive slot signage now includes an in-house broadcast system for displaying promotional and jackpot information and include table displays that inform players of winning numbers as well as various special offers and promotions. Information kiosks installed on our casino floors in the current year

Province	By gross gaming revenue		By total number of gaming positions	
	Year ended 31 March 2005	2004	Year ended 31 March 2005	2004
Eastern Cape	79%	79%	79%	74%
Free State	46%	75%	58%	58%
Gauteng	18%	17%	24%	24%
KwaZulu-Natal	33%	35%	29%	29%
Limpopo	85%	85%	67%	67%
Mpumalanga	-	-	-	-
North West	81%	86%	82%	88%
Northern Cape	85%	86%	61%	61%
Western Cape	82%	82%	70%	70%
<b>Total</b>	<b>43%</b>	<b>42%</b>	<b>43%</b>	<b>44%</b>

Source: National Gambling Board



▲ Morula, Mabopane



MVG lounge – Morula, Mabopane ▲



offer our customers real-time information on jackpots, machine payouts, machine and facility locations, promotions and customer information including MVG points.

A new slots concept, "Hollywood Slots", will be introduced in the first half of the 2006 financial year. This is arguably the most innovative gambling product to be introduced in South Africa in many years, and will raise the stakes on the entertainment platform in the South African casino industry, helping to differentiate our product offering and marketing from the more typical and generic casino-type promotions. "Hollywood Slots" is an exclusive Sun International range comprising of the latest IGT movie-themed video slots and the group has secured exclusivity for a four-year period including ongoing replacement of the slot machine games. Our aim is to provide our existing customers with an exciting new suite of games using icon movies and characters and to capture new business.

#### 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 anticipating, meeting and exceeding customer expectations. The basic philosophy of the gaming R&D

division is to pre-empt customer requirements by constantly developing new and innovative products and offerings. This is done through a system of constant market scanning both locally and in key international markets. Our R&D mission is to maintain our position as the benchmark in gaming products through brand positioning, product and service innovation and focused customer retention management strategies.

#### Mystery Jackpots

The Mystery Jackpot system allows our operations to create multiple jackpot opportunities across the entire slot floor, by groups of machines or individual machines. This gives customers more chances to win while playing slots. Mystery prizes include instant cash prizes, holiday and car prizes and winning a chance in the money shower. Mysteries create "That Winning Feeling" and a sense of excitement and fun for customers. Personalised Mysteries, Chain Reaction and Hype Indicators were released in the financial year as enhancements to the group's Mystery Jackpots. These releases will ensure the Mystery Jackpot system remains innovative and exciting and will help to maintain the group's competitive edge. Tables Mysteries were introduced during the current year in order for tables players to share in the excitement of the Mystery Jackpot product.

## Review of operations (continued)

### Sun games

Sun International develops and operates its own proprietary slot games. These games are extremely popular with customers and include games such as Red Hot Lobster and DemBones and Gogga. The group has developed a number of other new exciting slot games that will form part of its server-based offering which will be released when regulation allows.

### Table games

The tables market has remained fairly flat over a number of years, partly attributed to the lack of development in the tables offering. As a consequence, the group has researched new products to complement our gaming table operations, and has released variations on blackjack and roulette games at selected properties. Mystery Jackpots have also been extended to table games, and this option is being rolled out across the group. Increased focus has been placed on table promotions at all properties and this will continue into the next financial year. These initiatives appear to have had some success with tables revenues growing strongly this year for the first time in many years.

## GAMING MARKETING

The group's gaming marketing strategy is to ensure that all customers enjoy the best "value for money" gaming experience possible. This includes ensuring that the latest and most popular machines are on our slots floors, customer service is of the highest standard and that we provide our customers with quality entertainment and a comprehensive range of food and beverage facilities. Joint marketing campaigns between the group's casinos and resorts allow Sun International to reward customers with innovative promotions and special offers, and realise economies of scale made possible by the group's size and geographical spread.

### MVG

The MVG Programme is the key element of the group's customer relationship strategy to provide a consistently excellent guest experience at all our properties and is the premier casino rewards programme in southern Africa. The programme has four levels offering distinctive privileges to members at all the group's hotels, resorts and casinos, with benefits becoming increasingly valuable as customers progress through each level.

The MVG Platinum Card, introduced during the 2004 financial year, qualifies our top MVGs to 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 for their loyalty and patronage. The card has proved to be extremely successful and has been well received by our customers.

We will continue to invest in customer retention and acquisition through our MVG Programme, which currently has over 420 000

active cardholders and provides us with a distinct competitive edge over our competitors.

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*The MVG Programme provides a consistently excellent guest experience at all our properties and is the premier casino rewards programme in southern Africa*

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### Sun International Privé

The Sun International Privé magazine is particularly aimed at our MVG customers and is a our premier method of communication with them. This high-quality lifestyle and gaming magazine is published quarterly and is well received by our customers.

### Major marketing campaigns

2005 saw increased promotional and advertising activity at all our casino properties. These included GrandWest's Grand Winter Games and Gourmet Festival, Flamingo's Pink Birthday Party, Carnival City giving away 18 cars in 13 weeks – one of Gauteng's most successful casino promotions – the re-launch of the Carousel and Morula following the refurbishment of these two properties and the well attended and successful launch of Sibaya. Group gaming promotions included the Black Diamond Blackjack Tournament and the renowned Big 5 Golf Tour, where our top rated MVGs are taken on an all-expenses-paid golfing safari that visits Sun International's top golf courses. Invitations for the Big 5 are highly coveted by our MVGs.

Carnival City is currently running a brand refresh campaign that arguably includes the best television commercial that has been produced for Sun International since the "We Will Rock You" commercial for Sun City.

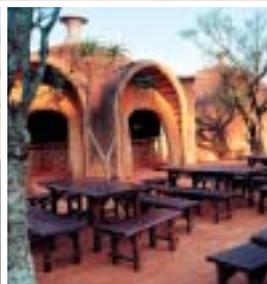
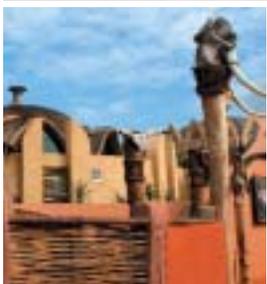
### Growing the gaming market

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 therefore constitutes 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 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 growth in the casino business by maximising opportunities in this high-potential market, based on sound consumer insight.

## NEW DEVELOPMENTS

The first phase of the Sibaya property opened on 1 December 2004 at a capital cost of R733 million. The casino houses 905 of the





# Sibaya

Sibaya, Umhlanga 

## Review of operations (continued)



➤ GrandWest, Cape Town



latest slot machines and 37 tables in three areas, the main casino floor, the smoking casino and the Royal Court – a salon privé of distinction. The complex's other facilities include a 36-room luxury hotel, conference facilities, a variety of innovative restaurant, entertainment and bar facilities, a theatre and cultural village. Construction of the 118-room three-star hotel is expected to commence shortly at an estimated cost of R83 million, and is scheduled for completion in September 2006. The complex has quick and easy access via the new interchange that links the north-bound N2 and coastal road to the casino.

The major refurbishment of the Morula casino was completed at the end of January 2005 at a cost of R85 million. The casino has been extensively refurbished and the casino floor has been upgraded with the introduction of the group's smart card technology and the replacement of all casino equipment. The upgrade of the casino floor, together with the introduction of new facilities including an entertainment bar, MVG lounge and the refurbishment of the hotel and restaurant has provided customers with a substantially enhanced product.

The upgrading of the Carousel casino floor, with the introduction of the group's smart card technology and the installation of replacement slot machines, was completed in March 2005 at a cost of R66 million. A new offramp has been constructed, and recently opened that will allow direct access to the Carousel to north-bound traffic on the N1.

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*Our gaming marketing strategy is to ensure that all customers enjoy the best value for money gaming experience possible*

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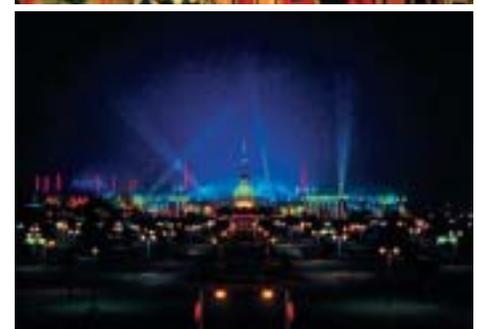
The R165 million Windmill casino at Bloemfontein opened to invited guests on 29 September 2005 and to the public on 30 September 2005. The casino is well located on the N1 highway and in keeping with its name, the casino features a Moulin Rouge theme. It includes an 80-room hotel and a restaurant and family entertainment centre.

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

Approval has been obtained from the Western Cape Gambling and Racing Board for a significant expansion of the GrandWest Casino & Entertainment World including an increase in the number of slot



▲▼ Carnival City promotional advert  
 ◀ Carnival City, Brakpan



positions from the current 1 814 to 2 324. The extension is expected to cost approximately R320 million and will include the construction of a new smoking casino and related facilities, an upgrade to the Salon Privé, an extension to the covered parking, the construction of a 5 000 seat multi-purpose arena and a significant enhancement to the family entertainment facilities. Detailed design development has commenced following which the required submissions will be made to the relevant authorities for planning and related approvals. It is anticipated that the additions to the casino will open late in the second quarter of the 2007 financial year.

### 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. Sun International continues to make good progress in the rapidly changing technology environment. The regulatory process relating to Internet gambling has advanced during the last year, with consultations taking place between industry and regulators. Sun International intends to offer "play for fun" to our MVG customers via our website in the near future.



*The Palace of the Lost City* - Sun City

# Hotels & Resorts

Our hotels and resorts marketing philosophy is to build and leverage the Sun International brand. This is achieved 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 aim to consistently exceed our corporate objectives with our exclusive network of worldwide partners and our motivated, dedicated and specialist employees.



## Review of operations (continued)



▲▼ *Vacation Club, Sun City*  
 ◀ *Santorini Restaurant, Sun City*



### OVERVIEW

International and national market statistics of the group's resorts and hotels including Sun City, Wild Coast, Table Bay, Zambia, Botswana, Swaziland and Namibia for 2004/5 are reflected in the table below:

### GROUP OCCUPANCIES AND RATES

	2005	2004
Group room nights available (000's)	<b>1 238</b>	1 296
Gaming Resorts	<b>136</b>	120
	<b>1 102</b>	1 176
Group room nights sold (000's)	<b>874</b>	864
Gaming Resorts	<b>102</b>	88
	<b>772</b>	776
Occupancies achieved (000's)	<b>70,6</b>	66,7
Gaming Resorts	<b>75,0</b>	73,3
	<b>70,0</b>	66,0
Local resort room nights sold (000's)	<b>546</b>	535
Occupancy achieved (%)	<b>49,5</b>	45,5
International resort room nights sold (000's)	<b>226</b>	241
Occupancy achieved (%)	<b>20,5</b>	20,5

The number of room nights available fell in the year due to the disposal of Zimbali Lodge in August 2004 (76 rooms), Nhlngano in Swaziland with effect from 30 June 2004 (47 rooms) and the disposal of Mpekwani in April 2004 (96 rooms).

Occupancies at the group's resorts improved significantly to 70%, four percentage points ahead of the previous year. This was due mainly to higher sales to gaming customers (up 21%) and the improved group and convention business, which grew 18,5%.

The average room rate of R713 remained in line with the previous year due to increased volumes in the lower yielding segments of the market. The international average room rate declined 2,3% as a result of rates being held at last year's levels and pressure created from the "buy-down" trend due to the strengthening of the SA Rand against the US Dollar.

Our resort in Zambia achieved a nine percentage point increase in room occupancy to 62% in the financial year. This unique African experience is rapidly growing its stature from being a top regional destination to becoming an international destination of choice. Indicative of its success is the fact that when launched, Nationwide flew to Livingstone from Johannesburg only three times per week: now, this airline, together with SAA and British Airways, provides up to 18 flights per week. This complex has added significantly to the Zambian tourism economy and has assisted greatly in the regeneration of the town of Livingstone.



Royal Livingstone, Zambia ▲  
 Zambezi Sun, Zambia ◀  
 Zimbali Lodge, Umhlanga ▼



## MARKETING PHILOSOPHY AND STRATEGY

Our hotels and resorts marketing philosophy is to build and leverage the Sun International brand. This is achieved 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 aim to consistently exceed our corporate objectives with our exclusive network of worldwide partners and our motivated, dedicated and specialist employees.

## BRANDING AND MARKETING

Last year saw the launch of the "Take what you need and leave everything else behind" campaign which was communicated through extensive television, cinema and national billboard coverage. The key resort properties were featured and the campaign will be continued in the current year, mainly through billboard advertising, but supported by television and cinema exposure.

An extensive e-marketing campaign has been undertaken and has been most effective in establishing a fully profiled database of customers. This database will be most cost effective in filling valley periods and marketing custom packages to specific target markets.

## INTERNATIONAL MARKET

The group's major international market is the United Kingdom, which generated 58 000 room nights, 11,5% ahead of the previous year with Zambia enjoying most of the increase. The Asian market is significant for the group and declined by 18% compared to last year. Much of this decline was due to lower volumes out of the Hong Kong market which sought relatively cheaper US Dollar-priced destinations.

*Our Zambian operation is becoming an international destination of choice*

The North American market continued to perform well, generating 7% growth, while the important German market was impacted by the weak economic climate in that country.

The new Russian office is now well established and the group is positioned to achieve good growth in this market. The Sun International brand is being actively promoted in China, which is seen as a market with tremendous potential.



## Review of operations (continued)

New opportunities are being investigated in both India and Scandinavia.

### DOMESTIC MARKET

The national marketing and sales effort is aimed at corporate, government and the individual market segments of the leisure and group and convention business. Sports groups remain an important market due to the excellent recreational facilities the group has to offer. In particular, Sun International has a number of world-class golf courses at its resorts.

Sun International established its in-house tour operator, Dreams, to actively market packages through local retail networks. Initially, the Zambian resort was marketed and this has since been extended to Swaziland and Zimbali, with a further broadening to our other resort operations under consideration.

Our e-marketing campaign has grown its database substantially and has proven to be a most useful marketing tool particularly in resolving short-term capacity problems.

A variety of innovative gaming promotions was packaged for the group's casino resorts and this segment showed excellent growth over the previous year. These promotions have been integrated with the group's MVG loyalty programme and have successfully leveraged local demand for the casino resort properties.

## *Sun City*

will host the Women's World Cup of Golf in January 2006 for the first time.



The "Route of the African Sun" is a consistently popular product with the international FIT (fully inclusive travel) market segment. It incorporates three of the most exciting destinations on the sub-continent: Table Bay in Cape Town, The Palace at Sun City and the Royal Livingstone at the Victoria Falls. Looking forward, consideration is being given to include Zimbali.

Sun City again successfully hosted the Nedbank Golf Challenge. The 12-man field attracted record numbers of spectators while the international TV audience response was excellent. The tournament continues to benefit the group by providing valuable international television exposure to potential customers.

Sun International will be privileged to host the Women's World Cup of Golf in January 2006 at the Gary Player Country Club at Sun City for the first time. This will expose Sun City to a different market, in particular Japan and the Far East, and will provide Sun City with an opportunity to increase demand during a traditionally lower demand period.

## DEVELOPMENTS AND UPGRADES

The second phase of the new Vacation Club at Sun City has been completed. This 130-unit second phase has been enormously successful in both demand and sales and by year end, over 70% of units had been sold.

The Cascades Hotel was refurbished in 2004 and occupancies and revenues have increased significantly in 2005. The grotto area, restaurant and swimming pools were also renovated and refurbished and completed in November 2004. The facilities at the Sun City Entertainment Centre were upgraded at a cost of R50 million, which included enhancements to the casino area in the Entertainment Centre and the introduction of new facilities for teenagers. Essential remedial work was also completed at the Sun City Hotel at a cost of R37 million. An extensive refurbishment to the Sun City Hotel has been planned to start in January 2007. This will include a total refurbishment of all rooms including re-design of the bathrooms and the replacement of much of the airconditioning, electrical and plumbing services.

The refurbishment of all room fabrics and furniture at the Table Bay was completed in August 2005.



# Information Technology

## KEY OPERATING SYSTEMS

### Casino management system

Sun International has developed its own proprietary casino management system over a number of years, which has some of the best functionality available. It has, however, been written in a programme language which is now becoming outdated and is also based on an earlier generation of architecture design and practice. It is therefore appropriate that Sun International now considers a suitable replacement for this system within the next few years.

Good progress has been made with the requirements definition documentation for such a new system. In addition, the current system has been fully mapped, which will now facilitate the mapping of the future business processes to be adopted.

The group has also conducted a detailed investigation into casino management systems currently available globally, with a view to assessing the potential fit within the group's operations. Two systems have been identified that potentially offer a suitable application, which should be adaptable for the group's requirements. These systems will be further investigated in the year ahead.

### Hospitality operating systems

The current hospitality operating systems at the various properties, as well as the central reservation functionality, are now end of life products, with support due to cease in a few years' time. These systems are therefore scheduled to be substantially overhauled during the next two years, with new fully integrated software, certain additional business functionality, consolidated databases (versus current disparate versions), as well as the opportunity to





enhance the current business processes. This upgrade is envisaged to cost the group approximately R22 million over a two-year period.

## CUSTOMER RELATIONSHIP MARKETING TECHNOLOGIES

As part of the ongoing improvement programme associated with the group's marketing infrastructure, the group will invest approximately R35 million improving the functionality and supporting technology within its corporate marketing department. This will include a single image customer database, the supporting tools and associated product set, which will enhance the group's customer relationship management capabilities and as a consequence the overall customer experience.

*The group's smart card technology has given it a unique and competitive edge in the marketplace*

## GOVERNANCE

In line with best global practice, the group has continued to improve its governance around all the respective technology applications, with particular emphasis on information security, network protection and business continuity. A formal Information Security Forum is in place, which is well represented by all business stakeholders.

Other governance aspects are continually improved upon in accordance with the Sun IT continuous improvement programme.

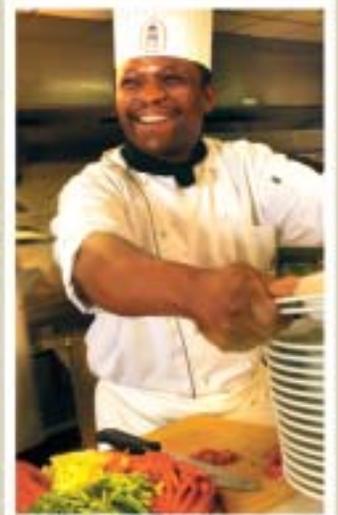
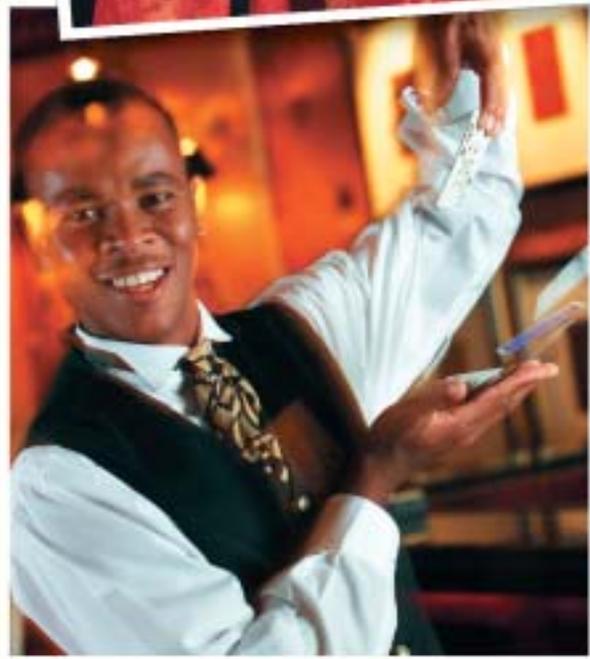
Operational IT processes and procedures at property level are also refined and improved upon to ensure that the maximum systems availability occurs and the risk is appropriately mitigated.

## CONVERGENCE AND ADDITIONAL CHANNELS

The rapid pace of convergence across a number of technologies presents an opportunity for the group to take advantage of new distribution channels, such as the Internet and mobile technologies. The group will stay abreast of this changing landscape and will consistently seek to harvest both marketing and cost opportunities as they become realisable and capable of implementation.



# Our People



## Review of operations (continued)

Our human capital plays a crucial role in our success and growth. Our employees, and those of our service providers, continue to deliver the highest possible standards of quality and service to in excess of 40 000 loyal 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 are trained and developed to add value not only to our business, but also to the communities where they live.

### EMPLOYMENT EQUITY

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.

### TRAINING AND DEVELOPMENT

Focused skills levels enhancement is achieved through ongoing training and development programmes to ensure staff growth and development, improved productivity and an enhanced customer experience.

### REMUNERATION

The remuneration policy of the group is structured to attract, retain and incentivise employees, and rewards 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), comprising Economic Value Added (EVA<sup>®</sup>) and Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) elements. Additionally, and where appropriate, executives also participate in a Group Share Option Scheme. As a general guideline, remuneration levels are set between the median and upper quartile (Q3) for comparable positions in the market. The group provides appropriate benefits, including access to retirement and medical funding and financial assistance towards housing and study purposes.

*Black Economic Empowerment is an integral part of Sun International's business strategy*

### Share Trust

All employees in South Africa who are not eligible to participate in the Group Share Option Scheme participate in the Employee Share Trust. As was reported previously, an important part of our commitment to employees was the creation of the Sun International Employee Share Trust, which holds 2,2% of the company's equity and up to 3,5% of most of the group's major operating subsidiaries, with almost 6 200 employees as beneficiaries.

Further details of relevant employee policies and procedures are included in the Sustainability section of this report.

### SUN INTERNATIONAL GROUP PEOPLE COUNT (%)

Band	Black*			White		
	Male	Female	Total	Male	Female	Total
Executive Management	7,55	0,00	<b>7,55</b>	88,68	3,77	<b>92,45</b>
Senior Management	9,71	3,88	<b>13,59</b>	75,73	10,68	<b>86,41</b>
Middle Management	16,38	9,05	<b>25,43</b>	50,61	23,96	<b>74,57</b>
Junior Management	30,11	22,37	<b>52,48</b>	29,02	18,50	<b>47,52</b>
Supervisory Staff	49,84	29,92	<b>79,76</b>	10,90	9,34	<b>20,24</b>
General Staff	42,01	51,03	<b>93,04</b>	2,30	4,66	<b>6,96</b>
Total	40,34	40,99	<b>81,33</b>	10,65	8,02	<b>18,67</b>

\* Black includes Africans, Coloureds and Indians

## Review of operations (continued)

### SUN INTERNATIONAL HEADCOUNT PER BROADBAND AND AGE GROUP (%)

Band	Up to 20	21-30	31-40	41-50	51-60	60 plus
Executive Management	0,00	0,00	28,30	45,28	22,65	3,77
Managerial	0,00	20,84	47,42	26,44	4,93	0,37
Non-managerial	2,28	38,30	33,55	20,49	5,20	0,18
Total	1,89	35,15	35,81	21,64	5,27	0,24

### SUN INTERNATIONAL HEADCOUNT PER RACE AND AGE GROUP (%)

Race	Up to 20	21-30	31-40	41-50	51-60	60 plus
Black*	1,80	35,76	35,42	21,88	5,02	0,12
White	2,26	32,49	37,54	20,60	6,38	0,73
Total	1,89	35,15	35,81	21,64	5,27	0,24

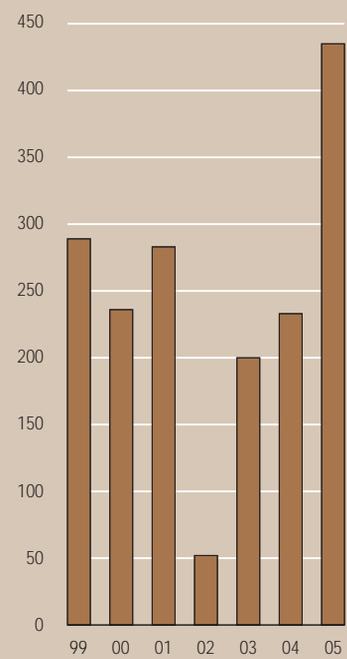
\* Black includes Africans, Coloureds and Indians



## Chief financial officer's review



Adjusted headline earnings  
(Rm)



### FINANCIAL PERFORMANCE

The group achieved excellent results for the year, mainly due to continued strong growth in casino revenues, improved operating margins and lower borrowing costs. Fully diluted adjusted headline earnings of 411 cents per share reflect compound annual growth of 62% since the 2002 earnings of 97 cents. Revenue at R5,1 billion was 15% up on last year.

## Chief financial officer's review (continued)

Gaming revenue was 18% up on the previous year and 29% up on the 2003 financial year. The significant growth in gaming revenues experienced over the past two years is attributed to the increase in disposable income and consumer confidence largely as a result of the strength of the South African economy. Tables revenue was 16% up on last year following a number of years of stagnation. Slots revenue on the back of the previous year's 12% growth was up 19% constituting 84% of gaming revenue, marginally up on last year.

The strong Rand and increased competition from US Dollar denominated destinations continued to put pressure on hotel and resort revenues, particularly at the upper end of the market. Consequently, rooms revenue of R623 million was in line with last year. The growth in rooms revenue was 4% above last year

after adjusting for the disposals of Mpekweni and Zimbali Lodge. The overall group occupancy of 71% was four percentage points up on last year with the average room rate 1% up at R713.

The gross margin at 57,9% was 0,5 percentage points up on last year. Excluding casino levies and VAT, which were 2,4 percentage points ahead of the growth in gaming revenue as a result of fiscal drag, direct costs were 9% higher than the prior year, well below the 15% increase in revenue.

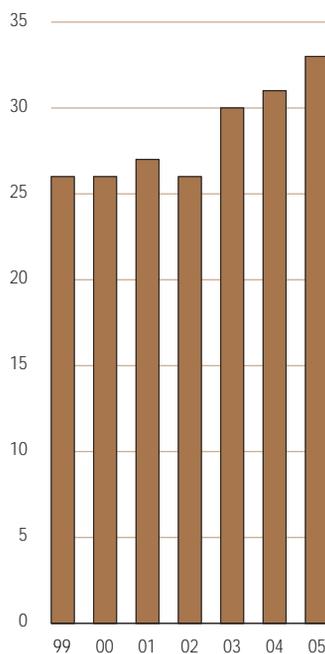
The group EBITDA margin improved by one percentage point to 32,5%, resulting in a 19% increase in EBITDA to R1,7 billion. Administration and general costs were 18% up on last year due to the expensing of R14 million in software development costs, an increase in costs incurred on investigating new casino licence opportunities and the opening of the Sibaya casino complex.

Profit before tax for the year was R1 354 million including net exceptional income of R253 million. Depreciation and amortisation charges were in line with the previous year while the net interest expense at R170 million was R44 million below last year as a result of lower interest rates and strong operating cash flows. Foreign exchange profits of R35 million relate primarily to unrealised profits on inter-company loans and gains on offshore cash balances. Associate earnings from discontinued operations relate to City Lodge and SCME.

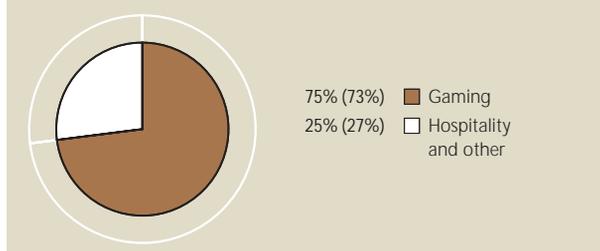
Net exceptional income of R253 million includes a mark-to-market write up of the group's shareholding in KZL amounting to R86 million, fair value adjustments on loans originated in the year of R43 million and R104 million on the part realisation of the foreign currency translation reserve as a result of the repatriation of foreign reserves.

The effective tax rate for the year, including adjusted headline earnings adjustments, was 36% – 0,7 percentage points higher than last year. The increase is attributed to higher STC charges on increased dividends paid by the group and the raising of deferred tax assets of R13,5 million in the prior year. Given the tax non-deductibility of certain significant costs in our business, including casino bid costs, depreciation on non-hotel buildings, preference share dividends, and increasing STC charges, the effective tax rate

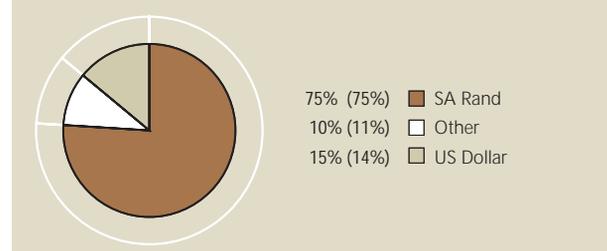
EBITDA margin (%)



Revenue 2005 (2004)



Net assets 2005 (2004)



on adjusted headline earnings is likely to remain well above the statutory tax rate.

Profit after tax for the year was R948 million. Including adjusted headline earnings adjustments, profit after tax was 52% higher than last year at R642 million.

Adjusted headline earnings attributable to ordinary shareholders were 87% higher than last year at R435 million. Fully diluted adjusted HEPS were 45% higher at 411 cents as a consequence of the increase in the weighted average number of shares in issue, following the issue of shares for the acquisition of the SISA minority interests in August 2004.

In view of the strong cash flows, growth in adjusted headline earnings and the company's stated intention of increasing dividends ahead of the earnings growth rate, the board declared a final dividend of 110 cents per share, bringing the total dividend for the year to 200 cents per share, a 60% increase over last year.

## OPERATING UNIT REVIEW

### Gaming

*GrandWest* continued to trade exceptionally well with gaming revenue at R1,2 billion, 19% up on last year. EBITDA at R501 million was 25% up on the previous year, with the EBITDA margin at 42%, two percentage points higher. GrandWest currently comprises 23% of group revenues and 30% of group EBITDA.

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

*Sibaya* has performed well since opening on 1 December 2004, with gaming revenue 36% higher than that achieved by Sugarmill for the comparable seven-month period. The combined revenue and EBITDA for Sibaya and Sugarmill were 33% and 25% ahead

### Year ended 30 June

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



## Chief financial officer's review (continued)



▲ Table Bay, Cape Town  
◀ Boardwalk, Port Elizabeth



of last year respectively. Sibaya currently has an estimated 43% share of the Durban casino market.

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

### Resorts and hotels

Rooms revenue of R623 million was in line with the previous year. The growth in rooms revenue was 4% after adjusting for disposed operations.

*Sun City* achieved an overall occupancy of 76%, four percentage points ahead of the previous year. This improvement was largely the result of the increase in occupancy at The Cascades which was substantially refurbished last year. The overall room rate of R935 was unchanged on last year, reflecting challenging market conditions resulting primarily from the strength of the Rand, which had the greatest impact at The Palace.

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

The *Zambian* resort continued to enjoy increased demand, with room occupancy at 62% – nine percentage points better than last year. Rooms revenue in US Dollars grew by 34% as the resort benefited

from increased regional and international demand coupled with the contribution of "Dreams", Sun International's in-house tour operator.

### SIML

Management fees and related income of R316 million grew 26% over last year, mainly as a result of favourable trading conditions enjoyed by the group's casino operations. However, EBITDA of R110 million was only 8% ahead of the adjusted comparative as a result of additional costs incurred. These costs included an amount of R19 million (2004: R16 million) in respect of the IFRS2 charge for the group's share option scheme, R5 million additional lease charges relating to the straight-line recognition of operating lease payments, the cost of software development at R14 million, and R25 million (2004: R18 million) incurred during the year investigating new casino licence opportunities in the United Kingdom, Singapore and Africa. The group intends to lodge a claim to recover the software development costs written off and other related costs.

### City Lodge

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

## Key statistics – rooms

	<i>Number of hotel rooms</i>		<i>Average occupancy %</i>		<i>Average room rate (Rands)</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
GrandWest	<b>39</b>	39	<b>93</b>	91	<b>214</b>	268
Sun City	<b>1 301</b>	1 301	<b>76</b>	72	<b>935</b>	933
Carnival City	<b>48</b>	48	<b>90</b>	92	<b>209</b>	169
Sibaya	<b>36</b>	–	<b>21</b>	–	<b>187</b>	–
Wild Coast Sun	<b>246</b>	246	<b>96</b>	94	<b>257</b>	269
Carousel	<b>57</b>	57	<b>67</b>	59	<b>270</b>	246
Morula	<b>59</b>	35	<b>71</b>	75	<b>274</b>	291
Table Bay	<b>329</b>	329	<b>63</b>	66	<b>1 352</b>	1 322
Swaziland	<b>411</b>	458	<b>58</b>	51	<b>404</b>	437
Botswana	<b>196</b>	196	<b>59</b>	63	<b>516</b>	588
Thaba'Nchu Sun and Naledi Sun	<b>148</b>	148	<b>70</b>	69	<b>153</b>	207
Zambia	<b>385</b>	385	<b>62</b>	53	<b>806</b>	763
Namibia	<b>173</b>	173	<b>58</b>	61	<b>382</b>	393
Lesotho	<b>262</b>	262	<b>40</b>	47	<b>447</b>	464
	<b>3 745</b>	3 677	<b>71</b>	67	<b>713</b>	706

## Key statistics – casinos

	<i>Number of slot machines</i>		<i>Win per machine per month (R'000s)</i>		<i>Number of gaming tables</i>		<i>Win per table per month (R'000s)</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
GrandWest	<b>1 777</b>	1 774	<b>50</b>	41	<b>59</b>	60	<b>226</b>	202
Sun City	<b>575</b>	718	<b>30</b>	21	<b>37</b>	37	<b>135</b>	138
Carnival City	<b>1 750</b>	1 750	<b>29</b>	24	<b>60</b>	60	<b>128</b>	106
Sibaya/Sugarmill	<b>905</b>	898	<b>32</b>	26	<b>34</b>	30	<b>301</b>	230
Boardwalk	<b>747</b>	726	<b>35</b>	29	<b>20</b>	18	<b>146</b>	159
Wild Coast Sun	<b>438</b>	438	<b>28</b>	24	<b>14</b>	14	<b>126</b>	128
Carousel	<b>698</b>	779	<b>20</b>	15	<b>15</b>	15	<b>156</b>	148
Morula	<b>496</b>	562	<b>24</b>	17	<b>12</b>	15	<b>92</b>	73
Swaziland	<b>148</b>	189	<b>23</b>	15	<b>15</b>	19	<b>99</b>	68
Botswana	<b>234</b>	234	<b>21</b>	21	<b>8</b>	11	<b>121</b>	88
Meropa	<b>262</b>	274	<b>40</b>	34	<b>14</b>	12	<b>128</b>	98
Flamingo	<b>218</b>	212	<b>32</b>	28	<b>9</b>	9	<b>81</b>	84
Thaba'Nchu Sun and Naledi Sun	<b>305</b>	305	<b>20</b>	17	<b>10</b>	10	<b>81</b>	64
Zambia	<b>80</b>	80	<b>1</b>	1				
Namibia	<b>129</b>	129	<b>38</b>	34	<b>9</b>	8	<b>130</b>	113
Lesotho	<b>173</b>	177	<b>13</b>	13	<b>8</b>	8	<b>54</b>	52
	<b>8 935</b>	9 245	<b>32</b>	26	<b>324</b>	326	<b>159</b>	138

## Chief financial officer's review (continued)

### ACCOUNTING POLICIES

The International Accounting Standards Board continues to revise accounting standards. These standards are mainly designed to improve existing International Financial Reporting Standards (IFRS) and those not yet adopted will be effective for our 2006 financial year. The group has adopted the following standards in the current year:

- IFRS2 Share-based Payments
- IAS27 Consolidated and Separate Financial Statements (Revised)
- IAS38 Intangible Assets

In terms of IFRS2, the company is required to expense share options granted after 7 November 2002 over the vesting period of the options. Since 7 November 2002, the company has granted 8 307 163 options as follows:

Year ended 30 June	Weighted average grant price	Options issued	Rand value of options issued
2003	26,52	1 066 250	7 563 866
2004	35,35	4 938 500	43 915 140
2005	56,63	2 302 413	31 350 927
<b>Total</b>	<b>40,11</b>	<b>8 307 163</b>	<b>82 829 933</b>

The options were valued by Investec Bank Limited using the Binomial asset pricing model. Options vest at 25% per annum over a four-year period or on retirement, retrenchment or death.

The group has elected to adopt the economic entity model in accounting for transactions with minorities in terms of IAS27 (revised). This model requires all premiums paid and profits and/or losses on transactions with minorities to be recognised directly in equity. As a result, all goodwill and the value attributed to the management contracts that arose on transactions with minorities have been recognised directly in equity.

IAS38 requires the group to cease the amortisation of indefinite life assets, which are now subject to an annual impairment test. In the prior year amortisation of R6 million was charged on indefinite life assets.

The following standards, which are expected to have an impact on the group, will be adopted in the new financial year:

- IAS1 Presentation of Financial Statements.
- IAS16 Property, Plant and Equipment.
- IAS39 Financial Instruments: Recognition and Measurement (Revised).

IAS1 will have no impact on the reported profitability of the group but will have a significant impact on the presentation and disclosure used in the interim and annual financial statements.

The adoption of IAS16 is not expected to have a significant impact on the overall group depreciation charge but will, however, impact the carrying value of the various components within property, plant and equipment.

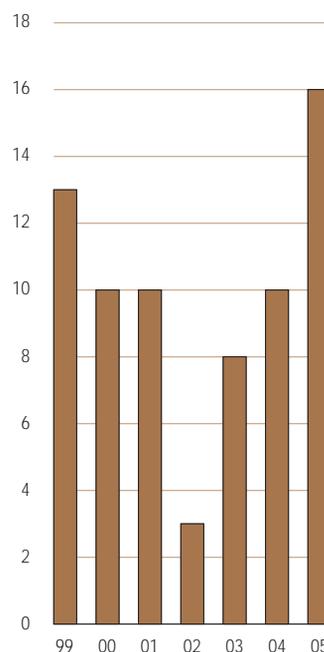
The revisions to IAS39 will result in the group assessing its current treatment of available-for-sale investments. The revisions are not expected to have an impact on adjusted headline earnings.

### RETURNS

Return to equity shareholders increased strongly from 10% to 16%. The higher earnings from the gaming division and the use of proceeds from the continued disposal of KZL shares to settle debt and to acquire assets, positively impacted returns. The group's interest in City Lodge has been included in the group's net assets on which returns are calculated although the group's share of earnings has been excluded.

The disposal of City Lodge, the utilisation of proceeds from the disposal of KZL shares and the continuing strong performance of the group's operations will result in further improvement in returns to shareholders in the year ahead.

Return to equity shareholders (%)



## BALANCE SHEET

### Ordinary shareholders' funds

Ordinary shareholders' equity increased by R971 million as a result of the issue of R1 066 million in share capital to the SISA minorities and the net income of R709 million being offset by dividends paid of R198 million, R529 million premium on the acquisition of the SISA minorities being recognised directly in equity and currency translation differences of R76 million.

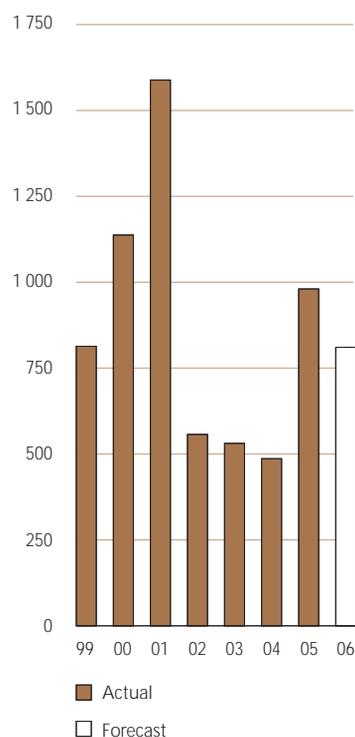
### Capital expenditure

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

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

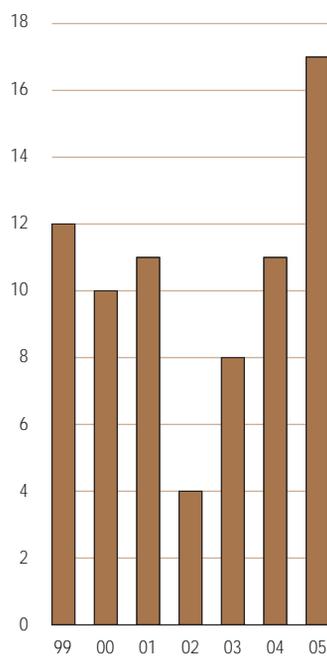
### Capital expenditure

(Rm)



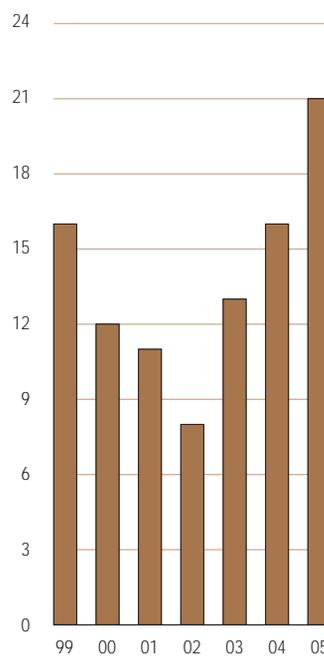
### Return on shareholders' funds

(%)



### Return on net assets

(%)



## Chief financial officer's review (continued)

### CAPITAL COMMITMENTS

Capital commitments at the end of June 2005 totalled R814 million as follows:

	<i>Rm</i>
<b>Expansionary projects</b>	<b>318</b>
Sibaya second hotel	83
Windmill casino	73
Worcester casino	127
Sun International Vacation Club at Sun City	13
Other	22
<b>Upgrade and refurbishment of properties</b>	<b>116</b>
Sun City Hotel softs/Cabana bathrooms	22
Carousel – conference facilities	25
Swaziland – convention centre and casino	12
Wild Coast Sun rooms	16
Botswana – casino and rooms	14
Other	27
<b>Ongoing asset replacement</b>	<b>380</b>
Casino equipment replacement	188
IT equipment	101
Other	91
	<b>814</b>

### Borrowings

Interest bearing debt to shareholders' funds at 30 June 2005 of 58% was up two percentage points on last year and interest cover increased from 3,2 to 5,1 times. Both gearing and interest cover are at comfortable levels given the strong cash flows generated by the group.

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

Afrisun KZN borrowings increased as a result of the construction of the Sibaya permanent casino complex. The increase in third party borrowings at Emfuleni Resorts was due to the raising of third party borrowings to repay intergroup loans. As at 30 June 2005, interest rates on 68% (2004: 70%) of the group's borrowings were fixed. 32% (2004: 32%) of these fixed borrowings were fixed for periods longer than 12 months.

Borrowing facilities of the group total R3 102 million of which R2 402 million was utilised at 30 June 2005. Further facilities in the amount of R250 million have been obtained for the funding of the Bloemfontein project (R130 million) and the second hotel and overruns incurred on the Sibaya project (R120 million). The additional facilities, together with existing facilities and cash flows from operations, are well in excess of our peak funding requirement for the year ahead.

### CASH FLOW

Cash generated from operations increased by 36% to R1 783 million. The increased profitability of the group resulted in significantly higher taxation and dividend payments and consequently net cash flow from operating activities at R867 million was only 18% up on last year. The net cash generated by operations, together with increased borrowings of R262 million and minority shareholder funding of R125 million, more than offset the R1 153 million utilised in investing activities resulting in cash on hand increasing by R112 million.

### CORPORATE FINANCE ACTIVITIES

#### Acquisition of SISA minorities

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 SISA minority shareholders. The total purchase consideration including transaction costs amounted to R1 432 million. As a result of the

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

transaction, share capital and premium have increased by R1 066 million and the amount paid in excess of the underlying assets acquired of R529 million has been recognised directly in equity.

### Disposal of the group's interest in City Lodge

On 6 September 2005, the company effectively disposed of its 38,6% interest in City Lodge. The disposal was effected through a scheme of arrangement whereby Sun International shareholders received City Lodge shares in exchange for a portion of their Sun International shares. The exchange was concluded using a Sun International share price of R73 and a City Lodge share price of R38,50 and resulted in Sun International acquiring 8 590 275 of its own shares. The profit realised on the disposal of R416 million will be recognised in the 2006 financial year.

### Other disposals

Zimbali Lodge was disposed of in July 2004 for R77 million. The group has retained the management contract to manage Zimbali Lodge and Zimbali Country Club for a 15-year period.

The group sold 30% of its interest in the Wild Coast Sun to a local community trust for R25 million effective 1 November 2004 to ensure compliance with its casino licensing obligations. The group facilitated this transaction by subscribing for preference shares in an SPV held by the trust.

During the year, 577 225 KZL shares were disposed of, which realised US\$34 million. At 30 June 2005, the group held an effective 554 478 shares in KZL.

## BLACK ECONOMIC EMPOWERMENT

### Developments regarding shareholding in Sunwest

#### Shareholding in SunWest

In terms of the GrandWest casino licence bid, Sun International's Western Cape based empowerment partner, Grand Parade Investments Limited (GPI), was allocated a 34% shareholding in SunWest, of which 8,5% was acquired at inception with the balance to be warehoused by Sun International with an option in favour of GPI. During 2003, GPI expressed a wish to take up part of the option but was unable to raise the requisite funding at the time due to the challenging economic environment. In June 2003, Sun International entered into a transaction with GPI whereby Sun International, sold to GPI an 11,5% shareholding in SunWest at a discount to the then option strike price and facilitated the transaction with attractively priced preference share funding in return for GPI forgoing its option over further shares in SunWest. A disagreement arose between Sun International and GPI regarding the option. In light of the partnership that exists between Sun International and GPI, and in order to address GPI's aspirations to increase its shareholding in SunWest, Sun International has reached an agreement in principle, subject to GPI shareholder approval, to facilitate an increase in GPI's SunWest shareholding. In terms of the agreement, Sun International will facilitate the acquisition by GPI of 1,7% of SunWest from Sun International, and the acquisition by GPI of a further 1,5% in

SunWest from certain other SunWest shareholders for a total consideration of R36 million.

#### Potential GPI listing and new option

GPI has also indicated to SunWest and its shareholders (including Sun International) that it is considering a listing of its shares in order to enhance the value and liquidity in its shares that are currently traded on an informal over the counter basis. Of concern to SunWest is obviously the potential for significant dilution of the Western Cape based BEE credentials of GPI and as a consequence SunWest. SunWest with the support of its other shareholders has in response to the potential listing of GPI offered GPI an option over a 5% new issue of SunWest shares at a strike price of R116 million in aggregate, on condition that the BEE shareholding within GPI remains above 35% until June 2012.

#### Potential dilution

The sale of shares and exercise of the option could ultimately reduce Sun International's shareholding in GrandWest from 58,8% to 54,3% and increase GPI's shareholding to 25% which will ensure that SunWest has an appropriate level of empowerment. The impact on the group adjusted headline earnings will not be material.

### Introduction of a 7% BEE shareholder in Sun International Limited

Sun International has concluded agreements with an empowerment consortium for the acquisition of 7% of the total Sun International shares in issue. The introduction of the empowerment consortium, which is led by Lereko Investments (Pty) Limited and includes various North West Province based groupings and the Sun International Employee Share Trust, was required in terms of the conditions of Sun International's North West gaming licences. The transaction is still subject to shareholders approving the granting of 2,5% of Sun International's shares to the consortium at par value. The balance of 4,5% will be acquired by the consortium at market related prices utilising preference share funding to be provided by Nedbank Limited. Further information on this transaction has been provided to shareholders in the notice of the annual general meeting.

### BEE partner share options

In terms of the various casino licence bid undertakings, the group granted share options over the respective casino company shares to its empowerment partners. The options enable the empowerment partners to increase their economic interest in the appropriate company after the initial capital subscription. The table below sets out the group's economic interest and amount of that interest that is still subject to dilution:

	% economic interest	% under option
Afrisun KZN	56,1	15,1
Meropa	67,5	24,1
Teemane	76,5	29,2
Mangaung	70,0	9,0



## Seven year financial review

for the year ended 30 June

<i>Group</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Consolidated income statements (Rm)							
<b>Revenue</b>	<b>5 139</b>	4 476	4 214	3 719	3 174	2 573	2 501
<b>EBITDA</b>	<b>1 671</b>	1 407	1 283	962	872	671	649
Depreciation and amortisation	<b>(438)</b>	(430)	(424)	(391)	(295)	(194)	(155)
Property and equipment rentals	<b>(70)</b>	(81)	(86)	(68)	(63)	(42)	(38)
<b>Profit from operations</b>	<b>1 163</b>	896	773	503	514	435	456
Foreign exchange profits/(losses)	<b>18</b>	(21)	(18)	16	26	19	21
Interest income	<b>79</b>	59	53	23	32	80	167
<b>Operating profits</b>	<b>1 260</b>	934	808	542	572	534	644
Interest expense	<b>(249)</b>	(277)	(297)	(295)	(136)	(61)	(78)
<b>Profit before taxation</b>	<b>1 011</b>	657	511	247	436	473	566
Taxation	<b>(369)</b>	(235)	(202)	(94)	(73)	(162)	(190)
<b>Profit after taxation</b>	<b>642</b>	422	309	153	363	311	376
Share of associates profits	<b>-</b>	3	38	24	107	91	122
Minority interests	<b>(207)</b>	(192)	(147)	(88)	(187)	(166)	(209)
<b>Adjusted headline earnings</b>	<b>435</b>	233	200	89	283	236	289

Note: – All adjusted headline earnings adjustments have been included to provide a more meaningful comparison of historical operating performance.

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

– The 2002 to 2005 figures exclude KZL which has been accounted for as an investment.

– The 2002 to 2005 figures excluded the results and earnings from SCE and SCME, as these have been classified as discontinuing operations.

– The 2004 and 2005 figures excluded the results and earnings from City Lodge, as it has been classified as a discontinuing operation.

for the year ended 30 June

<i>Group</i>	<b>2005</b>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
Consolidated balance sheets (Rm)							
<b>ASSETS</b>							
<b>Non current assets</b>							
Property, plant and equipment	<b>5 311</b>	4 777	4 595	4 798	4 695	3 461	3 009
Intangible assets	<b>433</b>	479	517	575	433	334	46
Investments and loans	<b>709</b>	614	774	1 854	2 108	2 047	1 690
	<b>6 453</b>	5 870	5 886	7 227	7 236	5 842	4 745
<b>Current assets</b>							
Inventory	<b>31</b>	30	36	29	23	21	28
Accounts and loans receivable	<b>354</b>	320	450	351	380	531	470
Available-for-sale investments	<b>287</b>	390	364	507	-	-	-
Cash and cash equivalents	<b>589</b>	477	349	286	238	200	1 022
	<b>1 261</b>	1 217	1 199	1 173	641	752	1 520
<b>Total assets</b>	<b>7 714</b>	7 087	7 085	8 400	7 877	6 594	6 265
<b>EQUITY AND LIABILITIES</b>							
<b>Capital and reserves</b>							
Ordinary shareholders' equity	<b>3 261</b>	2 290	2 264	2 799	2 736	2 666	2 277
Minority interest	<b>749</b>	1 454	1 600	1 657	1 673	1 568	1 837
	<b>4 010</b>	3 744	3 864	4 456	4 409	4 234	4 114
<b>Non current liabilities</b>							
Deferred taxation	<b>353</b>	364	403	395	376	430	390
Borrowings	<b>1 584</b>	1 760	1 699	2 438	1 858	1 231	751
Other non current liabilities	<b>90</b>	40	40	-	-	-	-
	<b>2 027</b>	2 164	2 142	2 833	2 234	1 661	1 141
<b>Current liabilities</b>							
Accounts payable, accruals and provisions	<b>734</b>	661	731	674	695	551	836
Borrowings	<b>746</b>	341	296	359	435	67	24
Taxation	<b>197</b>	177	52	78	104	81	97
Dividends	<b>-</b>	-	-	-	-	-	53
	<b>1 677</b>	1 179	1 079	1 111	1 234	699	1 010
<b>Total liabilities</b>	<b>3 704</b>	3 343	3 221	3 944	3 468	2 360	2 151
<b>Total equity and liabilities</b>	<b>7 714</b>	7 087	7 085	8 400	7 877	6 594	6 265

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



## Seven year financial review (continued)

for the year ended 30 June

<i>Group statistics</i>		<b>2005</b>	2004	2003	2002	2001	2000	1999
<b>Ordinary share performance</b>								
Shares in issue	000's	<b>116 393</b>	90 050	90 050	90 050	90 050	88 650	88 650
Fully diluted adjusted weighted average number of shares in issue	000's	<b>105 961</b>	82 233	91 761	91 695	89 571	89 080	87 516
Fully diluted adjusted headline earnings per share	cents	<b>411</b>	284	218	97	316	265	330
Dividends per share*	cents	<b>200</b>	125	75	–	–	60	120
Dividend cover	times	<b>2,1</b>	2,3	2,9	–	–	4,4	2,8
Dividend payout	%	<b>49</b>	44	34	–	–	23	36
Net asset value per share	Rand	<b>28,01</b>	25,42	25,14	31,08	30,38	30,07	25,69
Market capitalisation at 30 June	Rm	<b>7 199</b>	3 647	2 620	2 611	3 242	2 358	2 394
Market capitalisation/net asset value	times	<b>2,2</b>	1,6	1,2	0,9	1,2	0,9	1,1
<b>Profitability and asset management</b>								
EBITDA margin	%	<b>33</b>	31	30	26	27	26	26
Effective tax rate	%	<b>36</b>	36	40	38	17	34	34
Return on net assets	%	<b>21</b>	16	13	8	11	12	16
Return on shareholders' funds	%	<b>17</b>	11	8	4	11	10	12
Return to equity shareholders	%	<b>16</b>	10	8	3	10	10	13
<b>Liquidity and leverage</b>								
Cash generated by operations	Rm	<b>1 783</b>	1 312	1 214	890	1053	430	554
Interest cover	times	<b>5</b>	3	3	2	4	9	8
Interest bearing debt to total shareholders' funds	%	<b>58</b>	56	49	63	52	31	19
Total liabilities to total shareholders' funds	%	<b>92</b>	89	79	89	79	56	52
Total shareholders' funds to total assets	%	<b>52</b>	55	56	53	56	64	66
Current ratio	:1	<b>0,8</b>	1,0	1,1	1,1	0,5	1,1	1,5

\* 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

Adjusted headline earnings include adjustments made for certain items of income or expense. These adjustments include pre-opening expenses, earnings and results from discontinuing operations and material items considered to be outside of the normal operating activities of the group and/or of a non-recurring nature.

#### 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

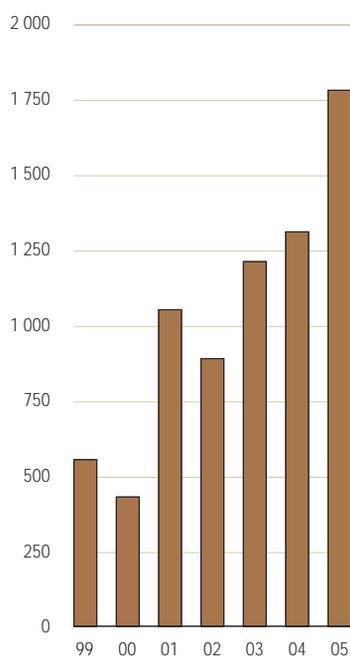
Adjusted headline earnings attributable to ordinary shareholders expressed as a percentage of average ordinary shareholders' equity.

for the year ended 30 June

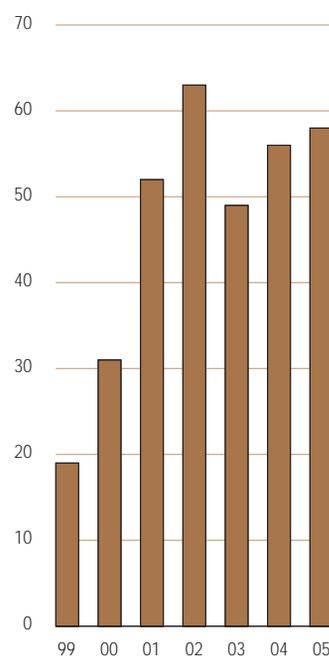
Group statistics		2005	2004	2003	2002	2001	2000	1999
<b>Stock exchange performance</b>								
Market price	Rand							
- at 30 June		<b>61,85</b>	40,50	29,10	29,00	36,00	26,60	27,00
- highest		<b>69,00</b>	43,00	32,00	36,50	38,00	29,80	29,00
- lowest		<b>38,00</b>	29,00	24,00	19,75	27,00	18,40	15,00
- weighted average		<b>53,70</b>	38,17	26,28	26,73	31,97	23,44	20,85
Sun International share price index	#	<b>229</b>	150	108	107	133	99	100
JSE cyclical services index	#	<b>233</b>	155	106	96	98	107	94
Closing price earnings multiple	times	<b>15</b>	14	14	30	11	10	8
Closing dividend yield	%	<b>3,2</b>	3,1	2,6	-	-	2,3	4,4
Volume of shares traded	000's	<b>43 087</b>	15 970	18 960	33 262	25 040	41 740	43 070
Volume of shares traded as a percentage of shares in issue	%	<b>37</b>	18	21	37	28	47	49
Value of shares traded	Rm	<b>2 314</b>	610	498	889	801	978	898
Number of transactions		<b>7 073</b>	2 180	1 767	2 770	3 976	4 032	8 733
<b>Growth</b>								
Reported growth per share	%							
- fully diluted adjusted headline earnings		<b>45</b>	30	125	(69)	19	(20)	(18)
- dividends		<b>60</b>	67	-	-	(100)	(50)	(43)
Real growth per share	%							
- fully diluted adjusted headline earnings		<b>40</b>	24	110	(72)	12	(25)	(23)
- dividends		<b>55</b>	59	-	-	(100)	(53)	(47)
Consumer price index	#	<b>154</b>	149	142	133	122	115	107
<b>Employees</b>								
Number of employees at 30 June		<b>7 723</b>	8 024	8 433	8 787	9 326	8 333	8 415
Average number of employees		<b>7 874</b>	8 229	8 610	9 057	8 830	8 374	11 242
Revenue per employee	R'000	<b>653</b>	544	489	411	359	307	222
Wealth created per employee	R'000	<b>468</b>	371	334	260	247	171	157

# Base for indices: 1998 = 100

Cash generated by operations  
(Rm)



Interest bearing debt to total shareholders' funds  
(%)



# Sustainability Report



EMPLOYEES

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CUSTOMERS

---

SHAREHOLDERS

---

SOCIETY & COMMUNITY

---

SUPPLIERS

---

GOVERNMENT & REGULATORS

---

HEALTH, SAFETY & ENVIRONMENT

---

ETHICS



## Vision and strategy

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

"To 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."



By adopting a holistic approach in which economic, social and environmental performance is measured within a framework of corporate governance and ethics of the highest standard, Sun International is committed and able to create long term value for all our stakeholders.

A contribution of 1,5% of after tax profit on corporate social investment projects has had a significant impact on the upliftment of communities in which our properties are situated.

This contribution will be increased to 2% of after tax profit in the 2006 financial year.

The underlying philosophies, which dictate our approach to sustainability, are reflected in the activities which we cover in the following section of the report.

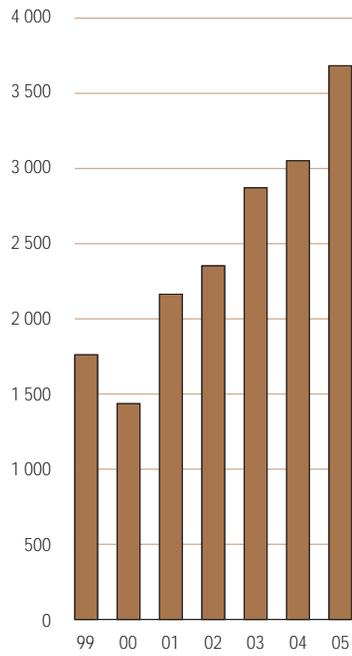
## Sustainability report (continued)

### Value added statement

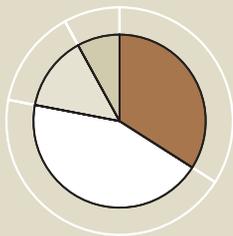
for the year ended 30 June

	2005 Rm	Group 2004 Rm	Change %
<b>CASH GENERATED</b>			
Cash derived from revenue	5 122	4 475	
Income from investments	107	81	
Cash value generated	5 229	4 556	15
Paid to suppliers for materials and services	(1 467)	(1 518)	
Pre-opening expenses	(19)	(2)	
<b>Total cash value added</b>	<b>3 743</b>	<b>3 036</b>	<b>23</b>
<b>CASH DISTRIBUTED TO STAKEHOLDERS</b>			
Employees	(925)	(829)	12
Government taxes	(1 321)	(977)	35
Shareholders	(395)	(232)	70
Lenders	(235)	(262)	(10)
	(2 876)	(2 300)	25
<b>Cash retained in the business to fund replacement of assets, facilitate future growth and repay borrowings</b>	<b>867</b>	<b>736</b>	<b>18</b>
<b>RECONCILIATION WITH CASH GENERATION</b>			
Total cash value added (above)	3 743	3 036	
Add: Pre-opening expenses	19	2	
Less: Employee remuneration	(925)	(829)	
Employee tax	(148)	(154)	
Income from investments	(107)	(81)	
Levies and VAT on casino revenues	(799)	(662)	
<b>Cash generated by operations (per cash flow statement)</b>	<b>1 783</b>	<b>1 312</b>	
<b>GOVERNMENT TAXES SUMMARY</b>			
Income tax	(324)	(108)	
PAYE	(148)	(154)	
Levies and VAT on casino revenue	(799)	(662)	
Secondary tax on companies	(46)	(22)	
Other taxes	(4)	(31)	
	(1 321)	(977)	

Total cash value added  
(Rm)

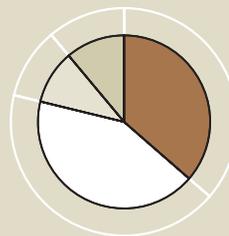


Cash distribution to stakeholders 2005



- 34% Employees
- 44% Government taxes
- 14% Shareholders
- 8% Lenders

Cash distribution to stakeholders 2004



- 36% Employees
- 43% Government taxes
- 10% Shareholders
- 11% Lenders

# Employees

## EMPLOYEE TRAINING AND DEVELOPMENT

Sun International subscribes to internationally recognised skills and knowledge training methodologies and equips line managers with the necessary skills to train their staff. To assist the transfer of knowledge within the organisation, the Group Training and Development department is the custodian of an intranet site which allows line managers to obtain training related documents, share knowledge and collaborate in development initiatives.

To ensure the best possible development of our human capital, the group invested R31 million in internal and external education, training and development interventions. These interventions ensure both Sun International's competitive edge in the service industry and compliance with labour legislation in South Africa.

### Training costs as a percentage of payroll

	2005	2004	2003	2002
Payroll (Rm)	1 073	983	962	928
Total training	31*	24	19	18
Percentage of payroll (%)	2,9	2,4	2,0	1,9

\* Inclusive of 1% of payroll in terms of the Skills Development Levy

### 2006 Targets

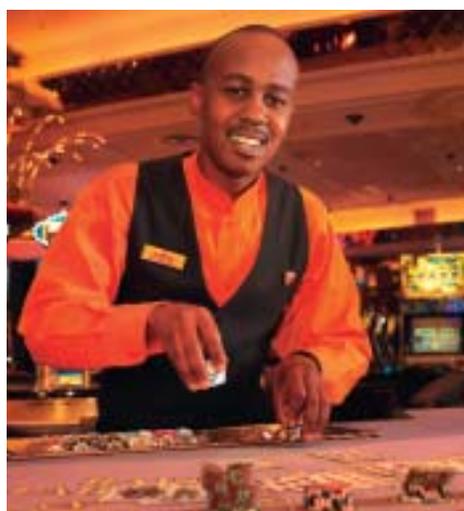
Total training spend as % of payroll	3,0
Black training spend as % of payroll	2,3

### Skills development implementation

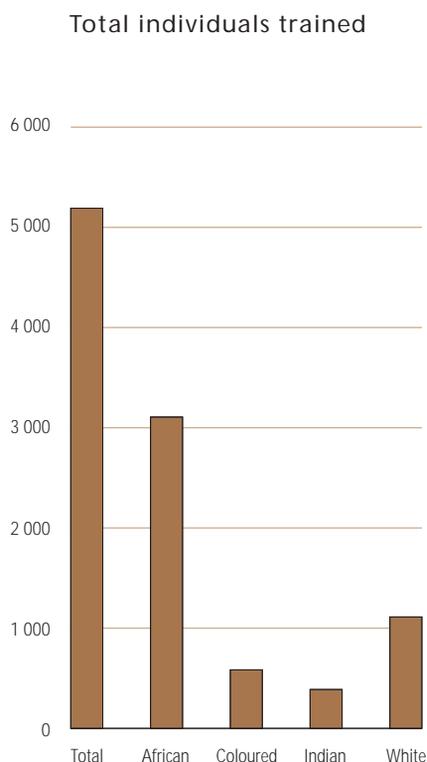
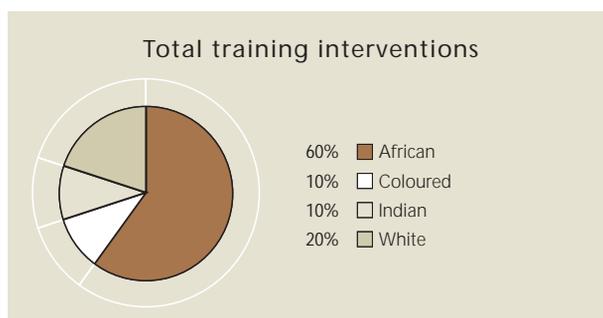
The group encourages its employees to take responsibility for their own careers and personal growth by seeking opportunities and applying themselves diligently. Individual development plans are formulated and actively managed by the individual, management and our training specialists.

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 based on the submission of the Workplace Skills Plan for 2004 – 2005, Sun International received grants from the Tourism, Hospitality and Sport Education Training Authority (THETA) to the sum of R400 000 during this period. Outstanding grants to the value of R3,6 million for the implementation of the plan, are still due for this period.



The group conducted 17 854 training programmes/modules during the year. In line with our employment equity goals, 80% of the delegates were black and 50% were female. 5 191 people attended training programmes/modules during this period. The five major education and training interventions, which accounted for almost 35% of all training conducted, were responsible gaming, induction, SA Host, money laundering and lifeskills programmes.



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

#### Induction/company 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 company information, all relevant policies and personal

introduction to other employees as soon as possible after commencing employment with Sun International.

#### Project Vuka

Project Vuka, launched in May this year, is a group initiative in partnership with Learning Resources that will ensure a minimum standard of end-user computing skills throughout the group and is benchmarked on international standards. This is an e-learning application, delivered to the learner's desktop, and available at our computer training centres. This three-year project will ensure consistency in end-user computer skills within the entire group as well as reduced current end-user training costs.

#### Skills programmes

Using training material designed by the Training and Development specialists, line managers 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, specialists in the hospitality, tourism and leisure industry.

#### Supervisory Development Programme (SDP)

The development of supervisors takes two forms. A basic three-day programme, SDP: Role of the supervisor, introduces newly promoted supervisors to the additional responsibilities of the supervisor. To complement the initial three-day programme and to further develop existing supervisors, 18 supplementary modules are available and a total of 806 interventions were held during the course of the year.

#### Gaming Management Development Programme (GMDP)

The existing Gaming Management Development Programme was customised for neighbouring countries to meet the localisation targets required for participating countries. Delegates for the South African GMDP have been finalised, with the programme starting at Carnival City in September this year.

#### Slots Accelerated Management Programme

Three modules of the Slots Accelerated Management Programme were rolled out during the year and five of the delegates have already been promoted into either assistant slots manager or shift manager positions.

#### Graduate Management Trainee Programme (GMTP)

This 18-month programme is designed to fast-track individuals into management positions and at any given time, up to ten trainees are undergoing training. During the period under review, six graduates completed their programme and all were successfully integrated into the business.

#### Sun International Leadership Programme (SILP)

This programme encourages participants to develop a strategic plan for their own growth and development within the organisation, develop their communication skills and confidence



## Sustainability report (continued)

to interact at an executive level and develop the values and competencies of successful leaders. The nomination process for the next grouping of programmes has taken place and 60 elected delegates will attend the course during the next year.

### Sun International Business Leadership Programme (SIBLP)

The Sun International Business Leadership Programme was conducted in September at the University of Cape Town's Graduate School of Business for 24 delegates from around the group. This year, the delegates' final assessment took the form of individual presentations to the respective divisional director and unit general managers six months after the completion of the programme.

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 Sun International Leadership Programme, the Gaming Management Development Programme, the Slots Management Accelerated Programme, the Management Development Programme and the Supervisory Development Programme. The next SIBLP will commence during October 2005.

### Gaming and Lotteries Chamber

The role of the 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 is the current gaming employers' representative as well as the chamber's chairperson.

During the course of the year, the chamber allocated R2 million for the implementation of short courses within the casino industry. Based on the percentage of our contribution to the National Responsible Gaming Programme, the group received the sum of R900 000 to deliver programmes in Business Communication, Living with AIDS and Basic Finance Skills, to be presented from July through to December.

### External training

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

### Bursaries and scholarships

Bursaries are currently in place for five students at the University of the Western Cape and six students at the University of KwaZulu-Natal. Students are placed in the organisation following successful completion of their studies.

The Duke of Edinburgh Bursary Fund, which is managed by the South African Institute of Race Relations, has continued during the 2005 study year. Sun International has, apart from funding all administration costs, continued with the Bursary Fund for the

remaining years of study and has a commitment to consider these students for employment on successful completion of their degrees.

### Performance management system

Generic job profiles have been completed for all positions in the group, as have the Key Performance Indicators (KPIs), for most of the departments at our gaming operations. The KPIs and assessment tools for Sun City are currently being finalised and these will then be customised for the rest of the hotel and resort division.

## TRANSFORMATION

### Black Economic Empowerment (BEE)

Black economic empowerment is an integral part of Sun International's business strategy. Sun International's BEE is driven, in the main, through the licences it has been awarded in the various provinces. BEE requirements are driven by the conditions attached to such licences and are monitored by respective boards for compliance. Sun International views BEE as a business imperative and is guided by the six elements of the balanced scorecard and the Codes of Good Practice. The group not only actively complies to the BEE Act and the National BEE Agenda, but the BEE strategy is also driven through advancement of employees through share participation, increasing managerial capacity through the transfer of skills and increasing black ownership through strategic partnerships.

The group continues to revise its strategy in accordance with the broader environment and the Codes of Good Practice issued by the Department of Trade and Industry. The balanced scorecard approach is the internal mechanism that is used to monitor progress. The Tourism Charter does not in fact apply to the group, however, Sun International has for indicative purposes assessed itself against the 2009 targets of the charter.

### The group's balanced scorecard for South African operations as at 30 June 2005

#### Tourism targets 2009: Actual Sun International 2005

Criteria	Tourism weightings (%)	SI score per criteria (%)
Ownership	15	13,6
Strategic representation	14	8,5
Employment equity	14	14
Skills development	20	10
Preferential procurement	15	15
Enterprise development	14	14
Social development	8	8
Overall weighted average	100	83,1

Using the relevant weightings, applying conversion factors, and measuring actual against target, we achieved a score of 83,1% on the balanced scorecard.

## EMPLOYMENT EQUITY

Employment equity is viewed as one of the major elements of transformation that can help achieve our business goals and uplift employees in the group. It encompasses an all inclusive strategy that aims to increase the number of black employees in managerial and senior positions and at the same time ensures that the working environment is able to accommodate the diversity of our workforce.

*Focused skills levels enhancement is achieved through ongoing training and development programmes*

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 consult with management on aspects relating to employment equity as required by the Employment Equity Act.

## SUCCESSION PLANNING

At executive level, the succession plan is discussed and agreed with the board's remuneration and nomination committee.

Unit level succession plans are compiled and are co-ordinated centrally at group level. Integral to all succession planning is the company's overall BEE and employment equity strategy.

## EMPLOYEE RELATIONS

Sun International supports and upholds an equitable workplace which is compliant with all relevant labour legislation. The group has adopted a relationship-based approach with organised labour, represented by six recognised trade unions. Regular workshop and relationship-building exercises are held between the company and the various recognised trade unions. This, the group believes, contributes to creating a constructive relationship based on trust.

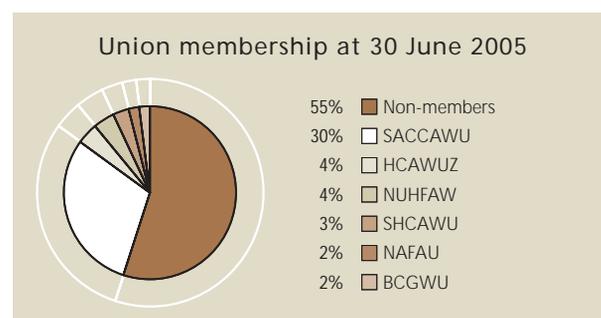
Our relationships with organised labour are underpinned by the group's adoption of sound, fair and measurable employment

relations policies, procedures and practices which are aligned to and support the group's strategic objectives.

## UNION MEMBERSHIP

The South African Commercial and Catering Allied Workers Union (SACCAWU) has achieved the required membership numbers to gain official recognition as a collective bargaining agent in some of the group's new casino operations. This has resulted in an increase in union membership over the reporting period.

At the end of the reporting period, union membership within the group amounted to 2 408 employees in South African operations (38% of total workforce) and 1 231 in its non-South African operations (70% of total workforce).



## EMPLOYEE RELATIONS TRAINING AND DEVELOPMENT

Continued focus on formal employee relations training took place in the last year resulting in 668 training interventions from all levels within the organisation. Special emphasis was also placed on additional Employee Relations Training for HR practitioners. During the year, Arbitration Training, CCMA Rules Training, Individual Labour Law Conferences and Advanced Disciplinary Procedures Training were made available to all senior HR practitioners. Further revision of the group's standard employee relations training programme for managers was made during the year. In addition, the Namibian management employee relations training programme was revised to incorporate legislative changes that took place during the year.

The focus of all employee relations training is to equip line managers and supervisors with the necessary competencies to fairly deal with all misconduct and incapacity related procedures.

## SUBSTANTIVE NEGOTIATIONS

Substantive agreements concluded with representative trade unions effective from the commencement of the reporting period were generally for a two-year period, substantially reducing the likelihood of any industrial action during the year. All agreements

## Sustainability report (continued)

concluded expire on 30 June 2006, with the exception of Lesotho (30 June 2005) and Zambia (30 September 2005).

A new agreement has been reached with Hotel Catering and Allied Workers Union of Zambia effective 1 October 2005.

A new agreement has also been reached with the National Union of Hotels, Food and Allied Workers in Lesotho subsequent to year end.

The parties signed agreements pertaining to an extended sick leave benefit and the remuneration of full-time shop stewards, and are close to concluding an agreement on parental rights and vehicle arrangements. The parties jointly decided not to pursue the implementation of a short-term loan scheme in the group.

### MINIMUM WAGE LEVELS AGREED WITH ALL RECOGNISED TRADE UNIONS

<i>Union</i>	<i>Core</i>	<i>Scheduled</i>
RSA – SACCAWU	R4 092 (TCOE) pm	R19,63 per hour
Botswana – The Botswana Commercial and General Workers Union	P1 613 pm	P7,60 per hour
Lesotho – National Union of Hotels, Food and Allied Workers	M1 552 pm	M7,00 per hour
Namibia – Namibian Food and Allied Workers Union	N\$1 856 (TCOE) pm	N/A
Swaziland – Swaziland Hotel, Catering and Allied Workers Union	E2 571 (TCOE) pm	N/A
Zambia – Hotel Catering and Allied Workers Union of Zambia	K160 000 pm	K160 000 pm

### LABOUR TURNOVER

Formal resignations amounted to 9,1% of the average number of employees employed during the period under review. This is consistent with the turnover figure of 9,4% in the previous reporting period.

### INDUSTRIAL/PROTEST ACTION

No strike action was experienced within the group during the year.

### SECONDARY NEGOTIATIONS

The group on a continuous basis negotiates with recognised unions on matters that do not form part of its annual wage negotiations. During the year, the following matters were discussed between the group and SACCAWU:

- Extended sick leave benefit.
- Parental rights.
- Vehicle arrangements.
- Job grading.
- Traditional healers.
- Short-term loan scheme.
- Full-time shop stewards' remuneration.

### ORGANISATIONAL RIGHTS/RELATIONSHIP AGREEMENT

New relationship agreements with SACCAWU were signed at Carnival City and Meropa. The group also signed a further two agreements with SACCAWU at Flamingo and Boardwalk.

The company has moved to a centralised bargaining model that still recognises and incorporates the various individual needs and circumstances of each subsidiary company.

### SEXUAL HARASSMENT

Awareness of the group's sexual harassment policy was raised during the year. The company remains committed to effectively combating all forms of sexual harassment in the workplace.

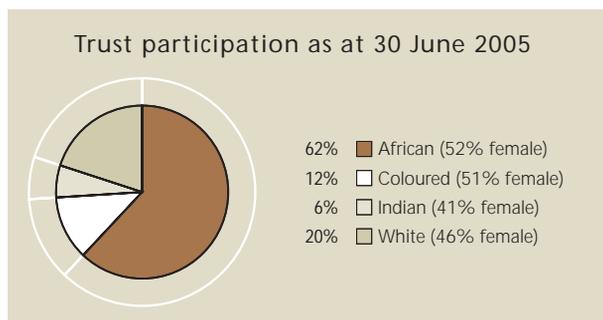
The group is currently reviewing its sexual harassment policy to be aligned with the new Code on Sexual Harassment, recently released by the Department of Labour. This revised policy will be communicated to all employees in the coming year.

### OWNERSHIP

#### Employee Share Trust

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 Sun International Employee Share Trust was established in 2003 and

holds 2,2% of the company's shares and up to 3,5% in each of a number of group subsidiaries. The creation of the trust was a milestone in the history of Sun International, with more than 6 200 employees as beneficiaries. The trust provides an excellent opportunity for all employees to benefit when the group, through the combined efforts of its employees, performs well.



The introduction of this trust 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. During the coming year it is intended to extend participation to employees outside of South Africa.

All permanent full-time and scheduled employees with at least six months' group service are eligible. No executives or senior managers already on the Sun International or any other Group Share Scheme may participate. The trust may acquire interests in other Sun International group companies from time to time.

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*The creation of the Sun International Employee Share Trust was a milestone in the history of Sun International, with approximately 6 200 employees as beneficiaries*

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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 R10,0 million have been made by the trust to employees during the current financial year. The first was in October 2005, amounting to R3,6 million and the second in April 2005, of R6,4 million, representing an annual distribution per eligible employee of R1 728, and bringing the total paid per employee since inception of the trust to R2 517.

The trust is administered by a board of trustees (currently 13), of whom ten have been elected by employees and three by Sun International. The latter may not be employees or executives and include advisors from the group's merchant bankers and legal advisors.

## 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 or TB, dealing with trauma, substance abuse, managing stress and family planning. At some units, wellness committees, comprising volunteer employees, help educate staff on nutrition and the prevention of various illnesses, and help promote the importance of a healthy lifestyle and positive mindset.

We believe that the wellbeing of our employees is vital if we are to retain a motivated and productive workforce that delivers world-class service.

## HIV/AIDS

Since the late 1980s, Sun International has been closely involved in programmes to minimise the effects of HIV/AIDS on its staff and the communities in which the company operates. HIV/AIDS education and awareness remains a strategic intervention and forms an integral part of all induction programmes. Practical assistance is offered to employees affected directly or indirectly by HIV/AIDS, including free testing, guidance on nutrition, the correct use of medication as well as counselling by specifically trained peer counsellors.

The group has adopted a non-discriminatory and compassionate approach and will not conduct pre-employment testing or discriminate in any way on the basis of HIV status. The group acknowledges that HIV/AIDS has an impact on productivity, absenteeism and recruitment costs and to this end it has various strategies in place to try to limit such impact.

During the year, the group commissioned a new impact assessment. This will assist in re-determining the likely HIV/AIDS prevalence rates and projected future costs associated with HIV/AIDS. These results will be correlated against the results of the previous Impact Assessment, conducted in 2003. The group has

## Sustainability report (continued)

evaluated various HIV/AIDS management initiatives and a new programme is in the final stages of being adopted and implemented in the group's operations. This will include:

- Access to free consultations with a network doctor for HIV/AIDS infected employees.
- The supply of anti-retroviral therapy to staff where appropriate.
- Access to prophylaxis for the prevention of mother to child transmission.
- Access to prophylaxis against opportunistic infections, relevant/appropriate vaccinations and multi-vitamin supplements.
- Access to the monitoring tests.
- Additional education programmes.
- A nurse line for telephonic advice and patient support.
- Confidential case management.
- Claims processing.
- General call centre.
- Formulation and maintenance of clinical guidelines.
- Quality assurance procedures.
- Monthly reporting.

Sun International's approach to HIV/AIDS commenced at a time when the group was one of the few in South Africa introducing AIDS education and awareness. This was followed by a revised group initiative in 1992 and a third, more aggressive campaign in 1998. Our early and proactive approach will allow this new programme to support the holistic approach the group has to HIV/AIDS.

A detailed management programme comprising the supply of anti-retrovirals and prophylaxis for prevention of mother to child transmission will supplement the following initiatives that have been undertaken in the group during the past years:

### 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 be tested for HIV and to know their status.
- The facilities for staff to be tested free of charge for HIV and to be provided with pre- and post-test counselling – either in-house or through an external referral – is available at most of the group's business units.

### General wellness programmes

- Programmes provide education on the link between 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.

## COMMUNICATING WITH OUR STAFF

Our intranet site, which is accessible to staff across southern Africa as well as our international offices, provides useful information on labour legislation, training courses offered, job profiles, departmental structures, special offers to staff as well as our staff newsletter, "Winners".

"Winners" is produced in-house using 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 and to staff in our international offices.

Recently, we commissioned an external company to survey our employees' requirements in terms of access to and content of our intranet site. Based on the results of the survey, the site is in the process of being re-designed and upgraded to include a wide variety of information, quick links, state-of-the-art functionality and reporting tools.

## HUMAN CAPITAL MANAGEMENT SYSTEM

Notwithstanding the takeover of PeopleSoft by Oracle, Sun International continues to utilise the PeopleSoft Human Capital

Management system. Oracle have guaranteed to support the PeopleSoft products until 2013, and numerous consultations with Oracle have taken place during the course of the year to ensure that we stay abreast of developments that may impact on our business. We are in the process of investigating various "roadmaps" to ensure that any future software purchase by the company will be capable of exceeding the current high PeopleSoft deliverables, whilst at the same time keeping our payroll functionality abreast of current trends. The recent deployment of a data-warehousing tool has added further detailed reporting and workforce analytical functionality.



## Sustainability report (continued)

### OCCUPATIONAL HEALTH AND SAFETY

Over the past year, the group has laid a strong foundation on which it can further enhance its excellent performance in the management of safety, health and environment (SHE) issues. Compliance with SHE legislation and standards, as well as industry best practice, guide our SHE targets and objectives.

Each property has a designated employee responsible for SHE who:

- Ensures compliance with the Occupational Health and Safety Act (No 85 of 1993).
- Makes recommendations on health and safety appointments.
- Chairs the health and safety committee.
- Resolves health and safety issues which may arise.
- Reports on health and safety issues on a regular basis.
- Keeps abreast of changes in legislation.

In recognition of the need to educate employees and contractors on Sun International's SHE standards and objectives, a comprehensive training programme is conducted. Additional methods of communication include information booklets, posters and workshops.

During the year, there was a general improvement in our management of safety, health and environment (SHE) issues, as evidenced in the results of our internal audits. We believe that this

is due to a genuine commitment by management at our properties to comply with legislation, assess risks, address any problem areas, set goals and improve the SHE performance of their properties. Audits are conducted by staff who have internationally accredited skills, using criteria from OHSAS 18001 as a base and in accordance with the Standards for the Professional Practice of Internal Auditing.

Health and safety incidents are reported and tracked. One of the important items recorded is the number of disabling injuries that occur at each of our properties, of which there were six during the year.

Sun International has set the following SHE goals for the forthcoming year:

- Maintaining compliance with SHE policies and practices at each property.
- Developing and implementing group-wide standards.
- Striving for an injury-free and accident-free working environment.
- Influencing attitudes and improving SHE knowledge to positively impact on the behaviour of our employees.
- Encouraging employee participation in continuous SHE improvement.
- Promoting SHE awareness that goes beyond the workplace.

# Customers

## SERVICE AND STANDARDS: CHERISHING THE CUSTOMER

Sun International operates the premier collection of luxury hotels and resorts in southern Africa and has 43% of a highly competitive and vibrant casino gaming market in South Africa. Sun International's entrenched focus on providing a superior guest experience at all of its properties is what differentiates the group from its competitors.

Crucial to our customers are the values which the Sun International brand has come to reflect. Based on an investment in development, service and customer focus, today this world-class brand inspires trust among its customers. The Sun International brand now represents 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 the levels of attention, service and respect they deserve.

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 benefits, offers and rewards for their loyalty.

The group places special emphasis on the value of the Sun International brand and has renewed its efforts to protect and enhance this immensely valuable asset. This includes improved brand discipline and increasing the Sun International brand presence at all its properties.

## 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.

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*Understanding who our customers are,  
and their expectations, revolves around  
continuous and in-depth research*

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## Sustainability report (continued)

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:

<i>Market</i>	<i>2005</i>
United Kingdom and Ireland	22%
Germany	12%
France	8%
Italy	2%
Scandinavia	2%
Spain/Portugal	4%
Russia	2%
Rest of Europe	2%
Asia	17%
Australia/New Zealand	4%
Africa/Middle East	10%
North America	12%
South America	3%
<b>Total</b>	<b>100%</b>

At the heart of Sun International's relationship with its gaming customers is the group's widely-envied 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 largest loyalty programmes of its kind.

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

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 black market in South Africa. "Project Sparkle" was undertaken last year, and the results of this research are now being rolled out to our South African properties by way both of workshops and through immersion in the market to gain local consumer insights.

### 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 group 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, which is used for player tracking at both slot machines and tables, and which can be used at all group 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 coinless gambling, a world first, and the group's successful Mystery Jackpots. Table game enhancements and jackpots enliven the customer's options and experience.

### 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 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 Guest 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.

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 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 five 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.



## Sustainability report (continued)



➤ *Valley of the Waves, Sun City*



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 five years since the establishment of the NRGP:

- More than 104 000 calls have been received by the tollfree helpline (0800 006 008), and 4 378 callers referred for free treatment by a medical professional, on average some 77 per month. More than 9 620 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 adolescents and senior citizens both in the Western Cape and Gauteng.
- For the year to February 2005 the NRGP substantially exceeded its TAP (targeted access and procurement) empowerment targets. 54,32% of all its procurement was placed with the ABE/HDI sector (against a target 33%) while 77,14% of NRGP counsellors and clinical psychologists are HDIs.

- R23,8 million has been invested in the programme by the private sector up to February 2005.
- Over 11 000 industry workers, along with staff from government regulatory authorities, have received formal training on the subject of compulsive and problem gambling. Over 2 100 staff at Sun International received problem gambling awareness training in the past 12 months.
- During the year, Sun International's contribution to the NRGP was R3,63 million, excluding the cost of the group's investment in customer education.

# Shareholders

## COMMUNICATION

Sun International thanks its shareholders for their interest, involvement and support of the group.

As part of its communications strategy, Sun International welcomes constructive engagement with shareholders and strives to provide them, promptly and transparently, with relevant and significant information of both a financial and non-financial nature, through the publication of the annual report, the interim and year-end results announcements and other media releases in the case of matters of interest to shareholders. The board uses the services of SENS (the JSE's 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](http://www.suninternational.com)), also makes accessible to its stakeholders information relating to the group, including, inter alia, copies of press releases, announcements of interest on its various operations, the interim and year-end results announcements, annual report, financial highlights and development updates.

The chief executive, chief executive designate and chief financial officer meet with industry analysts, fund managers, financial journalists and representatives of existing and prospective shareholders, both locally and internationally, to assist them to gain a better appreciation of the industry and to deal with any queries relating to our operations. The chairman and executive directors also engage in discussions with representatives of the major shareholders to obtain feedback on issues of relevance to the group. No information of a price sensitive nature or which is not in the public domain is discussed at these meetings and no particular shareholder is given broader rights or privileged access to information over the rest of the shareholders.

In order to improve our communications with shareholders, action is being taken to continually improve the group's investor relations offering. As part of this improvement, Sun International has elected to publish quarterly business updates at the end of the first and third quarters of the financial year including high level trading and operating performance data.

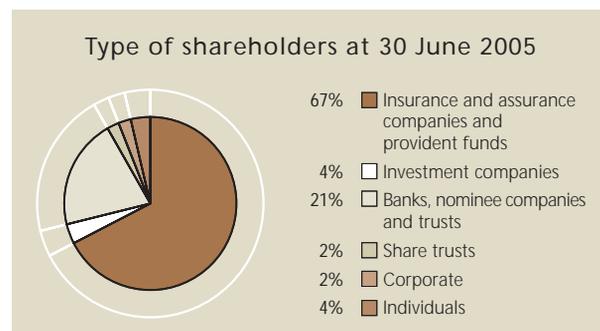
Management encourages and appreciates the feedback received from shareholders, analysts and fund managers regarding the usefulness, quality and extent of the group's reporting and communications process.

Shareholders are encouraged to attend the annual general meeting, as this is the forum at which they can air their views and raise issues of concern.

## FREE FLOAT

As at June 2005 Sun International was ranked number 49 in the FTSE/JSE All Share Index with a market capitalisation of approximately R7,3 billion and a 100% free float and number 26 in the FTSE/JSE 25 Industrial Index.

## BENEFICIAL OWNERSHIP AT 30 JUNE 2005



BEE shareholders' economic interests in the Sun International group are in aggregate approximately 20%. 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 2005 the group had provided loans and preference share funding in the amount of R248 million to its BEE partners. The group has also guaranteed R35 million of funding provided by financial institutions to certain of its BEE partners.

## Sustainability report (continued)

<i>Number of shareholders</i>	<i>Category</i>	<i>Number of shares owned</i>	<i>% of total issued shares</i>
	Size of shareholding		
6 265	1 – 1 000 shares	991 653	0,85
753	1 001 – 10 000 shares	2 334 201	2,01
280	10 001 – 100 000 shares	10 407 986	8,94
132	100 001 – 1 000 000 shares	38 646 155	33,20
28	1 000 001 shares and over	64 012 908	55,00
7 458		116 392 903	100,00

<i>Ten largest beneficial shareholders at 30 June 2005</i>	<i>Number of shares owned</i>	<i>% of total issued shares</i>
Old Mutual Group	14 627 595	12,57
Allan Gray	14 605 500	12,55
Transnet Pension Fund	5 306 804	4,56
Investment Solutions	4 109 056	3,53
Public Investment Commission	3 861 117	3,32
Mines Pension Fund	3 254 874	2,80
Sun International Employee Share Trust	2 615 895	2,25
Namibian Government Institutions Pension Fund	2 467 234	2,12
Orbis	2 242 799	1,93
De Beers	1 976 255	1,70
	55 067 129	47,33

<i>Name of Fund Manager</i>	<i>Shares</i>	<i>% of total issued shares</i>
Allan Gray Asset Management	51 576 070	44,31
Old Mutual Asset Managers	14 752 612	12,67
Marathon Asset Management	7 564 381	6,50
Public Investment Corporation	3 861 117	3,32
Coronation Fund Managers	3 173 205	2,73
Investec Asset Management	2 830 533	2,43
Hermes Pensions Management	2 686 600	2,31
Orbis Investment Management	2 242 799	1,93
Metropolitan Asset Management	2 050 022	1,76
T Rowe Price Group	1 900 900	1,63
	92 638 239	79,59

<i>Shareholders' spread (beneficial) at 30 June 2005</i>	<i>Number of shareholders</i>	<i>% of total issued shares</i>
<b>Public</b>	<b>7 444</b>	<b>72,39</b>
<b>Non-public</b>	<b>12</b>	<b>2,49</b>
Directors of the company and its subsidiaries	11	0,24
Employee Share Scheme	1	2,25
<b>Shareholders beneficially interested in 10% or more of the issued shares</b>	<b>2</b>	<b>25,12</b>
	<b>7 458</b>	<b>100,00</b>

# Society & Community

## POLICY AND DELIVERY STRUCTURES

Sun International strives to promote investment and social upliftment in the environment 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 CSI projects and in terms of its BEE strategy, this will rise to 2% from the 2006 financial year onwards. Funding is considered for non-governmental bodies (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 units 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 Sports Trust with Nedbank, Supersport, the South African Breweries, Harmony, Impala Platinum and Coca Cola in building South African sport through this organisation.

The main focus of The Sports Trust has been to develop sports facilities and provide equipment for disadvantaged communities throughout our country. It has also substantially contributed to coaching and talent identification, and offers sponsorships to individual sportsmen and women from its discretionary fund to buy equipment for their participation in local and international sports events.

To date, The Sports Trust has sponsored over 70 projects and invested well over R18 million in sports development projects

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*The group invested R12,7 million in community development this year*

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## Sustainability report (continued)

countrywide. Projects range from large scale undertakings – such as building indoor and outdoor sports complexes – to equipping boxing gyms to sponsoring development teams for all sports with a full range of Sports Trust branded kit.

Project allocations recommended by the projects committee and approved by the management committee amounted to R2 421 557 of which R105 234 (Discretionary Fund) was allocated to ad hoc projects received from the community.

*The group will lift its commitment to social investment to 2% of annual profit after tax in 2006*

### ➤ Disability Sports South Africa

The group continues its relationship with DISSA. An amount of R3,5 million will be contributed during the next four years.

### ➤ Arts and Culture Trust

The relationship between Sun International and ACT has been cemented once again. The ACT plays an important role in ensuring the development of arts and culture in our country and uses the funds provided by the group to effectively impact areas of need.

### ➤ The Variety Club

Sun International contributes to this worthy cause by donating R10 000 every time the Grand Progressive Jackpot is won on African Express – the amount paid during the reporting period amounted to some R210 000.

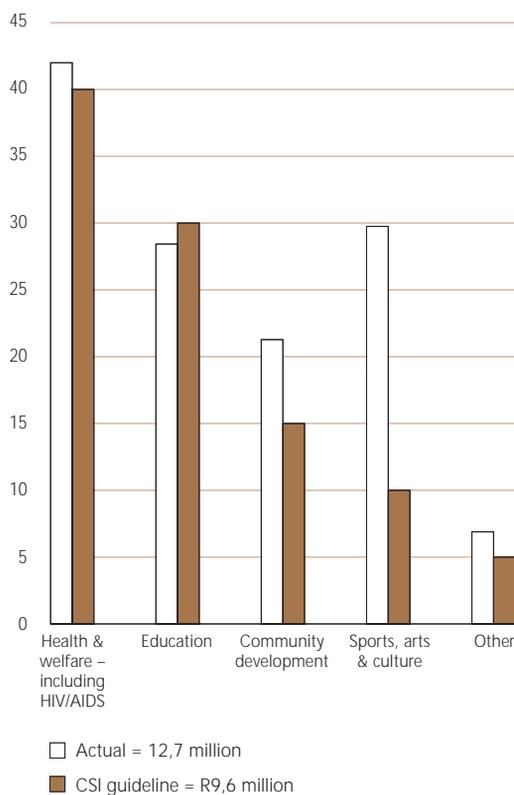
### ➤ Reach for a Dream

The objective of this 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 three and 18 years. Sun International donates R10 000 for every jackpot paid out on the Dream Machine.

### ➤ South African Chefs Association

This year, the group has contributed to the SA Chefs Association, whose objective is to establish a culinary school for the training of chefs in South Africa. A relationship will be established with the Association whereby assistance will be given for experiential training in our units and/or resorts to further contribute to the development of skills in the country.

The total CSI spend for the 2005 financial year was R12,7 million.



## REGIONAL PROJECTS AND INITIATIVES

Some of the major projects, donations and sponsorships which were undertaken by our units in 2005 include:

### ➤ The Carousel View Hospice

A hospice was built in the Carousel View vicinity which will assist with the needs of the community in the area. It will also serve as an HIV/AIDS Voluntary Counselling and Testing Centre (VCT).

### ➤ The Fields School Cricket Development Project

The group built an indoor cricket development facility at Rustenburg Fields School. The facility will be for use by the whole community and will play a major role in the development of sports in the province.

### ➤ Habitat for Humanity Big Build

GrandWest casino, in conjunction with Cape Talk Radio and Habitat for Humanity, built ten houses for needy families in the Masiphumelele Township.

*Sun International staff give of their time voluntarily to several of the community projects we support*



Mr J Thibedi – MEC of Transport, Roads and Public Works unveiling the plaque at the library on behalf of the Premier of the North West Province, Edna Molewa.



Christelle Horne – HR Manager: Table Bay with children from Napier Kindersorg. The Napier Kindersorg is an organisation in the Town of Napier just outside of Hermanus that cares for underprivileged children.



Flamingo casino in Kimberley bought 1 000 yo-yo's in July 2005, which had the crime stop number, to encourage children to report crime. This initiative was part of the Captain Crime Stop Campaign.



David Coutts-Trotter – Chief executive designate, Mr J Magoro from Tshwane Libraries, Mr K Madumo, director of libraries and archives, Ms T Phalafala from UNISA, Ms J Reubenheimer from UNISA, Mr S Hight former General Manager Morula, and Mojaki Mosala HR Manager Morula.



R30 000 was donated to the committee for crime prevention (homeless children) in June 2005. The hand-over was done by the general manager of Flamingo, Ben Khonyane (far right), financial manager Elri Neervoort (seated), CSI committee members together with volunteer field workers.



Flamingo donated 100 blankets in June 2005 to the Salvation Army in Kimberley.



Tebogwana High School Choir performing at the library launch on 11 June 2005.



Mapula Phiri from Recopro Glass project sponsored by Sun City.



Completed Cricket Arena built on Fields College premises in Rustenburg. The project funded by Sun City was launched on 23 July 2005.



Beverly Dulton manages the Napier Kindersorg aftercare for underprivileged children.

## Sustainability report (continued)

### ➤ **KAOZ Afric Fashion Designers**

The group contributed old uniform fabric, sewing machines and an industrial iron to a black-owned and empowered organisation that will assist them in establishing their sewing business. The company also assists by procuring specific items from the business.

### ➤ **Lesabe Primary School**

This school was renovated and funds allocated to painting, repairing broken windows, redoing ceilings and renovating the ablution blocks of the school.

### ➤ **Natalspruit Hospital**

The group purchased a mobile clinic for the Natalspruit Hospital, which will be used for counselling, treatment, VCT and for dispensing medication to the community.

### ➤ **South African Red Cross Society**

A contribution was made to the Society towards the training of volunteers on community-based primary health care.

### ➤ **The Rape Crisis Centre**

The group assisted with renovations to the centre and bought various items to make the centre more comfortable for victims.

### ➤ **MTR Smit Orphanage**

The group donated computers, educational software, printers, stationery and various other goods to the orphanage.

### ➤ **Various donations**

A number of donations were given to organisations such as the Centre for Rehabilitation of Wildlife, Wola Nani, Salvation Army, Cycle for Kids Project, Boksburg Emergency Services, Business Linkage Centre, University of Cape Town Disability

Unit, amongst others, across a whole spectrum of activities and community needs.

### ➤ **Ongoing assistance, projects and schemes**

The company has established various means to assist communities through activities such as feeding schemes, soup kitchens, clean-up campaigns, crime stop awareness programmes, golf days to raise funds and training of community leaders, amongst other programmes, in order to ensure a consistent and ongoing contribution to community upliftment.

## CSI IN THE NEIGHBOURING COUNTRIES

The company adopts the same policy and applies the same principles of CSI in its operations outside South Africa.

Projects range from fundraising for Life Line in Botswana to donations to assist in the extension of an SOS Village in the city.

In Namibia, various donations were made towards the Central Hospital cancer ward, the Christian Swart Home and Let's Join Hands welfare organisation.

In Lesotho, the group made donations of second-hand linen and equipment to Mantase Children's Home and assisted the Beautiful Gate Home golf day to raise funds to ensure the sustainability of the Home.

In Swaziland various donations were made to a number of organisations that are involved in community development.

In Zambia, renovations were completed for the children's ward in the Batoka Hospital. In addition, Sun International assisted in the rehabilitation of the Zambezi Basic School and conducted HIV/AIDS training in Mukuni Village.

Various other community focused projects, donations and sponsorships were embarked upon during the year.

# Suppliers

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*Sun International exceeded its affirmative procurement target to reach 42%*

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## BEE PROCUREMENT

Sun International has continued to implement its preferential procurement policy. The policy incorporates procurement from BEE enterprises, SMMEs (Small, Medium and Micro Enterprises) and from local companies situated in close proximity to the group's operations. The BEE policy was enhanced during the past year to include the latest Codes of Good Practice published by the DTI.

## DEVELOPMENT OF SUPPLIERS

Sun International procurement department has built up a database of all suppliers for the group. These suppliers have either entered into formal agreements for the supply of goods and services to all units, or are suppliers who only supply to specific units on an ad hoc basis. To streamline the process of tracking the purchases from suppliers, the financial management software package has been enhanced. It now records the status and spend with BEE, SMME and local companies and is capable of tracking the supply of goods and services by BEE companies on a real-time basis.

## AUDITS

All operations are scored for preferential procurement compliance at unit level. Each unit complies with the stipulations of the respective Gaming Boards with regard to procurement from BEE, local and SMME enterprises. Units are also scored centrally on a national basis, in accordance with the general guidelines of the tourism charter scorecard. The individual unit scores are then

aggregated by head office in order to arrive at a total BEE score for the group.

## PROGRESS

For the past financial year, the procurement department set the target for procurement of goods and services from BEE enterprises (excluding new projects and major refurbishments) at 35%. This target was exceeded to reach a score of 42%. The BEE procurement target in respect of goods and services for the financial year ending June 2006 is 40%, increasing by 5% per annum until a level of 50% is reached.

The target for BEE procurement in respect of goods and services on new projects and major refurbishments was set at 30% for the year ended June 2005. This score was substantially exceeded to reach 52%.

The procurement department is therefore making significant progress in moving much of its formal group supply to BEE companies. This has been made possible by a combination of changing suppliers and by existing suppliers increasing their BEE credentials. All tender bids carry a significant weighting toward BEE credentials, generally of 25%.

BEE credentials are currently provided by suppliers, who are required to present certificates and reports produced by official BEE scoring agencies. Sun International is currently in the process of appointing an external BEE certification agency capable of auditing and verifying the information obtained from suppliers.

## Government & Regulators

*The group is deeply committed to the National Responsible Gambling Programme*

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 after 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 Licensing Authorities (PLAs) exercise a range of statutory functions to control the conduct of gambling and racing in their respective provinces. The National Gambling Board performs a national oversight function.

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 groups whose operating companies hold casino licences in South Africa. Its aim is to serve as a forum for the advancement of matters of common interest to its members. Its 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 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 board, which it also chairs, and on a number of working committees. Major contributions during the past year have included support to CASA in its co-operation with the Department of Trade and Industry in the drafting and finalisation of the National Gambling Regulations in terms of the National Gambling Act, which was passed during the course of 2004. In addition, substantive input was made into the drafting of a Code of Conduct for CASA.

### 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 local and international markets.

# Health, Safety & Environment

*Eight properties have a protected or sensitive area on or adjacent to their site and manage their impact accordingly*

## INTRODUCTION

The integration of social, transformation, ethical, safety, health and environmental management into our business practices is fundamental to our “triple bottom line” approach. To this end, Sun International has made progress in developing and consolidating its health, safety and environmental (HSE) sustainability initiative over the past year, although some discontinuity has been experienced due to organisational restructuring at head office. The result is that progress has been slower than what we had originally planned, although we are fully committed to ensuring that our HSE programme gains momentum over the next 12 months. In particular, we have identified the need to strengthen the relationship between head office and the individual properties in respect of sustainability management.

We have identified the following priorities in taking HSE sustainability forward within the organisation:

- Although there is a corporate policy in place, objectives and targets to support its implementation have not yet been fully developed. This needs to be undertaken in consultation with the individual properties.
- A systematic and comprehensive reporting structure that enables the evaluation of progress against corporate objectives and targets needs to be implemented.
- A rigorous process for feedback and tracking of HSE items that arise from internal audits undertaken by head office is required.
- A strategy for the organisation's implementation approach to HSE sustainability reporting needs to be developed, which takes cognisance of the Global Reporting Initiative (GRI) guideline included in the King II Corporate Governance Code.

## UNDERSTANDING HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT

### Survey

In order to obtain a consolidated view of environmental issues for the group, head office first distributed a questionnaire in 2004. This exercise was repeated this year but included health and safety issues. The purpose of the survey is to obtain a properties-based update on HSE management, monitor progress from last year and gauge if there are any new issues that require attention from a group perspective.

The survey required that properties provide details of the following:

- Governance, which includes management and reporting systems.
- Environmental management including trends in environmental performance and progress with respect to the implementation of formal Environmental Management Systems (EMS).
- Health and safety including trends in performance and incident reporting.
- Corporate responsibility including HIV/AIDS programmes and support of community projects.

### EMSs

In last year's report we set out our approach to the implementation of EMS within the organisation. Those facilities that are required to have an EMS in terms of the Gambling Board and/or the authorisation issued in terms of the EIA Regulations have been prioritised. This does not mean that environmental management practices do not exist at the other facilities – all facilities are involved in environmental management but this is not formalised at every property.

Amongst the facilities that have an established EMS that is based on the ISO14001 standard are GrandWest, the Boardwalk and

## Sustainability report (continued)

Carnival City. EMS development commenced during the last year at Flamingo and extensive progress has been achieved, while some preliminary work has been undertaken at Meropa. Another important development with respect to our EMS initiative within the group is the inclusion of an EMS review in the internal audits undertaken by head office.

### Governance and awareness

All our properties have identified persons responsible for HSE issues. In the case of the larger facilities, there is a dedicated health and safety manager. At the smaller properties, this role is generally fulfilled by the security manager. The environmental portfolio is the responsibility of either the operations manager or the engineering manager.

Regular reporting on HSE matters takes place through quarterly meetings, where management from head office and individual properties interact. This tends to be focused on incident reporting. HSE matters are included in the internal audits of the properties.

All properties report on health and safety training, which is necessary in terms of the applicable legislation. In general, there is a greater awareness of environmental issues across all the properties, which can be attributed to the fact that properties are required to report on HSE issues and that some properties have sent middle management staff on environmental training courses. There is, however, a need to build environmental awareness amongst all staff, not just middle management. From the data provided in the survey, it is clear that there is greater emphasis on environmental awareness training at those facilities which are implementing an EMS, than at those which are not. Environmental training of management staff was a goal highlighted for achievement in last year's report, which needs additional emphasis over the next year.

### Biodiversity protection

Of the 18 properties surveyed, eight have a protected or sensitive area on or adjacent to their site, the most significant being the Zambian Resort located within the Victoria Falls World Heritage Site.

Other facilities such as the Table Bay hotel and the Boardwalk are located within urban areas, but adjacent to the sea. They therefore consider their location to be sensitive and promote good environmental management to ensure that they do not impact negatively on the coastal and marine environments. The same applies to facilities that are situated adjacent to the coast in rural areas such as the Fish River Sun and the Wild Coast Sun. Some activities that are undertaken to promote biodiversity protection include the removal of alien vegetation, water hyacinth removal on a dam, and protection of wetland systems.

The drive to plant indigenous flora has been significant, with 11 properties reporting over 50% of the property planted with indigenous plants. As water is a scarce resource in southern Africa, all properties are investigating further reductions in exotic vegetation which in general are higher water consumers than indigenous species.

Last year, the group reported on the following goals in relation to biodiversity:

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

In terms of these goals, most properties have been mainly concerned with management of their use of herbicides and pesticides. Those



facilities located within areas that are sensitive from a biodiversity point of view are involved with local conservation initiatives. The intention during the next 12 months is to place greater emphasis on guest awareness and staff training. Another area of focus for the next year is to review existing biodiversity monitoring systems to identify gaps and to determine whether any improvements need to be made.

### **Water consumption**

Last year, interpretation of water consumption data was difficult as there was no standard measurement or reporting method. One of the goals over the past year was therefore to determine a standard reporting method for water use. This takes account of visitor numbers applicable to all Sun International properties.

Reporting on water consumption figures this year has been standardised across the properties. The majority of the sites showed a decrease in water consumption, due to the use of grey water for irrigation, installing water-saving devices in ablution facilities and better monitoring systems, which served to improve irrigation practices.

The group was not in a position to establish a water use per visitor benchmark for properties this past year. This is largely due to the fact that the current "foot count" process does not translate directly into visitor numbers. Further monitoring is required over the next two years to establish a pattern of water consumption in relation to visitor numbers. The determination of water conservation opportunities also requires attention and needs to be linked to corporate objectives and targets in this regard. Finally, during this next year, greater emphasis will be placed on guest and staff awareness programmes on water conservation.

### **Energy use**

While electricity is the main source of energy, most facilities also make some use of fossil fuels. This includes gas (mainly for cooking), petrol (for go-carts) and diesel (for stand-by power supply). Facilities were asked to provide information on all energy use.

In general, the data was not easy to interpret as the reporting method is not fully consistent across all properties. Most facilities have energy management systems in place, which include monitoring of use and management during times of peak demand. As was the case last year, facilities that have recorded a rising trend in energy use have found this to be the result of an increase in visitor numbers. A few of the facilities (two of the 18) report the use of specific energy-saving devices such as energy efficient light bulbs. In general, therefore, energy use is being dealt with mainly through energy management systems (eg Maxcon). During the next 12 months, the feasibility of implementing specific energy-saving devices and technologies will be investigated to determine further ways for reducing energy use.

### **Waste management**

Waste management has been identified as an important environmental issue across all properties. In general, waste management at the facilities is outsourced to specialist waste contractors. They are responsible for the collection, sorting, recycling and disposal of waste.

Packaging forms the major portion of the waste stream. Given the

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*The drive to plant indigenous flora has been significant, with 11 properties reporting over 50% of the property planted with indigenous plants*

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high potential for recycling of this type of waste, most of our properties have successfully implemented a formal recycling programme. These facilities estimate that between 30% and 70% of their waste is recycled. Some facilities are unable to recycle their waste due to lack of infrastructure, as is the case in small towns and rural areas.

In an effort to identify ways to reduce waste generation, properties will be striving in the next reporting year to monitor and measure waste volumes per waste type on a monthly basis. In addition, there is a drive at head office level to implement a sensitive purchasing policy. Amongst other goals, this policy would require suppliers to consider ways of minimising packaging, which should assist in reducing waste at source.

### **Health and safety**

All properties have well-developed health and safety systems in place to ensure compliance with legislative requirements. This is evidenced by, amongst others, the presence of health and safety committees, regular monitoring and strict reporting. No facility experienced any fatal or disabling injuries during the past year with no significant lost time (man hours). There is a formal reporting process for health and safety incidents.

Health and safety compliance forms part of the head office internal audit process. Scores for the 2004/2005 year varied from 68% to 94%, with most audited facilities showing an improvement relative to previous years. Some facilities have indicated that they will be implementing the OHSAS 18001 health and safety management system, which is similar to the ISO14001 EMS.

## Sustainability report (continued)

### Managing environmental risk

The implementation of formalised systems (such as ISO14001 and OHSAS 18001) is fundamental to Sun International's HSE risk management approach. No property reported any environmental incidents during the 2004/2005 reporting period. Complying with environmental legislation is a key element of the day-to-day operations at Sun International. To support this process, a register of applicable national environmental legislation has been compiled for the group and provided to the individual properties in South Africa. In addition, six properties have indicated that a legal register of provincial and local by-laws has been compiled as part of their EMS.

### GOALS FOR NEXT YEAR

The following goals have been identified for the next year and emphasis will be placed on achieving these in order to drive our organisation's sustainability initiative forward:

- Provide environmental education training for middle management.

- Provide environmental education material for use at all group properties.
- Ensure legal registers are in place at all properties.
- Establish a more consistent reporting structure for environmental management practices to head office.
- Continue to monitor environmental progress at each property.
- Continue EMS implementation.
- Complete the implementation of a "green building" policy and strategy to be applied in new developments.
- Provide a more comprehensive quantitative analysis of our HSE performance than in previous reporting periods.
- Develop corporate objectives and targets for HSE performance.
- Formulate a strategy and implementation plan for the organisation's HSE sustainability reporting.

### SUMMARY OF ENVIRONMENTAL PERFORMANCE ON GOALS SET OUT FOR 2004/2005

Initiated EMS software use	In progress
Conduct environmental training workshops for middle management	x
Produce environmental education material for use at all group properties	x
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	In progress

# Ethics

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*Our ethics tollfree number is manned by operators employed by an external company and is available to our staff 24 hours a day*

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## CODE OF ETHICS

Management and staff are expected to commit to the highest ethical standards of conduct. The company's internal code of ethics (refer page 102) clearly confirms its commitment to all its stakeholders, provides guidelines governing the personal conduct of its employees and emphasises the importance of adopting enlightened employment policies and practices. The board intends to enhance its Code of Ethics on a regular basis and strives to ensure that the values on which it prides itself, continue to form an integral part of the culture of the company.

## ETHICS LINE

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

The reporting procedure is published in every edition of our staff newsletter and any incident is brought to the attention of the chief executive.

## FICA AND TRAINING

The South African government resolved to make our financial system secure, efficient and customer friendly. A further aim was that the honesty and integrity of the financial system is not undermined by efforts to launder money through banks, insurers, financial brokers and other probable avenues.

In order to align South Africa with our international counterparts to prevent money laundering and reduce and limit the avenues for criminals to hide the origin of the proceeds of crime, the Financial Intelligence Centre Act was promulgated. The aim was to establish a method of obtaining information and thereby to identify patterns in terms of financial transactions conducted by individuals over a large range of disciplines. Albeit that the FICA provides for intelligence gathering, it works in tandem with the Prevention of Organised Crime Act (POCA).

Due to the events of 11 September 2001 (9/11) a sudden surge of focus on money laundering and terrorist financing activities came to the fore. Countries that do not have anti-money laundering legislation in place will be restricted in terms of trade. It was therefore in South Africa's interests to get relevant legislation in place and to obtain membership to the Financial Action Task Force (FATF) – the de facto co-ordinating organisation to combat money laundering and terrorism financing. This was not only to improve trade relations but also to avoid exposing our financial system to destabilisation due to infiltration of criminal elements. South Africa applied to the FATF during 2002 for membership and obtained membership in 2003.

All holders of gambling licences are regarded as accountable institutions in terms of the FICA, and thereby governed by certain provisions of the FICA and its regulations. Sun International recognised the importance of compliance with the Act but also looked towards governance aspects and proper ethical behaviour. It therefore took the leading role in being the first company of its type to comply with the obligations imposed upon it by the provisions of the FICA.

Policy was developed and implemented to set the tone in all Sun International managed properties for dealing with suspicious transactions. Roles were allocated to certain departments in respect of the systems and processes to be developed. Money laundering officers were put in place to monitor and report on necessary transactions. An educational and awareness programme was undertaken and subsequently, training manuals developed to train the relevant staff on the various aspects and obligations we have under the FICA. Furthermore, Sun International, in conjunction with other casino companies, developed and implemented internal rules for all casino properties.

Sun International continues to maintain a high focus on reiterative training and compliance through its various structures. Four of the Sun International properties have been subject to inspection audits by the National Gambling Board, the supervising body in terms of the FICA. No adverse report was received.



## Directorate and administration



from left to right: Peter Bacon and David Coutts-Trotter; Rob Becker; Buddy Hawton

### Executive directors

#### Δ PD (Peter) Bacon (59)

Chief executive

National Dip Hotelkeeping and Catering;  
MHCIMA (British)

Appointed to the board in 1994 and as the chief executive on 1 July 2003. Mr Bacon holds directorships in various Sun International group companies, including SIML and Royale Resorts Holdings Limited and is chairman of the Casino Association of South Africa. He has over 30 years' experience in the hotel, resorts and gaming industries.

#### Δ DC (David) Coutts-Trotter (43)

Chief executive designate

BBus Sci, BAcc, CA(SA)

Appointed to the board in 1996, as deputy chief executive on 1 July 2003 and chief executive designate on 1 September 2005. Mr Coutts-Trotter holds directorships in various Sun International group companies, including SIML and Royale Resorts Holdings Limited. Mr Coutts-Trotter completed articles with PricewaterhouseCoopers Inc and has over ten years' experience in the hotel, resorts and gaming industries. Mr Coutts-Trotter was formerly director of City Lodge Hotels Limited.

#### Δ RP (Rob) Becker (43)

Chief financial officer

BAcc, CA(SA), MBA

Appointed to the board on 30 July 2005 and is also a director of SIML. Mr Becker joined the group on 1 July 2005 having spent two

and a half years at Nampak and seven years at Robertsons Holdings where he held the positions of chief financial officer and group financial director respectively. Mr Becker has extensive experience in corporate finance and local and offshore financial management.

### Non-executive directors

#### \* DA (Buddy) Hawton (68)

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, Woolworths Holdings Limited (chairman) and Royale Resorts Holdings Limited (chairman). Mr Hawton previously held directorships in City Lodge Hotels Limited, Altron Limited, South African Mutual Life Assurance Society, Rennie's Group Limited, Safmarine and Rennie's Holdings Limited (chairman) and South African Marine Corporation Limited (chairman).

#### \* †# MP (Mike) Egan (50)

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. Mr Egan holds private equity investments in and provides project services to the leisure, film and entertainment industries.

#### \* † L (Leslie) Boyd (68)

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, Anglo American Platinum Corporation Limited, Allied Technologies Limited and AECL Limited and deputy chairman of Anglo American.

#### † LM (Louisa) Mojela (49)

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 and SAA. Ms Mojela is also a director of Afrisun Leisure Investments, which company she represents as a director on the board of Emfuleni Resorts and as chairman 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 a director of Rebserve Holdings and executive chairman of WIPHOLD when it listed in 1999.

#### †# E (Eddy) Oblowitz (48)

BCom, CA(SA), CPA (Isr)

Appointed to the board in 2002. Mr Oblowitz is a financial and business consultant and non-executive director and trustee to various companies and trusts, including Mobile



from left to right: Mike Egan and Leslie Boyd; Louisa Mojela and Eddy Oblowitz; Graham Rosenthal, David Nurek and Leon Campher  
below: Hassen Adams and Nigel Matthews; Peter Swartz

Industries Limited and Trencor Limited. Mr Oblowitz previously served as a senior partner of Arthur Andersen until January 2001.

†#Δ GR (Graham) Rosenthal (61)  
CA(SA)

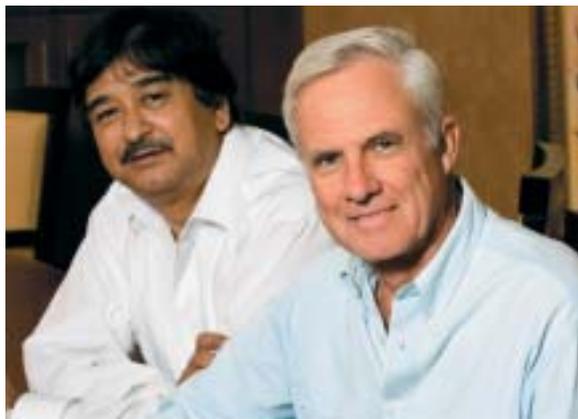
Appointed to the board in 2002. Mr Rosenthal is a non-executive member of various audit committees including Macsteel Service Centres SA (Pty) Limited, Merseta and ICASA, serves on credit committees and is a trustee of staff share schemes of Investec Bank. He retired in 2000 from Arthur Andersen after being in charge of their South African audit and business advisory practice. He served as chairman of the Investigations Committee of the South African Institute of Chartered Accountants until 1999.

†#Δ DM (David) Nurek (55)  
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 to 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 Holdings Limited, Lewis Group Limited and JCI Limited. Mr Nurek served as chairman of the legal firm Sonnenberg Hoffman & Galombik until June 2000.

\*† PL (Leon) Campher (57)  
BEcon

Appointed to the board in 2002. Mr Campher has extensive experience in investment



management with Old Mutual, Syfrets Managed Assets, Coronation and African Harvest. Mr Campher is deputy chairman of the Stakeholders Forum of the Bond Exchange of SA, a director of STRATE Limited and a member of the Financial Sector Charter Council. He retired from executive positions in February 2002.

† H (Hassen) Adams (53)  
HND Pr Tech Eng Civil Engineering

Appointed to the board in 2004. Mr Adams has many years' experience in the field of civil engineering and project management and is a director of Grindrod Limited, chairman of ASCH Consulting Engineers and Proman Project Managers. Mr Adams holds interests in restaurants and is chairman of Cape Town Fish Markets and San Squires and is also a director of Grand Parade Investments which company he represents on the board of SunWest International as deputy chairman.

\*†Δ IN (Nigel) Matthews (60)  
MA (Oxon), MBA

Appointed to the board in 1996. Mr Matthews holds non-executive directorships in 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.

† PEI (Peter) Swartz (64)  
Adv Pr Teachers Dip

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

\* Member of the remuneration and nomination committee

† Independent director

# Member of the audit committee

Δ Member of the risk committee

## Directorate and administration (continued)



*Peter Bacon*



*David Coutts-Trotter*



*Rob Becker*



*Silvia Bailes*



*Clarence Benjamin*



*Hendrik Brand*



*Garth Collins*



*Phillip Georgas*



*Rob Hellings*



*Tristan Kaatze*



*John Lee*



*Joe Lukwago-Mugerwa*



*Khati Mokhobo*



*Sean Montgomery*



*Patrick Reinecke*



*Rob Rimmer*

## Group Secretary

### **SA (Silvia) Bailes (51)**

*Group secretary*

FCIS, FCIBM

Joined Sun International at its inception in 1983 to establish the group's corporate and related services division, with oversight for gaming and other licensing processes, intellectual property rights, as well as share scheme administration and compliance, for which she remains responsible. Has been instrumental in the formulation and implementation of the group's corporate governance processes, particularly at board levels.

## Management – Directors (SIML)

### **CS (Clarence) Benjamin (45)**

*Director: Group internal audit*

BCom, CA(SA)

Joined Sun International in 2005. Completed articles with Kessel Feinstein. After a period as audit partner at Meredith Harrington, he was appointed to the Office of the Auditor General as a corporate executive in 1996. Over the past nine years he has served in a variety of high level positions and has gained valuable experience and understanding of varied auditing environments.

### **HJ (Hendrik) Brand (49)**

*Legal affairs director*

BCom, LLB and CPIR

Mr Brand joined Sun International in 1985 and has participated extensively in industry inputs in the formulation of national and provincial gambling legislation following the legalisation of gambling in South Africa. He authors the Juta's publication "Gambling Laws of South Africa". Mr Brand's principal focus remains on the legal aspects of the group's gaming operations.

### **G (Garth) Collins (58)**

*Divisional director: gaming south*

Mr Collins joined Sun International on its inception in 1983 and holds directorships in a number of group companies, including

SunWest International and Emfuleni Resorts and was previously chairman of Swaziswa Holdings and Sun International (Botswana). Mr Collins is primarily responsible for the management of Sun International's gaming operations in the Eastern, Northern and Western Cape Provinces and in Lesotho and he has 38 years' experience in the hotel, resorts and gaming industries. He was previously a director of the Holiday Inn group for several years.

### **PG (Philip) Georgas (62)**

*Divisional director: resorts*

Mr Georgas joined Sun International in June 1996 and holds directorships in a number of Sun International group companies in southern Africa, including Swaziswa Holdings, Sun International (Botswana), Sands Hotels and Sun International (Zambia). He is responsible for the management of Sun International's resorts operations, the group's sales and marketing functions both locally and internationally, centralised purchasing and the "Dreams" outbound tour operation.

### **PR (Rob) Hellings (51)**

*Finance director: SIML*

BCom, BCompt (Hons), CA(SA)

Mr Hellings joined Sun International on its inception in 1983 as group accountant. He holds directorships in various group companies and is responsible for the financial affairs of SIML. He completed his articles with PricewaterhouseCoopers Inc and has over 20 years' experience in the hotel, resorts and gaming industries.

### **TC (Tristan) Kaatze (44)**

*Divisional director: gaming north*

CA(SA), CPA (USA)

Mr Kaatze rejoined Sun International in 2000 as commercial manager: gaming north and was appointed general manager of the Sugarmill casino/Sibaya in 2002 and as divisional director: gaming north in 2005. He has 17 years' experience in the gaming industry, which includes four years in Las Vegas. Mr Kaatze is a director of a number of Sun International group companies, including Afrisun Gauteng, Afrisun KZN and Meropa.

### **JA (John) Lee (48)**

*E-commerce & technology director*

BCom, CA(SA)

Mr Lee joined Sun International in 1986 as a divisional finance executive, was promoted to group financial manager of Sun International's operations in the North West Province in 1991, and appointed business development director in 1995 to oversee the group's participation in the new casino licence and integration process in South Africa. He was appointed to his current position in late 2001, in terms of which he has responsibility for the development, operation and governance of the group's e-commerce and technology functions. Articled with PricewaterhouseCoopers Inc.

### **J (Joe) Lukwago-Mugerwa (50)**

*Group human resources director (designate)*

LLB

Joined Sun International in 2005 to succeed the group human resources director who is due to retire in December 2005. Before joining Sun International he was Chief State Law Advisor in the Premier's office of the Province of the Eastern Cape, the chairperson of the Provincial Gambling and Betting Board and a member of the steering committee of the International Association of Gaming Regulators.

### **DR (Khathi) Mokhobo (40)**

*New business development director*

BCom, BAcc, ACMA, CA(SA)

Joined Sun International in 2005 to oversee the group's expansion in new casino licences and other properties outside of South Africa. Mr Mokhobo was one of the founding members of the auditing and forensic services firm, Gobodo Incorporated, in which role he consulted extensively to the various gambling boards in South Africa over a seven-year period, including a period during which he acted as chief executive of the Gauteng Gambling Board.

### **S (Sean) Montgomery (43)**

*Development director*

BSc (OS) WITS

Rejoined Sun International as development director in 2005. Originally with Sun



## Directorate and administration (continued)

### *Management* – Directors (SIML)

International from 1995 to 2003 during which time he was responsible for the construction of Carnival City, GrandWest and seconded to oversee the construction of the Cape Town International Convention Centre. Mr Montgomery has 15 years' experience in the construction and property development industry, including ten years' experience in leisure, hotel, gaming and resort development.

#### **PT (Patrick) Reinecke (58)**

*Gaming director*

Mr Reinecke joined Sun International at inception in 1983 and has over 30 years' experience in the gaming, hotel and resort industries. He started his career at the Royal Swazi Spa as a dealer in 1970, progressing to general manager, Morula Casino and Hotel in 1987. Mr Reinecke has responsibility for overseeing the group's gaming environment.

#### **RG (Rob) Rimmer (60)**

*Group human resources director*

BSoc Sc MBA (Strathclyde)

Mr Rimmer joined Sun International in January 1986 as head of human resources. He has been responsible for formulating the integration of the human resources function within the overall business strategy of the group and ensuring that transformation is successfully implemented and achieved. Mr Rimmer will be retiring in December 2005.

### *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 Advisors and Consultants:** Edward Nathan (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](http://www.suninternational.com)
- **Transfer Secretaries:** Computershare Investor Services, 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, Gauteng, Republic of South Africa

# Our Commitment

The Sun International group is committed to and endorses the application of the principles recommended in the King II Code of Corporate Practices and Conduct.

The board is satisfied that the company is compliant with the Code in most material respects and with the related Listings Requirements of the JSE Limited (JSE), the extent of which is dealt with under appropriate sections throughout this report.

The board continues to address those areas of the Code requiring 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 remains mindful of the need to achieve a balance between conformance and performance, leadership and control, thereby fostering an entrepreneurial culture within acceptable risk levels, aimed at promoting value creation, at all times observing the group's broader obligations to society in terms of environmental, economic and social sustainability. The board acknowledges its commitment towards transformation at all levels as a fundamental business imperative.

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

- Sun International was ranked 1st in the "Hotel, Leisure and Gaming" sector in the 2005/6 publication of the Top 500 South Africa's Best Managed Companies.
- The company received an excellent ranking amongst the top 100 listed companies in the Ernst & Young Excellence in Corporate Reporting 2005 Survey.
- The company ranked 3rd in the Leisure and Hotels sector in the 2005 Financial Mail's Empowerdex Top Empowerment Companies, and 24th overall.

## BOARD OF DIRECTORS

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

The board charter regulates how business is to be conducted by the board in accordance with the principles of good corporate governance. Compliance with the terms of the charter and the

company's memorandum and articles of association are an integral part of each director's 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, procedures, pre-requisites and competencies for membership, 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 the integrity of management and internal controls;
- board governance processes, including board procedures and matters requiring annual and regular review;
- board committees, including delegation of authority (but not responsibility) and the requirements for transparency and full disclosure by the committees;
- matters specifically reserved for the board of a financial, administrative and manpower nature;
- identification of major risks and the process of risk management and effectiveness of the process;
- procedures for board meetings, frequency, quorum, agendas, board papers, conflicts of interest and minutes;
- share dealings;
- board, committee and individual evaluations and performance; and
- the role and responsibility of the company secretary.

The charter stipulates that the operation of the board and the executive responsibility for the running of the company's business should be two key and separate tasks and that there should be a clear division of responsibilities at the head of the company to ensure a balance of power and authority, ensuring that no individual or block of individuals has unfettered powers of decision making or can dominate the board's decision taking. The board is chaired by Mr Buddy Hawton, a non-executive director. Mr Hawton is not considered independent as he held the position of chief

## Corporate governance report (continued)



- ▲ *The Palace, Sun City*
- *Royal Court Restaurant, Sibaya, Umhlanga*
- ▼ *Morula, Mabopane*



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 after an informal evaluation of his performance, been re-elected chairman by the board for a further period not exceeding one year, the annual re-election being a requirement of the company's articles of association.

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. In making their recommendations, the remuneration and nomination committee applies the pre-requisites for board membership as set out in the board charter.

The board's governance and management functions are linked through the chief executive who is tasked with the running of the business and the implementation of the policies and strategies adopted by the board. All board authority conferred on management is delegated through the chief executive and the 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. Levels of authority and materiality have been established and are reviewed annually by the board and the remuneration and nomination committee.

The board presently comprises three executive and eleven non-executive directors, of whom ten are considered independent in terms of the definitions contained in the Code. The non-executive directors have the necessary skills and experience, as is evidenced from their CVs on pages 78 and 79, to provide judgement independent of management on material board issues. The composition of the board appears on pages 78 and 79 of the annual report and changes in the directorate during the financial year and to the date of this report on page 105.

Shareholders have been advised that Mr Peter Bacon, the chief executive, has notified the board of his intention to retire on 30 June 2006, when he will reach the group's retirement age. David Coutts-Trotter (formerly deputy chief executive) was appointed chief executive designate as of 1 September 2005.

The executive directors are individually mandated and held accountable for:

- the implementation of the strategies and key policies determined by the board;



*The Cascades, Sun City* <  
*Windmill, Bloemfontein* >



- managing and monitoring the business and affairs of the company in accordance with approved business plans and budgets;
- prioritising the allocation of capital and other resources; and
- establishing best management and operating practices.

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

The board evaluates its own performance, processes and procedures every two years. Through the remuneration and nomination committee, the board appraises the performance of the board 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 of and the determination of the remuneration of the chief executive. Board committees are also reviewed every two years by way of self-evaluations. The last board and committee evaluations took place during 2004, and action plans to improve outcomes, where necessary, or to implement suggestions for improvements made by the directors or committee members, have been put in place. The next board and committee evaluations will take place in 2006.

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

## Corporate governance report (continued)

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 board chairman or the company secretary.

The company secretary provides a central source of advice to the board on the requirements of the Code and corporate governance and, in addition to the company secretary's statutory and other duties, provides the board as a whole, directors individually, and the committees with guidance as to how their responsibilities should be discharged in the best interests of the company. The appointment and removal of the company secretary is a matter for the board as a whole.

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 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 at the time of each board meeting.

Five board meetings were held during the 2005 financial year and a further two since then and to the date of this report. Details of attendance by each director are as follows:

	22 – 24 July 2004 (strategy)	31 August 2004 (quarterly)	30 November 2004 (quarterly)	7 March 2005 (quarterly)	27 May 2005 (quarterly)	30 July 2005 (strategy)	30 August 2005 (quarterly)
DA Hawton	√	√	√	√	√	√	√
PD Bacon	√	√	√	√	√	√	√
DC Coutts-Trotter	√	√	√	√	√	√	√
H Adams **	n/a	n/a	√	√	√	√	√
RP Becker*	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	√	√	√	√	√
DM Nurek	√	√	√	√	√	√	√
EObowitz	√	√	√	√	√	√	√
GR Rosenthal	√	√	√	√	√	x	√
PEI Swartz **	n/a	n/a	√	√	x	√	√

√ present    X apologies    n/a not applicable    \* appointed to the board on 30 July 2005    \*\* appointed to the board 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 risk committees. The terms of reference, and composition of the committees, are determined and approved by the board and have been adopted by all the committees and are subject to review, and approval, by the board on an annual basis. The chairpersons of the committees 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.

Various other committees have been established throughout the group to oversee issues of an operational, day-to-day management nature, including e-business and technology operational activity and governance.

### Audit committee

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

Mr Nigel Matthews served on the committee until 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'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 and effectiveness of the external auditors, consideration of non-audit services performed by them in respect of which a policy has been established;
- review of the interim report and annual financial statements, including the valuation of unlisted investments and loans, prior to submission to the board;

- discussion of problems arising from external audit and review of the external auditors' interim and final reports and identification of key issues arising;
- review and evaluation of the internal audit activities and plan, annual review of the internal audit mandate, ensuring adequate resourcing, ensuring co-ordination between internal and external audit, ensuring appropriate action by management in the event of major deficiencies or breakdowns in controls or procedures, and considering the appointment of the head of internal audit;
- consideration of major findings of internal investigations and management's responses;
- monitoring of compliance with the group's code of conduct and significant breaches thereto;
- 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 every two years.

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 executive designate, 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. Four audit committee meetings were held during the 2005 financial year and a further two since then and to the date of this report. Details of attendance by each member are as follows:

	27 August 2004 (year end)	4 October 2004 (financial statements)	1 March 2005 (interim)	9 May 2005 (planning)	26 August 2005 (year end)	3 October 2005 (financial statements)
MP Egan	√	√	√	√	√	x
DM Nurek	√	x	√	√	√	√
E Oblowitz	√	√	√	x	√	√
GR Rosenthal	√	√	√	√	√	√
√ present	x apologies	n/a not applicable				

## Corporate governance report (continued)

The audit committee has adopted written terms of reference approved by the board and has satisfied its responsibilities in compliance therewith in all material respects during the financial year. Its terms of reference were reviewed and amended during the year in line with current trends and developments relating to audit committees.

### Remuneration and nomination committee

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

Mr Nigel Matthews chaired the committee until 22 August 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 salary 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 96.

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 on 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;



▲ Morula, Mabopane

- review and determine the remuneration of the chief executive, the chief executive designate and their direct reports, subject to consideration of the short and longer term components of their remuneration and individual contributions and performance;
- review the performance of the board chairman in consultation with the executive directors, and to report on the review to the board; and
- review compulsory group employee benefits and costs relevant thereto, and ensure the proper administration of the company's share incentive and option schemes.

The chief executive, chief executive designate and head of human resources attend all meetings of the committee by invitation, unless deemed inappropriate by the committee.

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 to answer questions on the subject of remuneration.

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 during the year.

The remuneration and nomination committee is required to meet formally at least twice a year. Two remuneration and nomination committee meetings were held during the 2005 financial year and a further two since then and to the date of this report. Details of attendance by each member are as follows:

	2 March 2005	30 May 2005	4 July 2005	30 August 2005
DA Hawton	✓	✓	✓	✓
L Boyd *	✓	✓	✓	✓
PL Campher	✓	x	✓	✓
MP Egan	✓	✓	✓	✓
IN Matthews	✓	✓	✓	✓

✓ present    x apologies    \* appointed to the remuneration and nomination committee on 22 July 2004



Boardwalk, Port Elizabeth <  
Royal Swazi Sun, Ezulwini >



## Corporate governance report (continued)

### Risk committee

**Composition:** Mr Mike Egan served as chairman of the risk committee until 22 July 2004, on which date he resigned from the committee and the chairmanship passed to Mr David Nurek, an independent non-executive director. Also represented on this committee are the chief executive, chief executive designate, chief financial officer and group secretary, Messrs PD Bacon, DC Coutts-Trotter and RP Becker, and Mrs SA Bailes, and two independent non-executive directors, Messrs IN Matthews and GR Rosenthal. The committee is operational in nature, accordingly other members comprise representatives from the group's management company, SIML, namely Mr HJ Brand (legal affairs director), Mr G Collins (divisional director: gaming south), Mr PG Georgas (divisional director: resorts), Mr PR Hellings (finance director), Mr TC Kaatze (divisional director: gaming north), Mr JA Lee (e-commerce & technology director), Mr J Lukwago-Mugerwa (group human resources director (designate), Mr DR Mokhobo (new business development director), Mr S Montgomery (development director), Mr PT Reinecke (gaming director) and Mr RG Rimmer (group human resources director).

The 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 independent enterprise risk management specialist has assisted the committee since its inception in 2002 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 has adopted a written mandate and terms of reference approved by the board, the terms of which are subject to annual review by the committee and the board. These were reviewed and amended during the year.

This mandate includes, inter alia:

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



▲ Gary Player Golf Course, Sun City  
◀ ▲ The Palace of the Lost City, Sun City



- 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;
- ensuring and overseeing the preparation of a group risk register;
- advising the board on risk aspects (including its commentary on risk in the annual report); and
- the self-evaluation of the committee's performance as part of the board's evaluation process every two years.

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

## RISK MANAGEMENT, ACCOUNTABILITY AND AUDIT

### Risk management

The board has adopted the following risk management policy which has been successfully embedded throughout the group:

*"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.*

	24 July 2004	1 March 2005	29 July 2005
DM Nurek	√	√	√
PD Bacon	√	√	√
SA Bailes	√	√	√
RP Becker*	n/a	n/a	By invitation
HJ Brand	√	√	√
G Collins	√	√	√
DC Coutts-Trotter	√	√	√
PG Georgas	√	√	√
PR Hellings	√	√	√
TC Kaatze**	By invitation	By invitation	√
JA Lee	√	√	√
IN Matthews	√	√	√
J Lukwago-Mugerwa *	n/a	n/a	By invitation
DR Mokhobo*	n/a	n/a	By invitation
S Montgomery*	n/a	n/a	By invitation
PT Reinecke	√	√	x
RG Rimmer	√	√	√
GR Rosenthal	√	√	x
SG Shaw****	√	x	n/a

√ present	* appointed to the risk committee on 30 July 2005
x apologies	** appointed to the risk committee on 7 March 2005
n/a not applicable	*** resigned from the risk committee on 30 June 2005
	**** resigned from the risk committee on 7 March 2005



## Corporate governance report (continued)

*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.*

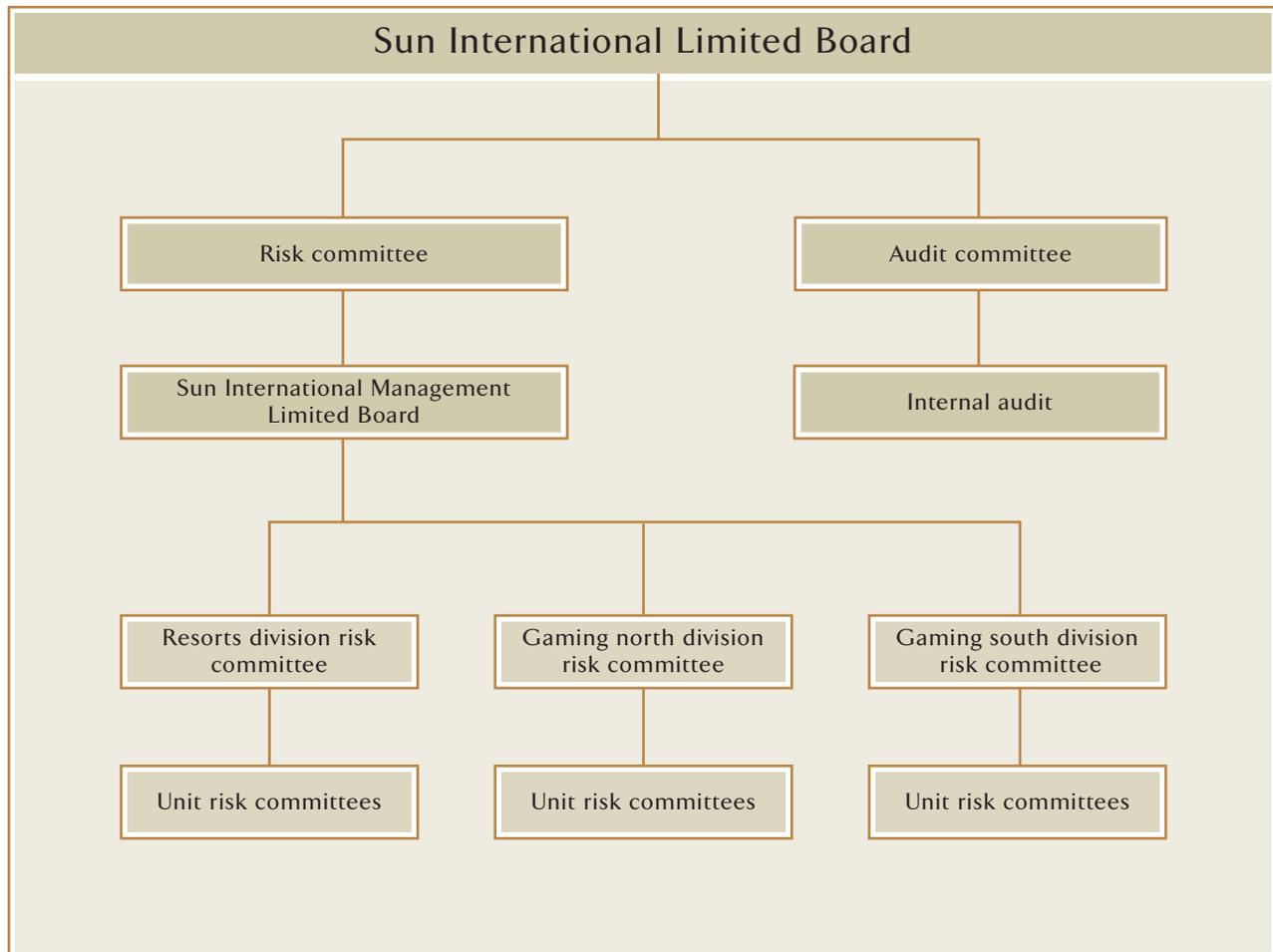
*It is expected that risk management processes will become embedded in our business systems and processes, so that our responses to risk remain current and dynamic. All key risks associated with major change and significant actions by the company will also fall within the processes of risk management. 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 internationally. 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 following diagram sets out the group's risk management organisation:



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 group's risk management processes have accordingly been delegated to the risk committee, whose primary objective is to monitor, develop and communicate the processes for managing risks across the group.

During the year, the company's risk register comprising the top 50 risks was updated and each risk reviewed, re-ranked and documented. The review process also explored the possibility of new risks having entered the risk environment, and these were defined and ranked in the same way as existing risks. The register continues to be 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.

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

- the impact of potential anti-gaming sentiment;
- risks associated with the potential non-renewal of gaming licences or exclusivity;
- limited casino growth opportunities in South Africa and market maturity;
- the impact of potential increases in gaming taxes;
- reliance on IT systems in a modern casino environment; and
- breakdowns with empowerment shareholding structures.

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.

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 good 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.

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*An enterprise-wide approach to risk management is adopted by the group*

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The group's annual internal audit plan incorporates 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 are addressed by the plan at least once a year. The head of internal audit attends risk committee and all divisional and management meetings where risk is addressed in order to verify that the risk management process is appropriate. As such, internal audit provides a high profile risk management facilitation role, but without assuming responsibility for risk management which remains the responsibility of line management.

The board is satisfied with the process of identifying, monitoring and managing significant risks and internal controls.

## ACCOUNTABILITY AND AUDIT

### Internal audit

The internal audit department is designed to serve management and the board of directors through independent evaluations and examinations of the group's activities and resultant business risks, including gaming compliance and compliance with the Responsible Gambling Programme.

## Corporate governance report (continued)

The purpose, authority and responsibility of the internal audit department is formally defined in an internal audit charter which is received by the audit committee and 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. Internal audit is also responsible for monitoring and evaluating operating procedures and processes through, inter alia, gaming compliance, Responsible Gaming Programme compliance operational safety and health and environmental audits. 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 chairmen of the company and the audit committee. The appointment or dismissal of the head of internal audit is with the concurrence of the audit committee.

### 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.

The external auditors attend all shareholder meetings of the company, as well as those portions of board meetings where the year-end results are considered by the board. The external auditors meet separately with non-executive directors at least once a year without executive directors or management present.

### 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.

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*All controls relating to the critical risk areas in the casino and hotel environments are closely monitored by the directors*

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

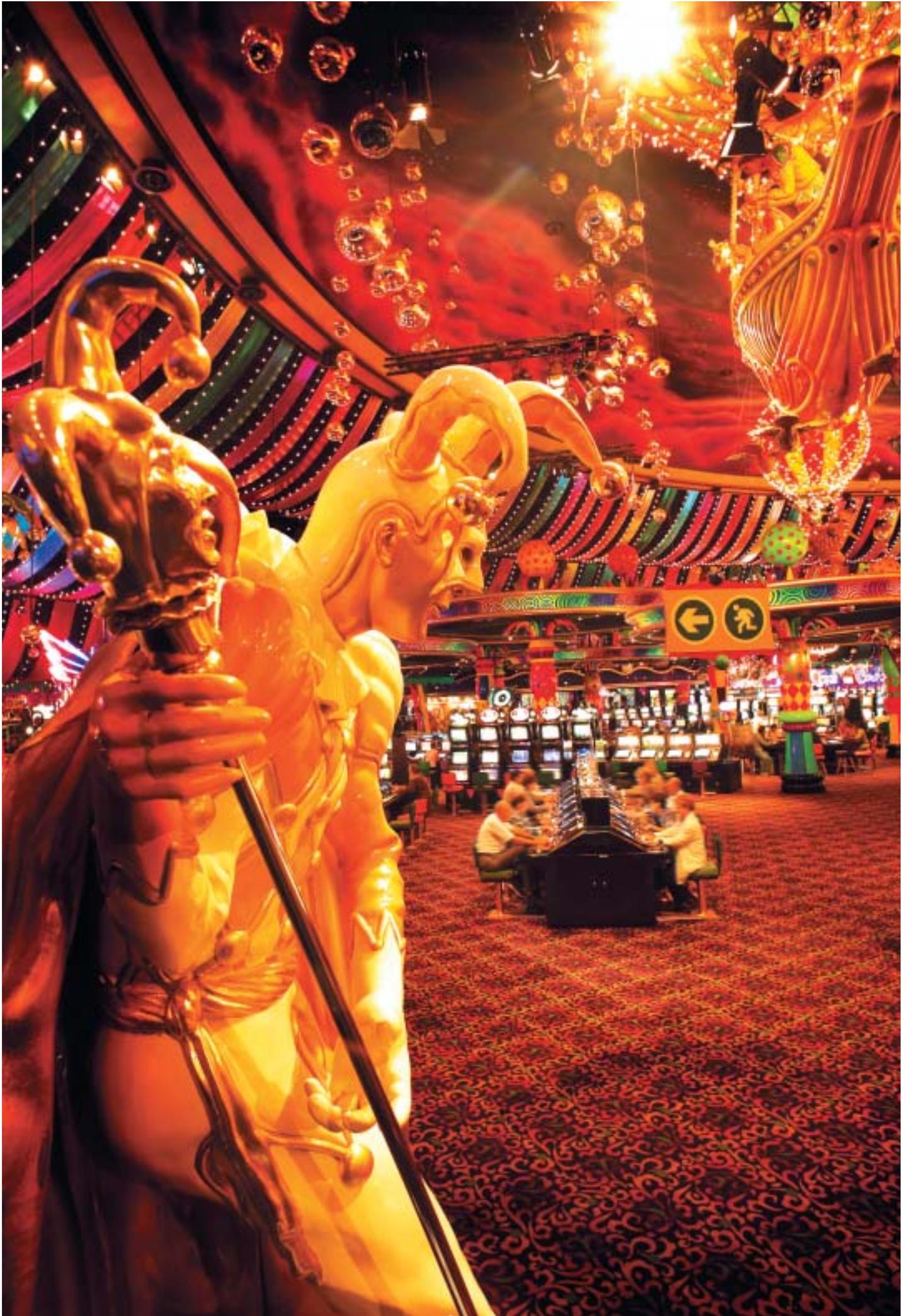
Continual review and reporting structures enhance the control environments. Nothing has come to the attention of the directors to indicate that a material breakdown in the controls within the group has occurred during the year.

### 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.

### Going concern

Following due consideration of the operating budgets, an assessment of group solvency and liquidity, the major risks, outstanding legal and taxation issues, and other pertinent matters, the directors have recorded that they have reasonable expectation



## Corporate governance report (continued)

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 Total Cost of Employment (TCOE) remuneration strategy for all permanent full-time positions first introduced to all South African operations during last year, is in the process of being introduced to the rest of the southern African operations. 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.

Performance management is used as a management tool to ensure that all components in the group's operations are functioning optimally through continuous assessment, clear accountability and fair rewards for additional outputs.

### 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<sup>®</sup>" target and "EBITDA" target components. Additionally, and where appropriate, executives also participate in the share option scheme.

### Share incentive schemes

Recent developments in the regulatory environment and best practice in local and global share schemes have necessitated a review of the existing share option scheme. Arising therefrom, the board, on the advice of the remuneration and nomination committee and its advisors, has determined that the current share option scheme is no longer appropriate.

In line with global best practice and emerging South African practice, the remuneration and nomination committee and the board have recommended the adoption of three new share schemes, based on equity settled EGP (Equity Growth Plan) rights, a CSP (Conditional Share Plan) and a DBP (Deferred Bonus Plan).

The existing share option scheme will remain in place for options granted under that scheme until such time as these options are exercised or lapse.

Executive directors and selected senior employees of the group will participate in certain or all of these new schemes, once approved by shareholders.

The new plans support the principle of alignment of management and shareholder interests, with performance conditions governing the vesting of the plan instruments. Conditions may include, as appropriate, achievement of predetermined or relative total shareholder return. Targets are linked, where applicable, to the company's medium term business plan, over rolling three-year performance periods.

Shareholders will be requested at the forthcoming annual general meeting to consider the passing of ordinary resolutions giving effect to the implementation of the new plan schemes, the salient features of which appear in the notice of annual general meeting forming part of this report.

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

	<i>Bonus</i>		<i>Retirement contributions</i>	<i>Other benefits</i>	<i>Gains on the exercise of share options</i>	<i>Total</i>	
	<i>Salary</i>	<i>Gross</i>					<i>Deferred**</i>
	<i>R</i>	<i>R</i>	<i>R</i>	<i>***R</i>	<i>R</i>	<i>R</i>	
<b>Executive directors</b>							
<b>2005</b>							
PD Bacon	3 398 218	4 493 260	(144 513)	287 550	791 327	–	8 825 842
DC Coutts-Trotter	2 163 661	2 459 493	(70 463)	385 514	738 287	51 680	5 728 172
	5 561 879	6 952 753	(214 976)	673 064	1 529 614	51 680	14 554 014
<b>2004</b>							
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
		<i>Consultancy fees (subsidiary)</i>	<i>Directors' fees (subsidiary)</i>	<i>Directors' fees</i>	<i>Committee fees</i>	<b><i>Total 2005</i></b>	<b><i>Total 2004</i></b>
				<i>R</i>	<i>R</i>	<b><i>R</i></b>	<b><i>R</i></b>
<b>Non-executive directors</b>							
DA Hawton				750 000	74 489	<b>824 489</b>	750 000
H Adams	180 000	12 000		99 782	–	<b>291 782</b>	n/a
L Boyd				120 000	36 198	<b>156 198</b>	110 000
PL Campher				120 000	38 500	<b>158 500</b>	145 000
MP Egan				120 000	143 103	<b>263 103</b>	305 000
IN Matthews				120 000	82 290	<b>202 290</b>	260 000
SC Mildenhall				n/a	n/a	<b>n/a</b>	110 000
LM Mojela				99 782	–	<b>99 782</b>	n/a
DM Nurek				120 000	119 407	<b>239 407</b>	110 000
E Oblowitz				120 000	50 000	<b>170 000</b>	155 000
GR Rosenthal				120 000	88 500	<b>208 500</b>	190 000
PEI Swartz		12 000		99 782	–	<b>111 782</b>	n/a
	180 000	24 000		1 889 346	632 487	<b>2 725 833</b>	2 135 000
<b>Gains on exercise of share options</b>							
DA Hawton						–	3 334 536
						<b>2 725 833</b>	5 469 536

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

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

\*\*\* "Other benefits" paid in 2005 include cash distributions of R502 391 made as part of the termination of the Royale Share Option Scheme, converted to Rands at the annual average exchange rate in respect of each of Messrs Bacon and Coutts-Trotter.



## Corporate governance report (continued)



◀ Morula, Mabopane



### 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

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 2006 appear in the table below. These have been

recommended by the executive directors 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

	<i>Proposed</i> 2006	<i>Approved</i> 2005
<b>Services as directors</b>		
fees: – chairman of the board	<b>825 000</b>	750 000
– directors	<b>140 000</b>	120 000
<b>Audit committee</b>		
fees: – chairman	<b>120 000</b>	100 000
– members	<b>60 000</b>	50 000
<b>Remuneration and nomination committee</b>		
fees: – chairman	<b>90 000</b>	77 000
– members	<b>45 000</b>	38 500
<b>Risk committee</b>		
fees: – chairman	<b>80 000</b>	77 000
– members	<b>40 000</b>	38 500



*The Palace of the Lost City, Sun City <*  
*Table Bay hotel, Cape Town >*



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.

## DEALING IN LISTED SECURITIES

Directors, the group secretary and certain identified senior executives who have access to price sensitive information and are 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 company's share option scheme) from the chairman of the board, or failing him, the chairman of the audit committee, or failing him any member of the remuneration and nomination 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 appears on pages 57 to 59 of this report.

## 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 2005

	<i>Date of grant</i>	<i>Exercise price R</i>	<i>Number of options held 30 June 2004</i>	<i>Options issued/ (exercised) during year ended 30 June 2005</i>	<i>Number of options held 30 June 2005</i>	<i>Lapse date</i>	<i>Number of options vesting 30 June 2005</i>
<b>PD Bacon</b>	17.08.1998	19,375	43 750	–	<b>43 750</b>	17.08.2008	<b>43 750</b>
	11.09.1998	19,050	70 375	–	<b>70 375</b>	11.09.2008	<b>70 375</b>
	22.09.1999	19,525	43 750	–	<b>43 750</b>	22.09.2009	<b>43 750</b>
	24.08.2000	31,200	43 750	–	<b>43 750</b>	24.08.2010	<b>43 750</b>
	04.12.2001	22,975	43 750	–	<b>43 750</b>	04.12.2011	<b>32 813</b>
	06.03.2003	26,500	43 750	–	<b>43 750</b>	06.03.2013	<b>21 875</b>
	01.08.2003	31,555	124 875	–	<b>124 875</b>	01.08.2013	<b>31 219</b>
	12.09.2003	32,950	85 125	–	<b>85 125</b>	12.09.2013	<b>21 282</b>
	25.11.2003	39,005	90 000	–	<b>90 000</b>	25.11.2013	<b>22 500</b>
	01.09.2004	40,950	–	<b>75 000</b>	<b>75 000</b>	01.09.2014	<b>Nil</b>
	30.06.2005	61,825	–	<b>75 000</b>	<b>75 000</b>	30.06.2015	<b>Nil</b>
			<b>589 125</b>	<b>150 000</b>	<b>769 125</b>		<b>331 314</b>
<b>DC Coutts-Trotter</b>	01.03.1995	38,750	3 400	<b>(3 400)</b>	<b>Nil</b>	01.03.2005	<b>Nil</b>
	17.08.1998	19,375	17 500	–	<b>17 500</b>	17.08.2008	<b>17 500</b>
	11.09.1998	19,050	20 000	–	<b>20 000</b>	11.09.2008	<b>20 000</b>
	22.09.1999	19,525	17 500	–	<b>17 500</b>	22.09.2009	<b>17 500</b>
	24.08.2000	31,200	17 500	–	<b>17 500</b>	24.08.2010	<b>17 500</b>
	04.12.2001	22,975	17 500	–	<b>17 500</b>	04.12.2011	<b>13 125</b>
	06.03.2003	26,500	17 500	–	<b>17 500</b>	06.03.2013	<b>8 750</b>
	01.08.2003	31,555	93 750	–	<b>93 750</b>	01.08.2013	<b>23 438</b>
	12.09.2003	32,950	37 500	–	<b>37 500</b>	12.09.2013	<b>9 375</b>
	25.11.2003	39,005	56 250	–	<b>56 250</b>	25.11.2013	<b>14 063</b>
	01.09.2004	40,950	–	<b>46 875</b>	<b>46 875</b>	01.09.2014	<b>Nil</b>
	30.06.2005	61,825	–	<b>46 875</b>	<b>46 875</b>	30.06.2015	<b>Nil</b>
			<b>298 400</b>	<b>90 350</b>	<b>388 750</b>		<b>140 938</b>
<b>DA Hawton</b>	24.08.2000	31,200	62 500	–	<b>62 500</b>	24.08.2010	<b>62 500</b>
	04.12.2001	22,975	62 500	–	<b>62 500</b>	04.12.2011	<b>62 500</b>
	06.03.2003	26,500	62 500	–	<b>62 500</b>	06.03.2013	<b>62 500</b>
			<b>187 500</b>	<b>–</b>	<b>187 500</b>		<b>187 500</b>
			<b>1 168 775</b>	<b>240 350</b>	<b>1 315 375</b>		<b>660 065</b>

\* In terms of the rules of the scheme all options held by Mr Hawton vested on 1 July 2003, following his retirement as an executive from that date.

## 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

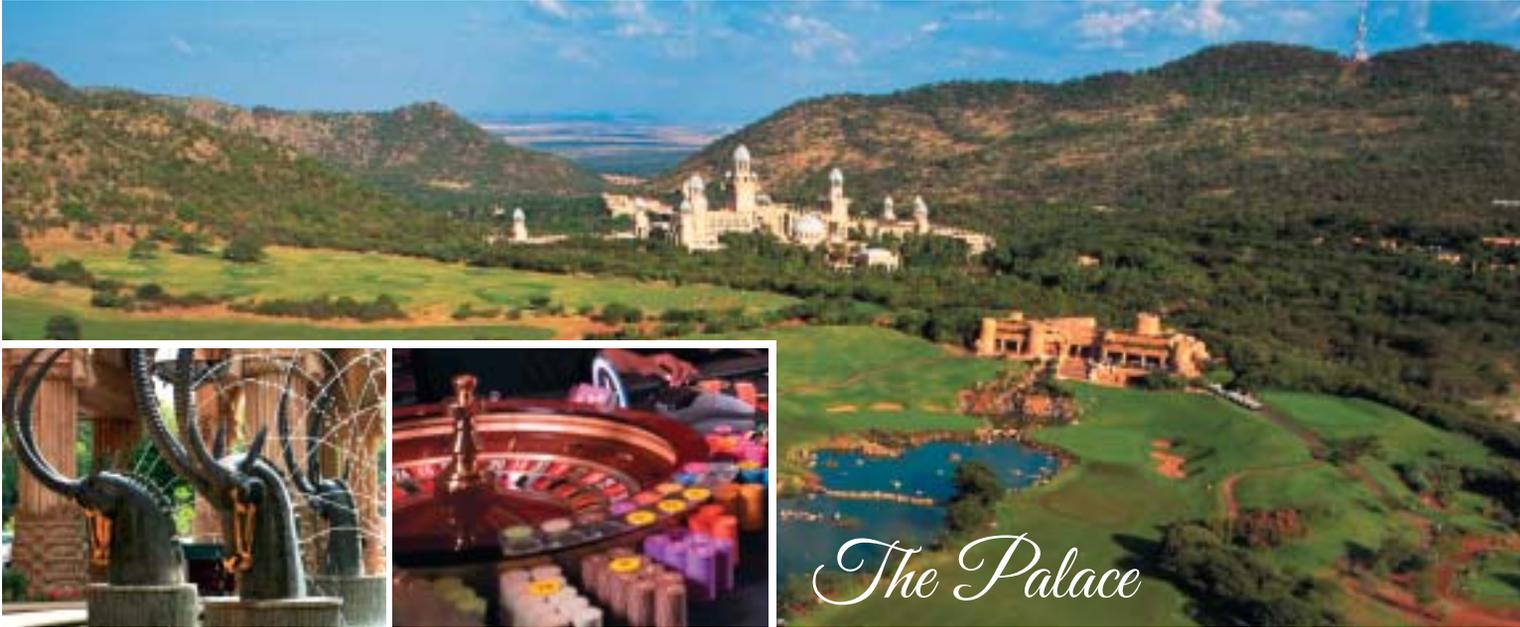
The board is responsible for compliance with the Occupational Health and Safety regulations and environmental health standards. Compliance with the occupational health and safety requirements is monitored by the internal audit department. The policies adopted by the group with regard to environmental 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 102 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 tollfree number is manned by operators employed by an external group, and is available to our staff 24 hours a day.

25 October 2005



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.

# Code of Ethics

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

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

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

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



# Financial Statements

Directors' approval	103
Group secretary's certificate	104
Report of the independent auditors	104
Report of the directors	105
Accounting policies	107
Income statements	112
Balance sheets	113
Cash flow statements	114
Statements of changes in shareholders' equity	115
Notes to the annual financial statements	116
Interest in principal subsidiaries and associates	145

## Directors' approval

The annual financial statements which appear on pages 105 to 145 and the corporate governance report on pages 83 to 101 were approved by the board of directors on 25 October 2005 and signed on its behalf by:

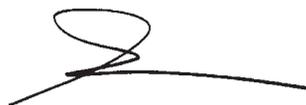
**DA Hawton**  
Chairman

**PD BACON**  
Chief Executive

## Group secretary's certificate

### TO THE MEMBERS OF SUN INTERNATIONAL LIMITED

I certify that 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 2005 and that all such returns are true, correct and up to date.



SA Bailes  
*Group Secretary*

25 October 2005

## 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 105 to 145 for the year ended 30 June 2005. 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 2005 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*

25 October 2005

# Report of the directors

for the year ended 30 June 2005

## 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 112.

Segmental information is set out on pages 116 to 117.

## DIVIDENDS

Dividends totalling 200 cents per share (2004: 125 cents) have been declared by the directors in respect of the year under review, as follows:

Interim, declared 7 March 2005, paid 4 April 2005	90 cents
Final, declared 30 August 2005, paid 26 September 2005	110 cents

The final dividend referred to above will be accounted for in the 2006 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 the chief financial officers' review commencing on pages 6, 8, 17 and 35 respectively.

## SHARE CAPITAL

26 342 597 ordinary shares with a par value of 8 cents each were issued on 16 August 2004 for a total consideration of R1 065 558 048 to the minority shareholders of SISA following the scheme of arrangement in terms of section 311 of the Companies Act proposed by the company between SISA and its shareholders.

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

11 639 200 ordinary shares in the unissued share capital of the company are under the control of the directors as a specific authority in terms of section 221(2) of the Companies Act to allot and issue in accordance with the share option scheme.

## SHARE OPTION SCHEME

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

## SUBSIDIARIES AND ASSOCIATES

Particulars relating to interests in principal subsidiaries and associates appear on page 145.

## 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 (pages 78 and 79) in office at the date of this report, as well as particulars of the group secretary (page 81).

Ms LM Mojela and Messrs H Adams and PEI Swartz were appointed non-executive directors on 1 September 2004 and Mr RP Becker as an executive director on 30 July 2005.

In terms of the company's articles of association, Messrs RP Becker, L Boyd, DC Coutts-Trotter, MP Egan and IN Matthews are required to retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

As at 30 June 2005, the directors of the company beneficially held, indirectly, 279 141 (2004: 318 460) shares in the issued capital of the company, as follows:

	2005	2004
DC Coutts-Trotter	138 500	130 000
DA Hawton	135 141	131 137
IN Matthews	3 500	1 500
SC Mildenhall	n/a	55 823
PEI Swartz	2 000	n/a
	<b>279 141</b>	318 460

The following changes in directors' shareholdings have taken place since the end of the financial year and to the date of this report:



## Report of the directors (continued)

### Shares acquired

E Oblowitz 2 000

Shares acquired from directors by two wholly-owned subsidiaries of the company pursuant to the scheme of arrangement proposed by those subsidiaries:

DC Coutts-Trotter	10 222
DA Hawton	9 973
IN Matthews	258
PEI Swartz	185
	20 638

Shares acquired and disposed of pursuant to the exercise of share options under the share option scheme:

PD Bacon	256 313
DA Hawton	187 500
	443 813

### HOLDING COMPANY

Sun International has no holding or ultimate holding company.

### SPECIAL RESOLUTIONS PASSED BY THE COMPANY AND ITS SUBSIDIARIES

#### Company

- The general authority granted to the directors to approve and implement the acquisition by the company (or a subsidiary of the company) of up to 20% of the company's issued ordinary shares in any one financial year was renewed at the 2004 annual general meeting.
- Specific authority was granted in August 2005 for two wholly-owned subsidiaries of the company to acquire, on a pro rata basis, ordinary shares in the issued capital of the company from shareholders for a consideration of R627 072 754 in terms of a scheme of arrangement in terms of section 311 of the Companies Act, proposed by the subsidiaries between the company and its shareholders.

#### Subsidiaries

No special resolutions of a material nature were passed by subsidiaries during the financial year.

## 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. The policies used in preparing the financial statements are consistent with those of the previous year except as indicated in the paragraph on "Changes in accounting policies".

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 International Financial Reporting Standards 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 given, 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. If the cost of acquisition is less than the fair value of

the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. 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.

#### Transactions with minority shareholders

Acquisitions of minorities' interests in the group's subsidiaries are accounted for as equity transactions and the excess of the purchase consideration over the carrying value of net assets acquired is recognised directly in equity. Profits and losses arising on transactions with minorities are recognised directly in equity.

#### Associates

Companies over which the group has significant influence but not control, 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.

### 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 initial date of acquisition. Goodwill on acquisition of associates is included in the investments in these companies. The carrying value of goodwill is assessed for impairment on an annual basis.

#### Other intangible assets

Indefinite life intangible assets are assessed annually for impairment.

Expenditure on leasehold premiums and successful gaming licence bids, acquired tradenames and trademarks and acquired management contracts are capitalised and amortised using the straight-line method over their useful lives, but not exceeding 20 years. Intangible assets are not revalued.



## Accounting policies (continued)

### 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.
- Premiums on transactions with minorities and fair value adjustments arising from the acquisition of a foreign entity are reported using the exchange rate at the date of transaction.

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

### PROPERTY, PLANT AND EQUIPMENT

Freehold land is included at cost.

All other items of property, plant and equipment are stated at cost and depreciated over periods deemed appropriate to reduce book values to estimated residual values over their useful lives. Depreciation is calculated on the straight-line method. The principal annual depreciation rates used are as follows:

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

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

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

extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

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

### IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 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. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 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 and is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms. 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. In the balance sheet and cash flow statement, bank overdrafts are included in borrowings.

## INVESTMENTS

The group's investments are classified as loans and receivables made by the group and available-for-sale assets. Loans and receivables originated by the group are included in non current assets. The portion of loans and receivables that is receivable during the next 12 months is included in current assets.

Other investments are classified as available-for-sale. These are included in non current assets unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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

## DEFERRED TAXATION

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. 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

Secondary tax on companies is provided in respect of 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. Borrowings are subsequently 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.



## Accounting policies (continued)

Preference shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as borrowings. The dividends on these preference shares are recognised in the income statement as interest expense. Secondary tax on companies is accrued on recognition of the expense.

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 frequency of valuations are similar to those used for deferred benefit schemes. The actuarial valuation to determine the liability is performed annually.

#### Share-based payments

The group operates an equity-settled, share-based compensation plan. The fair value of services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of

the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

### 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. Revenue is recognised on the accrual basis.

### EXCEPTIONAL ITEMS

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

### SEGMENTAL REPORTING

The primary segmental reporting has been prepared based on the group's method of internal reporting, which disaggregates its business by operating unit. Segmental information is set out in note 1 to the annual financial statements. Further operating and financial performance information has been included as part of the chief financial officer's review.

## CHANGES IN ACCOUNTING POLICIES

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards.

### IAS27 (revised) – Consolidated and Separate Financial Statements

The group has elected to early adopt IAS27 (revised) and in terms thereof has elected to adopt the economic entity model in accounting for transactions with minority shareholders. This model requires all premiums paid and profits and/or losses on transactions with minorities to be recognised directly in equity. Previously the excess of the cost of acquiring an additional interest in a subsidiary over the fair value of the acquired identifiable net assets was recorded as an intangible asset and profits and losses arising on transactions with minorities were recognised in the income statement. The goodwill and value attributed to management contracts, which arose on the acquisition of minority interests in group subsidiaries, has therefore been recognised directly in equity. The directors are of the opinion that using the economic entity model to account for transactions with minorities will provide users of the financial statements with information that is more comparable, relevant and reliable.

### IFRS2 – Share-based payments

The early adoption of IFRS2 requires the group to value and expense share options granted after 7 November 2002 over their vesting periods.

### IAS38 – Intangible assets

In terms of IAS38, intangible assets with an indefinite life are no longer amortised but are subject to an annual impairment test. Accumulated amortisation as at 30 June 2004 has been set-off against the cost of the indefinite life intangible assets. In the prior year, amortisation of R6 million was charged to the income statement.

### The effect of the changes in the accounting policies on the distributable reserves at 30 June 2004:

	<i>R'000</i>
<b>Distributable reserves as previously reported at 30 June 2004</b>	<b>1 836 943</b>
Adjustments to years prior to the year ended 30 June 2004	(206 896)
Transactions with minorities	
– management contracts	(69 802)
– goodwill	(135 973)
Share option cost	(1 121)
Adjustments relating to the year ended 30 June 2004	(186 423)
Transactions with minorities	
– goodwill	(190 238)
Reversal of amortisation	
– management contracts	11 741
– goodwill	8 107
Share option cost	(16 033)
<b>Distributable reserves restated as at 30 June 2004</b>	<b>1 443 624</b>

### The effect of the changes in the accounting policies on distributable reserves during the current year:

	<i>R'000</i>
Premium paid on transactions with minorities	(529 119)
Profit arising on disposal of interests to minorities	17 214
Share option cost	(19 124)
<b>Decrease in distributable reserves for the year ended 2005</b>	<b>(531 029)</b>

### The effect of the changes in the accounting policies on basic earnings and adjusted headline earnings and earnings per share:

	<i>2005 R'000</i>	<i>2004 R'000</i>
Share option cost	(19 124)	(16 033)
Amortisation of management contracts	–	11 741
Decrease in basic earnings and adjusted headline earnings	(19 124)	(4 292)
Decrease in basic earnings per share (cents)	(17)	(5)
Decrease in fully diluted adjusted headline earnings per share	(18)	(5)

## Income statements

for the year ended 30 June

Company			Group	
2004 R000's	2005 R000's		2005 R000's	2004 R000's
103 568	430 499	<b>Revenue</b>	<b>5 139 552</b>	4 476 606
-	-	Casino	3 857 464	3 261 545
-	-	Rooms	623 452	620 830
-	-	Food and beverage	405 475	383 799
103 568	430 499	Other	253 161	210 432
-	-	<b>Direct costs</b>	<b>(2 161 511)</b>	(1 908 260)
-	-	Casino – Levies and VAT	(798 658)	(661 773)
-	-	– Other	(720 532)	(660 181)
-	-	Rooms	(144 119)	(138 856)
-	-	Food and beverage	(338 390)	(310 717)
-	-	Other	(159 812)	(136 733)
103 568	430 499	<b>Gross profit</b>	<b>2 978 041</b>	2 568 346
(5 622)	(7 311)	<b>Indirect costs</b>	<b>(1 306 763)</b>	(1 161 339)
(4 853)	(5 558)	Administration and general	(658 510)	(558 264)
(769)	(1 753)	Marketing	(304 820)	(280 462)
-	-	Property	(343 433)	(322 613)
97 946	423 188	<b>EBITDA</b>	<b>1 671 278</b>	1 407 007
(7 126)	-	Depreciation and amortisation	(437 645)	(437 054)
-	-	Property and equipment rentals	(70 478)	(80 669)
(66)	(4 592)	Exceptional items	252 732	335 888
90 754	418 596	<b>Operating profit</b>	<b>1 415 887</b>	1 225 172
-	-	Foreign exchange profits/(losses)	34 926	(75 843)
41 868	33 267	Interest income	79 451	63 422
41 868	33 267	Continuing operations	79 451	59 540
-	-	Discontinuing operations	-	3 882
(47 514)	(44 310)	Interest expense	(249 634)	(277 143)
85 108	407 553	<b>Profit before equity accounted earnings</b>	<b>1 280 630</b>	935 608
-	-	Share of associates' profits	73 210	59 480
-	-	Continuing operations	779	5 143
-	-	Discontinuing operations	72 431	54 337
85 108	407 553	<b>Profit before taxation</b>	<b>1 353 840</b>	995 088
(7 537)	(10 415)	Taxation	(406 093)	(270 271)
(7 537)	(10 415)	Continuing operations	(381 169)	(249 801)
-	-	Discontinuing operations	(24 924)	(20 470)
77 571	397 138	<b>Profit after taxation</b>	<b>947 747</b>	724 817
		<b>Attributable to:</b>		
		Minority interest	238 932	285 481
		Ordinary shareholders	708 815	439 336
			<b>947 747</b>	724 817
		Earnings per share (cents)		
		Basic earnings per share	627	488
		Headline earnings per share	534	418
		Adjusted headline earnings per share	417	287
		Fully diluted earnings per share (cents)		
		Basic earnings per share	618	483
		Headline earnings per share	527	414
		Adjusted headline earnings per share	411	284

## Balance sheets

as at 30 June

Company			Group	
2004 R000's	2005 R000's	Notes	2005 R000's	2004 R000's
		<b>ASSETS</b>		
		<b>Non current assets</b>		
-	-	Property, plant and equipment	5 311 418	4 776 619
-	-	Intangible assets	432 600	478 824
1 209 432	2 483 949	Investments in subsidiaries		
211 676	211 676	Investments in associates	232 051	220 100
284	-	Available-for-sale investments	140 754	142 514
310 363	283 038	Other non current assets	336 135	251 731
355	886	Deferred taxation	-	-
1 732 110	2 979 549		6 452 958	5 869 788
		<b>Current assets</b>		
-	-	Inventory	30 836	29 665
41 367	25 170	Accounts receivable	338 430	313 605
-	-	Available-for-sale investments	287 175	390 195
65 230	113 846	Loans receivable	15 672	6 844
-	6 127	Taxation	-	-
-	-	Cash and cash equivalents	589 223	477 083
106 597	145 143		1 261 336	1 217 392
1 838 707	3 124 692	<b>Total assets</b>	<b>7 714 294</b>	<b>7 087 180</b>
		<b>EQUITY AND LIABILITIES</b>		
		<b>Capital and reserves</b>		
555 175	1 620 732	Share capital and premium	1 533 042	504 485
-	-	Foreign currency translation reserve	248 322	324 150
17 154	36 278	Share-based payment reserve	36 278	17 154
770 635	969 905	Retained earnings	1 442 666	1 443 624
1 342 964	2 626 915	Ordinary shareholders' equity	3 260 308	2 289 413
-	-	Minority interest	749 238	1 454 509
1 342 964	2 626 915		4 009 546	3 743 922
		<b>Non current liabilities</b>		
-	-	Deferred taxation	352 698	364 035
447 253	459 442	Borrowings	1 583 726	1 759 696
-	-	Other non current liabilities	90 481	40 304
447 253	459 442		2 026 905	2 164 035
		<b>Current liabilities</b>		
13 940	27 463	Accounts payable and accruals	681 118	605 748
-	-	Provisions	53 563	55 221
34 119	10 872	Borrowings	746 546	341 007
431	-	Taxation	196 616	177 247
48 490	38 335		1 677 843	1 179 223
495 743	497 777	<b>Total liabilities</b>	<b>3 704 748</b>	<b>3 343 258</b>
1 838 707	3 124 692	<b>Total equity and liabilities</b>	<b>7 714 294</b>	<b>7 087 180</b>





## Statements of changes in shareholders' equity

for the year ended 30 June

	Notes	Share capital R000's	Share premium R000's	Share-based payment reserve R000's	Foreign currency translation reserve R000's	Retained earnings R000's	Minority interest R000's	Total R000's
<b>GROUP</b>								
<b>Balance at 1 July 2003</b>		7 204	547 971	–	635 600	1 278 774	1 600 275	4 069 824
Effect of adoption of IFRS2 and IAS27 (revised)				1 121		(206 896)		(205 775)
<b>Restated balance at 1 July 2003</b>		<b>7 204</b>	<b>547 971</b>	<b>1 121</b>	<b>635 600</b>	<b>1 071 878</b>	<b>1 600 275</b>	<b>3 864 049</b>
Treasury share options	19		(50 690)					(50 690)
Share option cost	32			16 033				16 033
Additional minority funding							38 368	38 368
Acquisition of minorities' interests						(190 238)	(414 347)	(604 585)
Disposal of interests to minorities						208 196	124 792	332 988
Currency translation differences								
– movement for the year					(129 033)		(33 134)	(162 167)
– realised during the year					(182 417)			(182 417)
Net profit for the year						439 336	285 481	724 817
Dividends paid	9					(85 548)	(146 926)	(232 474)
<b>Balance at 30 June 2004</b>		<b>7 204</b>	<b>497 281</b>	<b>17 154</b>	<b>324 150</b>	<b>1 443 624</b>	<b>1 454 509</b>	<b>3 743 922</b>
Issue of shares	19	2 107	1 063 450					1 065 557
Treasury share options	19		(37 000)					(37 000)
Share option cost	32			19 124				19 124
Additional minority funding							125 233	125 233
Acquisition of minorities' interests						(529 119)	(910 243)	(1 439 362)
Disposal of interests to minorities						17 214	30 822	48 036
Currency translation differences								
– movement for the year					27 929		6 949	34 878
– realised during the year					(103 757)			(103 757)
Net profit for the year						708 815	238 932	947 747
Dividends paid	9					(197 868)	(196 964)	(394 832)
<b>Balance at 30 June 2005</b>		<b>9 311</b>	<b>1 523 731</b>	<b>36 278</b>	<b>248 322</b>	<b>1 442 666</b>	<b>749 238</b>	<b>4 009 546</b>
<b>COMPANY</b>								
<b>Balance at 1 July 2003</b>		7 204	547 971	–		778 612		1 333 787
Effect of adoption of IFRS2				1 121				1 121
<b>Restated balance at 1 July 2003</b>		<b>7 204</b>	<b>547 971</b>	<b>1 121</b>		<b>778 612</b>		<b>1 334 908</b>
Share option cost	32			16 033				16 033
Net profit for the year						77 571		77 571
Dividends paid	9					(85 548)		(85 548)
<b>Balance at 30 June 2004</b>		<b>7 204</b>	<b>547 971</b>	<b>17 154</b>		<b>770 635</b>		<b>1 342 964</b>
Issue of shares	19	2 107	1 063 450					1 065 557
Share option cost	32			19 124				19 124
Net profit for the year						397 138		397 138
Dividends paid	9					(197 868)		(197 868)
<b>Balance at 30 June 2005</b>		<b>9 311</b>	<b>1 611 421</b>	<b>36 278</b>		<b>969 905</b>		<b>2 626 915</b>



## Notes to the annual financial statements

for the year ended 30 June

	Revenues (Rm)		EBITDA (Rm)		Depreciation and amortisation (Rm)		Operating profits before exceptional items (Rm)	
	2005	2004	2005	2004	2005	2004	2005	2004
<b>1 SEGMENTAL ANALYSIS</b>								
GrandWest	1 193	1 006	501	400	96	97	402	303
Sun City	902	818	139	128	73	57	65	70
Carnival City	697	570	227	180	53	62	171	115
Sibaya/Sugarmill	484	363	148	118	46	35	85	56
Boardwalk	334	281	129	102	30	33	99	69
Wild Coast Sun	223	202	45	37	14	16	31	21
Carousel	198	175	44	39	14	12	25	20
Morula	158	145	27	26	12	6	15	21
Meropa	142	118	54	40	16	17	36	23
Swaziland	135	134	25	18	8	6	18	12
Table Bay	134	138	43	42	10	12	15	12
Zambia	119	96	22	14	16	17	6	(3)
Botswana	112	122	35	43	6	6	26	35
Namibia	96	89	29	29	6	5	17	19
Flamingo	89	78	31	26	13	13	18	12
Thaba'Nchu and Naledi Sun	85	77	12	9	4	8	2	(4)
Sun International Management Central office and other	316	251	110	102	11	18	100	85
Elimination of intragroup revenues	95	100	50	54	10	17	32	23
	(373)	(287)						-
<b>Total</b>	<b>5 139</b>	<b>4 476</b>	<b>1 671</b>	<b>1 407</b>	<b>438</b>	<b>437</b>	<b>1 163</b>	<b>889</b>
<b>Associates</b>								
Lesotho SCE								
SCME								
City Lodge								
Net interest expense and foreign exchange profit								
Taxation								
Minority interest								
Deferred taxation								
Borrowings								
	<b>5 139</b>	<b>4 476</b>	<b>1 671</b>	<b>1 407</b>	<b>438</b>	<b>437</b>	<b>1 163</b>	<b>889</b>

<i>Exceptional items (Rm)</i>		<i>Segmental result (Rm)</i>		<i>Assets (Rm)</i>		<i>Liabilities (Rm)</i>		<i>Capital expenditure (Rm)</i>	
<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
8	-	410	303	1 328	1 250	90	74	22	22
-	-	65	70	1 819	1 233	205	127	215	80
-	-	171	115	611	638	53	43	31	19
(4)	-	81	56	900	534	63	69	452	261
-	-	99	69	362	374	29	22	18	13
-	-	31	21	182	164	11	46	8	7
(1)	-	24	20	373	292	20	15	78	7
-	-	15	21	143	66	18	12	85	14
-	-	36	23	148	164	11	7	4	3
-	-	18	12	81	90	13	22	9	15
-	(42)	15	(30)	189	195	20	26	13	1
-	-	6	(3)	310	299	15	12	3	4
-	-	26	35	61	73	12	13	6	6
-	-	17	19	31	33	6	6	3	8
-	-	18	12	98	113	8	5	5	1
-	-	2	(4)	35	28	16	17	2	1
(5)	-	95	85	167	213	114	82	4	-
255	378	287	401	638	1 107	121	104	25	27
			-						
253	336	1 416	1 225	7 476	6 866	825	702	983	489
		73	59	232	221	-	-		
		1	5	10	11	-	-		
		-	-	1	1	-	-		
		-	(5)	-	-	-	-		
		72	59	221	209	-	-		
		(135)	(290)						
		(406)	(270)			197	177		
		(239)	(285)			353	364		
						2 330	2 100		
253	336	709	439	7 714	7 087	3 705	3 343	983	489

## Notes to the annual financial statements (continued)

for the year ended 30 June

	Group		Company	
	2005 R000's	2004 R000's	2005 R000's	2004 R000's
<b>2 EBITDA IS STATED AFTER (CHARGING)/ CREDITING THE FOLLOWING:</b>				
Operating lease charges				
Plant, vehicles and equipment	(14 041)	(21 837)	-	(1 381)
Auditors' remuneration	(7 835)	(7 154)	(617)	(630)
Audit fees	(6 791)	(6 259)	(614)	(618)
Fees for other services	(867)	(813)	-	-
Expenses	(177)	(82)	(3)	(12)
Professional fees	(14 979)	(11 232)	(1 981)	(141)
Profit on disposal of property, plant and equipment	848	3 637	-	-
Dividend income			430 499	82 756
Subsidiaries			394 829	61 908
Discontinuing associates			35 670	20 848
Staff costs	(1 091 629)	(998 892)	-	(82 791)
Salaries and wages	(957 781)	(896 240)	-	(74 207)
Pension costs – defined contribution plans	(106 435)	(76 382)	-	(7 694)
– defined benefit plans	(8 289)	(10 237)	-	(890)
Share option cost	(19 124)	(16 033)	-	-
Number of employees at the end of the year	7 723	8 024		
<b>3 DEPRECIATION AND AMORTISATION</b>				
Property, plant and equipment (refer note 11)	(392 318)	(378 415)	-	(7 126)
Intangible assets (refer note 12)	(45 327)	(50 363)	-	-
Associate goodwill (refer note 14)	-	(8 276)	-	-
	(437 645)	(437 054)	-	(7 126)
<b>4 EXCEPTIONAL ITEMS</b>				
Pre-opening expenses	(18 586)	(2 399)		-
Write up of KZL to market value	85 858	183 426	-	-
Impairment of investments in discontinuing operations	-	(20 088)	-	-
Profit realised on discontinued share purchase scheme	6 202	30 575	-	-
Impairment of property, plant and equipment	(1 099)	(4 040)	-	-
Fair value adjustment on loan origination	42 994	(34 003)	(183)	(66)
Indirect taxes relating to prior years	(13 879)	-	(4 409)	-
Net profit on sale and closure of operations	15 164	-	-	-
Currency translation reserve realised	103 757	182 417	-	-
Profit on share option scheme	32 321	-	-	-
	252 732	335 888	(4 592)	(66)
<b>5 INTEREST INCOME</b>				
Interest earned on cash and cash equivalents	53 252	41 757	18 518	24 696
Preference share dividends	17 988	13 932	2 562	4 745
Imputed interest on loans receivable	8 211	7 733	12 187	12 427
	79 451	63 422	33 267	41 868

for the year ended 30 June

	Group		Company	
	2005 R000's	2004 R000's	2005 R000's	2004 R000's
<b>6 INTEREST EXPENSE</b>				
Interest paid on borrowings	(240 610)	(252 159)	(18 083)	(18 948)
Preference share dividends	(18 358)	(24 546)	(14 040)	(16 139)
Imputed interest on loans payable	(14 173)	(15 983)	(12 187)	(12 427)
Capitalised to property, plant and equipment	23 507	15 545	-	-
	<b>(249 634)</b>	<b>(277 143)</b>	<b>(44 310)</b>	<b>(47 514)</b>
<b>7 SHARE OF ASSOCIATES' PROFITS</b>				
Dividend income	35 670	25 230		
Continuing operations	-	4 382		
Discontinuing operations	35 670	20 848		
Equity retained profits	11 939	11 944		
Continuing operations	102	(1 075)		
Discontinuing operations	11 837	13 019		
Associates' taxation	25 601	22 306		
Continuing operations	677	1 836		
Discontinuing operations	24 924	20 470		
	<b>73 210</b>	<b>59 480</b>		
<b>8 TAXATION</b>				
Normal taxation – South African	(310 972)	(169 508)	(4 527)	1 257
– Foreign	(19 154)	(26 157)	-	-
	<b>(330 126)</b>	<b>(195 665)</b>	<b>(4 527)</b>	<b>1 257</b>
Current taxation – this year	(340 466)	(213 405)	(235)	7 291
– prior years	(2 045)	(21 746)	(4 823)	-
Deferred taxation – this year	(3 581)	12 000	(141)	(6 044)
– prior years	3 821	27 486	684	10
– adjustment due to change in tax rate	12 145	-	(12)	-
Associates' taxation	(25 601)	(22 306)	-	-
Secondary tax on companies	(45 938)	(21 998)	(752)	-
Capital gains tax	(5 452)	(24 428)	(5 136)	(8 794)
Other taxes	1 024	(5 874)	-	-
	<b>(406 093)</b>	<b>(270 271)</b>	<b>(10 415)</b>	<b>(7 537)</b>
Estimated tax losses available for set off against future taxable income	173 323	184 011	-	-
Utilised to offset temporary differences	(38 803)	(14 457)	-	-
Utilised to create deferred tax assets	-	(23 053)	-	-
	<b>134 520</b>	<b>146 500</b>	<b>-</b>	<b>-</b>



## Notes to the annual financial statements (continued)

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>8 TAXATION continued</b>				
Reconciliation of rate of taxation	%	%	%	%
Standard rate – South Africa	<b>29,0</b>	30,0	<b>29,0</b>	30,0
Adjusted for:				
Exempt income	<b>(0,4)</b>	(0,4)	<b>(28,9)</b>	(31,4)
Foreign tax rate variations	–	(0,1)	–	–
Tax losses	<b>(0,4)</b>	0,1	–	–
Prior year (over)/under provision	<b>(0,5)</b>	(0,1)	<b>1,3</b>	–
Secondary tax on companies	<b>3,4</b>	1,2	<b>1,0</b>	–
Capital gains tax	<b>(0,4)</b>	(4,2)	<b>0,2</b>	10,3
Associates' taxation	<b>0,3</b>	0,4	–	–
Other tax charges	<b>(0,1)</b>	0,3	–	–
Deferred tax rate adjustment	<b>(0,9)</b>	–	–	–
Effective tax rate	<b>30,0</b>	27,2	<b>2,6</b>	8,9
<b>9 DIVIDENDS PAID</b>				
A final dividend of 50 cents per share for the year ended 30 June 2003 was 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)
A final dividend of 80 cents per share for the year ended 30 June 2004 was declared on 31 August 2004 and paid on 1 October 2004	<b>(93 114)</b>		<b>(93 114)</b>	
Interim dividend in respect of the 2005 financial year of 90 cents per share declared on 7 March 2005 and paid on 4 April 2005	<b>(104 754)</b>		<b>(104 754)</b>	
	<b>(197 868)</b>	(85 548)	<b>(197 868)</b>	(85 548)
A final dividend of 110 cents per share for the year ended 30 June 2005 was declared on 30 August 2005 and paid on 26 September 2005.				

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<b>2004</b> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<b>2004</b> <i>R000's</i>
<b>10 EARNINGS PER SHARE</b>				
<b>Attributable profit per the income statement</b>	<b>708 815</b>	439 336		
<b>Headline earnings adjustments</b>	<b>(118 670)</b>	(153 650)		
Goodwill amortisation (included in depreciation and amortisation)	-	8 276		
Net profit on sale and closure of operations	<b>(15 164)</b>	-		
Impairment of investments in discontinuing operations	-	20 088		
Impairment of property, plant and equipment	<b>1 099</b>	4 040		
Net profit on sale of property, plant and equipment	<b>(848)</b>	(3 637)		
Currency translation reserve realised	<b>(103 757)</b>	(182 417)		
Taxation relief on the above items	<b>4 398</b>	24 428		
Minority interests in the above items	<b>9 760</b>	66 497		
<b>Headline earnings</b>	<b>604 303</b>	376 611		
<b>Adjusted headline earnings adjustments</b>	<b>(163 771)</b>	(125 999)		
Pre-opening expenses	<b>18 586</b>	2 399		
Write up of KZL to market value	<b>(85 858)</b>	(183 426)		
Foreign exchange losses on inter-company loans	<b>(16 716)</b>	55 482		
Fair value adjustments on loan origination	<b>(42 994)</b>	34 003		
Indirect taxes relating to prior years	<b>13 879</b>	-		
Tax rate change on deferred taxation opening balance	<b>(12 145)</b>	-		
Earnings from discontinuing operations	-	(3 882)		
Profit on share option scheme	<b>(32 321)</b>	-		
Profit realised on discontinued share purchase scheme	<b>(6 202)</b>	(30 575)		
<b>Associate adjusted headline earnings adjustments</b>	<b>(72 431)</b>	(54 337)		
Profits from discontinuing operations*	<b>(72 431)</b>	(54 337)		
Taxation relief on the above items	<b>44 261</b>	10 273		
Minority interests in the above items	<b>22 643</b>	26 807		
<b>Adjusted headline earnings</b>	<b>435 005</b>	233 355		
<b>Number of shares for EPS calculation (000's)</b>				
Weighted average number of shares in issue	<b>113 100</b>	90 050		
Adjustment for dilutive share options	<b>1 570</b>	892		
	<b>114 670</b>	90 942		
<b>Number of shares for adjusted HEPS calculation (000's)</b>				
Weighted average number of shares in issue	<b>113 100</b>	90 050		
Adjustment for share buyback*	<b>(8 709)</b>	(8 709)		
Adjusted weighted average number of shares in issue	<b>104 391</b>	81 341		
Adjustment for dilutive share options	<b>1 570</b>	892		
Fully diluted adjusted weighted average number of shares in issue	<b>105 961</b>	82 233		
<b>Earnings per share (cents)</b>				
Basic earnings per share	<b>627</b>	488		
Headline earnings per share	<b>534</b>	418		
Adjusted headline earnings per share	<b>417</b>	287		
<b>Fully diluted earnings per share (cents)</b>				
Basic earnings per share	<b>618</b>	483		
Headline earnings per share	<b>527</b>	414		
Adjusted headline earnings per share	<b>411</b>	284		



## Notes to the annual financial statements (continued)

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>10 EARNINGS PER SHARE continued</b>				
Adjusted headline earnings include adjustments made for certain items of income or expense. These adjustments include pre-opening expenses, earnings and results from discontinuing operations and material items considered to be outside of the normal operating activities of the group and/or of a non-recurring nature.				
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.				
* In accordance with the group's practice of excluding discontinuing operations from adjusted headline earnings per share the results from City Lodge have been excluded. The number of shares used in the adjusted HEPS calculation has been reduced by 8 709 000 to reflect the anticipated number of Sun International shares that are likely to be acquired through the scheme of arrangement announced on 23 March 2005. (A share price of R72 per Sun International share was used to calculate the effective number of shares to be acquired.)				
<b>11 PROPERTY, PLANT AND EQUIPMENT</b>				
At year end				
Cost:				
Freehold property	<b>2 738 185</b>	2 137 233	-	-
Leasehold property	<b>2 242 341</b>	2 085 062	-	-
Plant and equipment	<b>2 579 920</b>	2 373 281	-	-
Capital work in progress	<b>68 765</b>	394 510	-	-
	<b>7 629 211</b>	6 990 086	-	-
Accumulated depreciation:				
Freehold property	<b>(212 777)</b>	(173 086)	-	-
Leasehold property	<b>(507 612)</b>	(476 606)	-	-
Plant and equipment	<b>(1 597 404)</b>	(1 563 775)	-	-
	<b>(2 317 793)</b>	(2 213 467)	-	-
Net carrying value:				
Freehold property	<b>2 525 408</b>	1 964 147	-	-
Leasehold property	<b>1 734 729</b>	1 608 456	-	-
Plant and equipment	<b>982 516</b>	809 506	-	-
Capital work in progress	<b>68 765</b>	394 510	-	-
	<b>5 311 418</b>	4 776 619	-	-
Net carrying value of property held under finance lease	<b>190 586</b>	195 203	-	-

A copy of the register of properties is available for inspection by members of the public at the registered office of the company.

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<i>2005</i> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<i>2005</i> <i>R000's</i>	<i>2004</i> <i>R000's</i>
11 PROPERTY, PLANT AND EQUIPMENT continued				
<b>Movements for the year</b>				
Additions:				
Freehold property	365 587	17 753	-	-
Leasehold property	160 171	52 695	-	-
Plant and equipment	429 780	174 066	-	-
Capital work in progress	21 050	251 329	-	-
	<b>976 588</b>	495 843	-	-
Operating equipment net acquisition/(utilisation):				
Plant and equipment	5 265	(12 727)	-	-
Capitalisation of long term property leases:				
Freehold property	-	99 435	-	-
Leasehold property	-	99 565	-	-
	-	199 000	-	-
Disposals and asset impairments:				
Freehold property	(55 296)	(16 694)	-	-
Leasehold property	(3 366)	(2 788)	-	-
Plant and equipment	(15 859)	(8 708)	-	(24 715)
	<b>(74 521)</b>	(28 190)	-	(24 715)
Transfers from work in progress:				
Freehold property	318 541	10 724	-	-
Plant and equipment	28 123	8 180	-	-
Capital work in progress	(346 664)	(37 921)	-	-
	-	(19 017)	-	-
Reclassified to intangible assets				
Reclassifications:				
Freehold property	(16 442)	-	-	-
Leasehold property	3 807	(18 479)	-	-
Plant and equipment	14 234	18 479	-	-
	1 599	-	-	-
Reclassified from intangible assets				
Currency translation adjustments:				
Freehold property	(1 551)	(11 665)	-	-
Leasehold property	18 532	(51 754)	-	-
Plant and equipment	1 336	(11 012)	-	-
Capital work in progress	(131)	(460)	-	-
	<b>18 186</b>	(74 891)	-	-
Depreciation:				
Freehold property	(49 578)	(40 928)	-	-
Leasehold property	(52 871)	(42 206)	-	-
Plant and equipment	(289 869)	(295 281)	-	(7 126)
	<b>(392 318)</b>	(378 415)	-	(7 126)
Total movements for the year	<b>534 799</b>	181 603	-	(31 841)

Borrowing costs of R23 507 000 (2004: R15 545 000) 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.



## Notes to the annual financial statements (continued)

for the year ended 30 June

	Group		Company	
	2005 R000's	2004 R000's	2005 R000's	2004 R000's
<b>12 INTANGIBLE ASSETS</b>				
Cost:				
Bid costs	505 983	506 880		
Sun International name*	71 627	79 711		
Management contracts	18 085	18 085		
Lease premiums	35 090	35 090		
	<b>630 785</b>	<b>639 766</b>		
Accumulated amortisation:				
Bid costs	(186 102)	(144 799)		
Sun International name*	-	(8 084)		
Management contracts	(1 082)	(725)		
Lease premiums	(11 001)	(7 334)		
	<b>(198 185)</b>	<b>(160 942)</b>		
Net carrying value:				
Bid costs	319 881	362 081		
Sun International name*	71 627	71 627		
Management contracts	17 003	17 360		
Lease premiums	24 089	27 756		
	<b>432 600</b>	<b>478 824</b>		
Movements on intangible assets:				
Balance at the beginning of the year	478 824	517 217		
Bid costs incurred	702	5 958		
Currency translation adjustments	-	(13 005)		
Bid costs	-	(1 821)		
Sun International name*	-	(11 184)		
Reclassification (to)/ from property, plant and equipment	(1 599)	19 017		
Amortised during the year	(45 327)	(50 363)		
Bid costs	(41 303)	(39 898)		
Management contracts	(357)	(357)		
Sun International name*	-	(6 441)		
Lease premiums	(3 667)	(3 667)		
	<b>432 600</b>	<b>478 824</b>		

\* The Sun International name is classified as an indefinite life intangible asset.

for the year ended 30 June

	Group		Company	
	2005 R000's	2004 R000's	2005 R000's	2004 R000's
<b>13 INVESTMENTS IN SUBSIDIARIES</b>				
Shares at cost				
Balance at beginning of the year			1 209 432	1 187 188
Distribution of subsidiary capital			(177 500)	-
Additional investment in Sun International (South Africa) Limited			1 432 893	6 211
Share option cost			19 124	16 033
Balance at end of the year			<b>2 483 949</b>	1 209 432
The interests of the company in the aggregate profit and losses of its subsidiaries amounted to R556 million (2004: R769 million) and R30 million (2004: R86 million) respectively.				
<b>14 INVESTMENTS IN ASSOCIATES</b>				
Investment in associates comprise:				
Shares at cost less amortised goodwill	<b>110 972</b>	110 972	<b>211 676</b>	211 676
Listed	<b>50 816</b>	50 816	<b>211 676</b>	211 676
Unlisted	<b>2 784</b>	2 784	-	-
Goodwill	<b>57 372</b>	57 372	-	-
Retained earnings	<b>121 079</b>	109 128	-	-
	<b>232 051</b>	220 100	<b>211 676</b>	211 676
Valuation:				
Directors' valuation of unlisted associates	<b>17 473</b>	32 400		
Market value of listed associates	<b>610 785</b>	416 148		
	<b>628 258</b>	448 548		
Movements on associates:				
Balance at beginning of the year	<b>220 100</b>	211 074	<b>211 676</b>	211 676
SCME reclassified as provision for liabilities and charges	-	(29 994)	-	-
Additional investment	-	49 510	-	-
Goodwill amortised	-	(8 276)	-	-
Impairment of investment in SCME	-	(17 398)	-	-
Currency translation adjustments	<b>12</b>	3 240	-	-
Associate profits	<b>47 609</b>	37 174	-	-
Share of profit before tax	<b>73 210</b>	59 480	-	-
Share of tax	<b>(25 601)</b>	(22 306)	-	-
Dividends received	<b>(35 670)</b>	(25 230)	-	-
Balance at end of the year	<b>232 051</b>	220 100	<b>211 676</b>	211 676

A listing of the group's interest in its principal equity investments is given on page 145. There were no material changes in the interests held in the equity investments in 2005 or 2004.



## Notes to the annual financial statements (continued)

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
14 INVESTMENTS IN ASSOCIATES continued				
<b>DISCONTINUING OPERATIONS</b>				
<b>Ster Century Middle East</b>				
SCME has been treated as a discontinuing operation as a result of the group's decision to exit this investment. As at 30 June 2005, SCME operated cinemas in Jordan and the United Arab Emirates.				
<b>City Lodge Hotels Limited</b>				
Approval was obtained from Sun International shareholders at the scheme and general meeting held on 29 August 2005 for the disposal of the group's 38,6% shareholding in City Lodge to Sun International shareholders in exchange for Sun International shares. Consequently, City Lodge has been treated as a discontinuing operation. The net carrying value of the group's investment in City Lodge is R221 million (2004: R209 million).				
<b>Summarised balance sheet of City Lodge Hotels Limited</b>				
<b>Assets</b>				
Property, plant and equipment	436 970	439 857		
Investments and loans	38 336	37 361		
Deferred taxation	4 137	4 022		
Current assets	82 544	48 986		
	<b>561 987</b>	530 226		
<b>Equity and liabilities</b>				
Shareholders' funds	422 136	394 079		
Non current borrowings	54 537	61 116		
Deferred taxation	43 774	42 390		
Current liabilities	41 540	32 641		
	<b>561 987</b>	530 226		
<b>Summarised income statement of City Lodge Hotels Limited</b>				
Revenue	390 934	335 844		
EBITDA	205 131	173 824		
Depreciation	(24 406)	(23 157)		
Net interest received/(paid)	3 654	(565)		
Profit before taxation	184 379	150 102		
Taxation	(64 552)	(52 510)		
Profit after taxation	119 827	97 592		
Income from joint venture	2 802	2 964		
Earnings attributable to ordinary shareholders	<b>122 629</b>	100 556		
Fully diluted earnings per share (cents)	288	237		
Market price per share (Rand)	<b>37,50</b>	25,55		

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>15 AVAILABLE-FOR-SALE INVESTMENTS</b>				
Available-for-sale investments comprise:				
KZL	<b>287 175</b>	390 195	-	-
Cape Town International Convention Centre Company (Proprietary) Limited	<b>140 735</b>	140 735	-	-
Other	<b>19</b>	1 779	-	284
	<b>427 929</b>	532 709	-	284
Current portion	<b>(287 175)</b>	(390 195)	-	-
	<b>140 754</b>	142 514	-	284
<b>Movement on available-for-sale investments</b>				
Balance at the beginning of the year	<b>532 709</b>	699 357	<b>284</b>	284
Currency translation adjustments	<b>22 129</b>	(94 652)	-	-
Additions	-	202	-	-
Disposals	<b>(212 767)</b>	(255 624)	<b>(284)</b>	-
Write up of KZL to market value	<b>85 858</b>	183 426	-	-
	<b>427 929</b>	532 709	-	284
Directors' valuation of unlisted investments	<b>140 754</b>	142 514		
Market value of listed investment	<b>287 175</b>	390 195		
	<b>427 929</b>	532 709		
The group's investment in KZL comprises 756 554 (2004: 1 333 779) shares which are traded on the New York Stock Exchange and its fair value is determined with reference to the market price.				
The investment in Cape Town International Convention Centre Company (Proprietary) Limited of 24,8% forms part of the group's bid commitments in the Western Cape. This investment is carried at cost as its fair value cannot be reliably estimated due to its short trading history.				
<b>16 OTHER NON CURRENT ASSETS</b>				
Loans				
Sun International Employee Share Trust (refer note 33)	<b>81 064</b>	71 803	<b>3 596</b>	3 110
Share incentive schemes	-	-	<b>83 846</b>	47 730
Preference share funding of empowerment partners	<b>248 315</b>	179 928	-	-
Loan funding of empowerment partners	-	4 008	-	-
Preference shares in subsidiaries	-	-	<b>30 000</b>	37 500
Loans to subsidiaries	-	-	<b>279 442</b>	287 253
Loan to SCE and SCME	<b>3 672</b>	1 236	-	-
Other loans	<b>18 756</b>	1 600	-	-
	<b>351 807</b>	258 575	<b>396 884</b>	375 593
Current portion	<b>(15 672)</b>	(6 844)	<b>(113 846)</b>	(65 230)
	<b>336 135</b>	251 731	<b>283 038</b>	310 363



## Notes to the annual financial statements (continued)

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>16 OTHER NON CURRENT ASSETS continued</b>				
Loans are due over the following financial years:				
2006	<b>15 672</b>	6 844	<b>113 846</b>	65 230
2007	<b>5 000</b>	-	-	-
2008	-	-	-	40 000
2009	-	-	-	-
2010 onwards	<b>250 071</b>	179 928	<b>279 442</b>	267 253
	<b>270 743</b>	186 772	<b>393 288</b>	372 483
Other loans with no fixed repayment terms:				
Sun International Employee Share Trust	<b>81 064</b>	71 803	<b>3 596</b>	3 110
	<b>351 807</b>	258 575	<b>396 884</b>	375 593
The weighted average interest and dividend rates were as follows:	%	%	%	%
Sun International Employee Share Trust <sup>#</sup>	<b>12,0</b>	12,0	<b>12,0</b>	12,0
Share incentive schemes	-	-	<b>NIB</b>	NIB
Preference share funding of empowerment partners*	<b>7,7</b>	8,9	-	-
Loan funding of empowerment partners	-	11,5	-	-
Preference shares in subsidiaries*	-	-	<b>7,9</b>	8,6
Loans to subsidiaries	-	-	<b>13,4</b>	13,4
Loans to SCE and SCME	-	6,7	-	-
Other loans	<b>7,7</b>	-	-	-
	<b>8,7</b>	9,7	<b>10,1</b>	11,2
* These rates are linked to the prime bank overdraft rate.				
<sup>#</sup> The loans to the Sun International Employee Share Trust are interest-free loans from the participating companies in the group. These loans have been fair valued and imputed interest at 12% per annum is recognised over the expected loan period. Loans will be repaid through dividend flows and proceeds on the disposal of the underlying investments held by the trust.				
NIB – Non interest bearing				
<b>17 INVENTORY</b>				
Merchandise	<b>1 740</b>	2 477		
Consumables and hotel stocks	<b>29 096</b>	27 188		
	<b>30 836</b>	29 665		
<b>18 ACCOUNTS RECEIVABLE</b>				
Trade receivables	<b>127 320</b>	109 737	-	88
Less provision for impairment	<b>(6 440)</b>	(6 584)	-	-
Net trade receivables	<b>120 880</b>	103 153	-	88
Prepayments	<b>52 095</b>	59 622	-	-
VAT	<b>22 889</b>	43 767	-	-
Capital debtors	<b>10 359</b>	13 674	-	-
Receivables from subsidiaries	-	-	<b>23 383</b>	27 723
Share option scheme and discontinued share purchase scheme	<b>48 008</b>	30 575	-	-
Sun International Vacation Club Association	<b>19 024</b>	-	-	-
Other receivables	<b>65 175</b>	62 814	<b>1 787</b>	13 556
	<b>338 430</b>	313 605	<b>25 170</b>	41 367

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>19 SHARE CAPITAL AND PREMIUM</b>				
Authorised 150 000 000 (2004:150 000 000) ordinary shares of 8 cents each	<b>12 000</b>	12 000	<b>12 000</b>	12 000
100 000 000 (2004:100 000 000) variable rate cumulative redeemable preference shares of 1 cent each	<b>1 000</b>	1 000	<b>1 000</b>	1 000
Issued*				
116 392 903 (2004: 90 050 306) ordinary shares of 8 cents each	<b>9 311</b>	7 204	<b>9 311</b>	7 204
Share premium	<b>1 611 421</b>	547 971	<b>1 611 421</b>	547 971
Treasury share options	<b>(87 690)</b>	(50 690)		
	<b>1 533 042</b>	504 485	<b>1 620 732</b>	555 175
 * The issued preference shares have been included in borrowings in note 22.				
On 16 August 2004, 26 342 597 shares were issued for a consideration of R1 065 million for the purposes of acquiring the minorities' interest in SISA. Treasury share options represent the beneficial interest of the company in options held by the share option scheme which has been consolidated.				
11 639 200 shares have been placed under the specific control of the directors to allot and issue in terms of the Companies Act, for the purposes of the share option scheme.				
<b>Options</b> Details of options under the share option scheme are disclosed under note 32.				
<b>20 RETAINED EARNINGS</b>				
Retained earnings at the end of the year comprise:				
Company	<b>969 905</b>	770 635	<b>969 905</b>	770 635
Subsidiaries and equity investments	<b>472 761</b>	672 989	<b>-</b>	-
	<b>1 442 666</b>	1 443 624	<b>969 905</b>	770 635
 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 that STC credits are not available, at the prescribed rate which is currently 12,5% of the dividend declared.				



## Notes to the annual financial statements (continued)

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>21 DEFERRED TAXATION</b>				
Balance at the beginning of the year	<b>364 035</b>	403 143	<b>(355)</b>	(6 389)
Income statement (credit)/charge for the year	<b>(240)</b>	(39 486)	<b>(543)</b>	6 034
Currency translation adjustments	<b>1 048</b>	378	-	-
Adjustment due to tax rate change	<b>(12 145)</b>	-	<b>12</b>	-
Balance at the end of the year	<b>352 698</b>	364 035	<b>(886)</b>	(355)
Deferred taxation arises from the following timing differences:				
<b>Deferred tax liabilities</b>				
Accelerated asset allowances	<b>433 008</b>	448 964	-	-
Balance at the beginning of the year	<b>448 964</b>	490 166	-	-
Currency translation adjustments	<b>1 001</b>	(2 764)	-	-
Credited to income statement	<b>(16 957)</b>	(38 438)	-	-
Prepayments	<b>(4 113)</b>	5 891	-	-
Balance at the beginning of the year	<b>5 891</b>	1 657	-	11
(Credited)/charged to income statement	<b>(10 004)</b>	4 234	-	(11)
	<b>428 895</b>	454 855	-	-
<b>Deferred tax assets</b>				
Assessed losses	-	(11 253)	-	-
Balance at the beginning of the year	<b>(11 253)</b>	(23 589)	-	-
Charged to income statement	<b>11 253</b>	12 336	-	-
Disallowed accruals and provisions	<b>(65 459)</b>	(56 746)	<b>(242)</b>	(335)
Balance at the beginning of the year	<b>(56 746)</b>	(57 861)	<b>(335)</b>	(5 590)
Currency translation adjustments	<b>47</b>	3 142	-	-
(Credited)/charged to income statement	<b>(8 760)</b>	(2 027)	<b>93</b>	5 255
Fair value adjustments	<b>(10 738)</b>	(22 821)	<b>(644)</b>	(20)
Balance at the beginning of the year	<b>(22 821)</b>	(7 230)	<b>(20)</b>	(810)
Charged/(credited) to income statement	<b>12 083</b>	(15 591)	<b>(624)</b>	790
	<b>(76 197)</b>	(90 820)	<b>(886)</b>	(355)
<b>Net deferred tax liability/(asset)</b>	<b>352 698</b>	364 035	<b>(886)</b>	(355)

for the year ended 30 June

	Group		Company	
	2005 R000's	2004 R000's	2005 R000's	2004 R000's
<b>22 BORROWINGS</b>				
Non current:				
Term banking facilities	760 310	693 853	-	-
General banking facilities	75 034	292 763	-	-
Transnet loan	279 442	267 253	279 442	267 253
Redeemable preference shares	180 000	230 000	180 000	180 000
Lease liabilities	228 377	235 562	-	-
Vacation Club members	60 563	40 265	-	-
	<b>1 583 726</b>	1 759 696	<b>459 442</b>	447 253
Current:				
Bank overdrafts	64 462	63 014	10 872	34 119
Term banking facilities	296 810	258 318	-	-
General banking facilities	325 639	-	-	-
Redeemable preference shares	50 000	12 500	-	-
Lease liabilities	9 635	7 175	-	-
	<b>746 546</b>	341 007	<b>10 872</b>	34 119
Total borrowings	<b>2 330 272</b>	2 100 703	<b>470 314</b>	481 372
Secured	<b>1 384 829</b>	1 563 656	-	-
Unsecured	<b>945 443</b>	537 047	<b>470 314</b>	481 372
	<b>2 330 272</b>	2 100 703	<b>470 314</b>	481 372
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	<b>1 736 388</b>	1 915 162	-	-
The non current borrowings are repayable over the following financial years:				
2006		464 015		-
2007	535 869	426 075	180 000	180 000
2008	214 871	127 919	-	-
2009	180 973	84 417	-	-
2010 onwards	652 013	657 270	279 442	267 253
	<b>1 583 726</b>	1 759 696	<b>459 442</b>	447 253
Year-end interest rates	%	%	%	%
Bank overdraft	9,8	10,5	9,5	10,5
Term banking facilities	9,4	11,5	-	-
General banking facilities	8,9	9,9	-	-
Transnet loan	12,2	12,2	12,2	12,2
Redeemable preference shares	7,5	8,2	7,4	8,0
Lease liabilities	12,7	12,6	-	-
Vacation Club members	11,1	11,7	-	-
Weighted average	<b>9,9</b>	11,1	<b>10,3</b>	10,5

**Interest rates**

As at 30 June 2005, interest rates on 68% (2004: 70%) of the group's borrowings were fixed. 32% (2004: 32%) 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.



## Notes to the annual financial statements (continued)

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>22 BORROWINGS continued</b>				
Redeemable preference shares:				
Sun International Limited	<b>180 000</b>	180 000	<b>180 000</b>	180 000
SunWest International (Proprietary) Limited	<b>50 000</b>	62 500	<b>-</b>	-
	<b>230 000</b>	242 500	<b>180 000</b>	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. The balance of SunWest preference shares 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 R700 million (2004: R911 million) at 30 June 2005. The company's borrowings are not restricted by its articles of association.				
<b>Capitalised lease liabilities</b>				
Finance lease liabilities are primarily for buildings. At the time of entering into the capital lease arrangements, the commitments are recorded at the present value using applicable interest rates. As of June 2005, the aggregate amounts of lease payments and the related imputed interest under the capitalised lease contracts payable in each of the next five financial years and thereafter are as follows:				
Aggregated lease payments payable for the year ended 30 June:				
2005		37 295		
2006	<b>38 848</b>	38 348		
2007	<b>42 820</b>	42 320		
2008	<b>47 462</b>	46 962		
2009	<b>52 683</b>	52 183		
2010	<b>58 478</b>	58 028		
Thereafter	<b>134 797</b>	134 797		
	<b>375 088</b>	409 933		
Imputed interest for the year ended 30 June:				
2005		(30 120)		
2006	<b>(29 213)</b>	(29 213)		
2007	<b>(27 668)</b>	(27 668)		
2008	<b>(25 316)</b>	(25 316)		
2009	<b>(21 981)</b>	(21 981)		
2010	<b>(17 458)</b>	(17 458)		
Thereafter	<b>(15 440)</b>	(15 440)		
	<b>(137 076)</b>	(167 196)		
Net capital payments	<b>238 012</b>	242 737		

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>23 OTHER NON CURRENT LIABILITIES</b>				
Operating leases	<b>6 847</b>	-	-	-
Deferred income	<b>33 833</b>	-	-	-
Post-retirement medical aid liability	<b>52 292</b>	40 304	-	-
	<b>92 972</b>	40 304	-	-
Current portion	<b>(2 491)</b>	-	-	-
	<b>90 481</b>	40 304	-	-
<b>Deferred income</b>				
Deferred income represents net sales proceeds in respect of the new Vacation Club units constructed at Sun City. This revenue will be recognised over the 15-year period of the members' contracts.				
<b>Post-retirement medical benefits</b>				
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 co-payment 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.				
Movement of liability:				
Benefit obligation at beginning of the year	<b>40 304</b>	40 022		
Interest cost	<b>4 102</b>	3 806		
Current service cost	<b>2 555</b>	2 622		
Actuarial loss/(gain)	<b>6 135</b>	(5 414)		
Benefits paid	<b>(804)</b>	(732)		
Benefit obligation at end of the year	<b>52 292</b>	40 304		
The principal actuarial assumptions used for accounting purposes were:	%	%		
Discount rate	<b>7,75</b>	9,50		
Price inflation allowed by group	<b>4,00</b>	5,00		
<b>24 ACCOUNTS PAYABLE AND ACCRUALS</b>				
Trade payables	<b>116 704</b>	66 787	-	-
Accrued expenses	<b>490 567</b>	416 332	<b>5 677</b>	6 058
Capital creditors	<b>4 712</b>	22 499	-	-
Other payables	<b>73 629</b>	109 291	<b>21 786</b>	7 882
	<b>685 612</b>	614 909	<b>27 463</b>	13 940



## Notes to the annual financial statements (continued)

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>25 PROVISIONS</b>				
<b>Movements on provisions</b>				
Balance at the beginning of the year:				
Lease commitments and property closure costs	<b>12 346</b>	58 686		
Equity accounted losses	-	29 994		
Progressive jackpots	<b>33 714</b>	23 069		
	<b>46 060</b>	111 949		
Created during the year:				
Equity accounted losses	-	5 358		
Net movement in progressive jackpots	<b>6 849</b>	10 735		
	<b>6 849</b>	16 093		
Utilised during the year:				
Lease commitments and property closure costs	<b>(3 737)</b>	(46 161)		
Equity accounted losses	-	(35 352)		
	<b>(3 737)</b>	(81 513)		
Currency translation adjustments	<b>(103)</b>	(269)		
Balance at the end of the year:				
Lease commitments and property closure costs	<b>8 609</b>	12 346		
Progressive jackpots	<b>40 460</b>	33 714		
	<b>49 069</b>	46 060		

### **Lease commitments and property closure costs**

The provision represents estimated property closure costs. The provision is evaluated at each year end based on the revised net present value at the time.

### **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.

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<b>2004</b> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<b>2004</b> <i>R000's</i>
<b>26 CASH FLOW INFORMATION</b>				
<b>26.1 Cash generated/(utilised) by operations</b>				
Operating profit	<b>1 415 887</b>	1 225 172	<b>418 596</b>	90 754
Non cash items and items dealt with separately:				
Dividend income	–	–	<b>(430 499)</b>	(82 756)
Depreciation and amortisation	<b>437 645</b>	437 054	–	7 126
Profit on disposal of property, plant and equipment	<b>(848)</b>	(3 637)	–	–
Exceptional items of a non-cash nature	<b>(285 197)</b>	(338 835)	<b>4 592</b>	66
Pre-opening expenses	<b>18 586</b>	2 399	–	–
Foreign exchange profits/(losses)	<b>34 926</b>	(75 843)	–	–
Unrealised foreign exchange (profits)/losses	<b>(16 716)</b>	55 482	–	–
Deferred income	<b>33 833</b>	–	–	–
Share option cost	<b>19 124</b>	16 033	–	–
Post-retirement medical aid	<b>11 988</b>	282	–	–
Other	<b>527</b>	(4 219)	–	–
Cash generated/(utilised) by operations before working capital changes	<b>1 669 755</b>	1 313 888	<b>(7 311)</b>	15 190
Working capital changes	<b>113 263</b>	(1 645)	<b>25 311</b>	(56 248)
Inventory	<b>(698)</b>	4 712	–	–
Accounts receivable	<b>14 409</b>	322	<b>16 197</b>	8 985
Accounts payable and accruals	<b>99 552</b>	(6 679)	<b>9 114</b>	(65 233)
	<b>1 783 018</b>	1 312 243	<b>18 000</b>	(41 058)
<b>26.2 Investment income</b>				
Dividends received:				
Associates	<b>35 670</b>	25 230	<b>35 670</b>	20 848
Subsidiaries			<b>394 829</b>	61 908
Interest income	<b>79 451</b>	63 422	<b>33 267</b>	41 868
Imputed interest on loans receivable	<b>(8 211)</b>	(7 733)	<b>(12 187)</b>	(12 427)
	<b>106 910</b>	80 919	<b>451 579</b>	112 197
<b>26.3 Interest paid</b>				
Interest expense	<b>(249 634)</b>	(277 143)	<b>(44 310)</b>	(47 514)
Imputed interest on loans payable	<b>14 173</b>	15 983	<b>12 187</b>	12 427
	<b>(235 461)</b>	(261 160)	<b>(32 123)</b>	(35 087)
<b>26.4 Taxation paid</b>				
Liability at the beginning of the year	<b>(177 247)</b>	(51 876)	<b>(431)</b>	(6 929)
Current tax provided (refer note 8)	<b>(342 511)</b>	(235 151)	<b>(5 058)</b>	7 291
Other taxes (refer note 8)	<b>(50 366)</b>	(52 300)	<b>(5 888)</b>	(8 794)
Currency translation adjustment	<b>(200)</b>	1 163		
Liability/(overpayment) at the end of the year	<b>196 616</b>	177 247	<b>(6 127)</b>	431
	<b>(373 708)</b>	(160 917)	<b>(17 504)</b>	(8 001)
<b>26.5 Dividends paid</b>				
To shareholders	<b>(197 868)</b>	(85 548)	<b>(197 868)</b>	(85 548)
To minorities in subsidiaries	<b>(196 964)</b>	(146 926)	–	–
	<b>(394 832)</b>	(232 474)	<b>(197 868)</b>	(85 548)



## Notes to the annual financial statements (continued)

for the year ended 30 June

	Group		Company	
	2005 R000's	2004 R000's	2005 R000's	2004 R000's
<b>26 CASH FLOW INFORMATION continued</b>				
<b>26.6 Proceeds on disposal of shares in subsidiaries</b>				
Emfuleni Resorts (Proprietary) Limited	5 759	34 039	-	-
Transkei Sun International Limited	25 510	-	-	-
Afrisun Gauteng (Proprietary) Limited	-	141 328	-	-
SunWest International (Proprietary) Limited	1 495	159 084	-	-
	<b>32 764</b>	<b>334 451</b>	<b>-</b>	<b>-</b>
<b>26.7 Purchase of additional shares in subsidiaries</b>				
SISA	(367 282)	(565 368)	(367 282)	(6 211)
Increase in investment in SISA	(1 432 839)	(565 368)	(1 432 839)	(6 211)
Settled by issue of shares	1 065 557	-	1 065 557	-
Other subsidiaries	(6 830)	(3 830)	-	-
	<b>(374 112)</b>	<b>(569 198)</b>	<b>(367 282)</b>	<b>(6 211)</b>
<b>26.8 Increase/(decrease) in borrowings</b>				
Increase/(decrease) in borrowings	238 618	(240 461)	(183)	(1 769)
Increase/(decrease) in bank overdrafts	23 881	59 223	(23 247)	34 049
	<b>262 499</b>	<b>(181 238)</b>	<b>(23 430)</b>	<b>32 280</b>

## 27 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. 97% (2004: 90%) of employees were members of one of these schemes as at 30 June 2005.

The group contributed R114,7 million (2004: R86,6 million) to these schemes during the year on behalf of employees.

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 funds.

for the year ended 30 June

	Group		Company	
	2005 R000's	2004 R000's	2005 R000's	2004 R000's
<b>27 RETIREMENT BENEFIT INFORMATION continued</b>				
<b>Valuation in terms of the Financial Services Board guidelines</b>				
The latest valuation of the Sun International Pension Fund was carried out at 1 July 2004, the group's surplus appointment date, by an independent firm of consulting actuaries. The fund was found to have a surplus of R29,8 million, which in terms of circular PF 117 issued by the Financial Services Board (FSB), the Trustees have designated it as a solvency reserve within the fund as at the valuation date. Circular PF 117 deals, amongst other issues, with the allocation of assets to contingency reserve accounts. Any allocation of assets to contingency reserves reduces the amount of surplus available for distribution to former members and other stakeholders. The valuation has not yet been approved by the FSB. The results of the valuation are summarised below:				
Present value of funded obligations	(188 786)			
Fair value of plan assets	218 613			
Surplus before contingency reserve	29 827			
Contingency reserve	(29 827)			
Surplus available for distribution	-			
Comparative figures have not been presented as the potential surplus for apportionment is determined with reference to the surplus apportionment date of 1 July 2004.				
<b>IAS19 valuation</b>				
The surplus calculated in terms of IAS19: Employee benefits is presented below. It should be noted that this valuation is performed on a different basis than the valuation in terms of the Financial Services Board guidelines.				
No assets have been recognised in respect of the surplus in the Sun International Pension Fund as the apportionment process has not yet been completed.				
<b>Surplus on the defined benefit plan</b>				
Present value of funded obligations	(177 517)	(131 610)		
Fair value of plan assets	245 076	179 419		
	67 559	47 809		
Unrecognised actuarial gains	11 864	24 504		
Surplus at the end of the year	79 423	72 313		
<b>Movement on surplus</b>				
Balance at the beginning of the year	72 313	65 601		
Contributions paid	9 891	10 297		
Other expenses included in staff costs	(2 781)	(3 585)		
Current service cost	(7 323)	(7 602)		
Interest cost	(12 503)	(10 662)		
Expected return on plan assets	17 045	14 679		
Balance at the end of the year	79 423	72 313		
The principal actuarial assumptions used were as follows:				
	%	%		
Discount rate	8,25	9,50		
Expected return on plan assets	9,50	9,00		
Future salary increases	5,50	6,50		
Future pension increases	4,25	5,50		



## Notes to the annual financial statements (continued)

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>28 FINANCIAL INSTRUMENTS</b>				
<b>(i) Financial risk management</b>				
<b>Foreign exchange risk</b>				
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.				
<b>Credit risk</b>				
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.				
<b>Interest rate risk</b>				
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.				
<b>Liquidity risk</b>				
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.				
<b>(ii) Financial effects</b>				
<b>At 30 June 2005 and 2004 the net fair value of foreign exchange contracts were:</b>				
Contracts with fair values GBP nil (2004: GBP 90 000)	-	1 029		
Contracts with fair values Euro 1 000 000 (2004: Euro 500 000)	<b>8 150</b>	3 862		
Contracts with fair values US\$2 400 000 (2004: US\$6 222 000)	<b>16 798</b>	40 581		

As at year end the fair values of forward exchange contracts exceeded their face values by R1,3 million (2004: R6 million below their fair values). The gain has been recognised in the current year.

## 29 CONTINGENT LIABILITIES

- (i) 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.
- (ii) 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 R33 million (2004: R51 million) has effectively been underwritten.
- (iii) The group has issued a guarantee in favour of ABSA Bank in respect of a loan made to Tusk Resorts (Proprietary) Limited amounting to R48 million.
- (iv) South African Revenue Service (SARS) has challenged the deductibility of pre-opening expenditure incurred prior to the opening of a new casino or hotel property. These expenses consist in the main of payroll, training and marketing costs incurred prior to opening and historically have been allowed as a deduction for income tax purposes. SARS has recently issued tax assessments to certain group companies disallowing the deduction of pre-opening expenditure. The companies have lodged objections and the group is confident that it can successfully defend the deductibility based on Senior Counsel's opinion supporting the deductibility of the expenditure. Notwithstanding this opinion it should be noted that the potential exposure could amount to a tax charge of up to R60 million across the operations of which R36 million would be attributable to Sun International Limited.
- (v) 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 R320 million (2004: R256 million).

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

- (i) 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 SCE whose rental amounts to US\$6,6 million (2004: US\$6 million) annually. Three of the guarantees are for a period of five years and one for a period of ten years, with a total exposure of US\$45,3 million.
  - (ii) In addition, RRHL together with Primedia has jointly and severally guaranteed one operating lease of SCME whose rental amounts to US\$1,5 million (2004: US\$1,5 million) annually for a period of five years.
-

## Notes to the annual financial statements (continued)

for the year ended 30 June

	Group		Company	
	2005 R000's	2004 R000's	2005 R000's	2004 R000's
<b>30 CAPITAL EXPENDITURE AND RENTAL COMMITMENTS</b>				
<b>Capital commitments</b>				
Contracted	85 000	522 000		
Authorised by the directors but not contracted	729 000	617 000		
	<b>814 000</b>	1 139 000		
To be spent in the forthcoming financial year	789 000	1 062 000		
To be spent thereafter	25 000	77 000		
	<b>814 000</b>	1 139 000		
Future capital expenditure will be funded by a combination of internally generated cash flow and debt facilities.				
<b>Rental commitments</b>				
The company has a rental commitment for the company's head office in Sandton, expiring on 31 May 2014, with an annual rental of R8,2 million, escalating at 11% per annum.				
Over and above the rental commitments of the company, the group has the following material rental agreements as at 30 June 2005:				
(i) For the Naledi Sun hotel and staff flats, expiring on 21 May 2009, with the annual rental of R5,5 million escalating at 11% per annum.				
(ii) For phase 1 to 4 of the Thaba'Nchu Sun staff flats with the remaining rental of R0,6 million 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 R1,8 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.				
(vi) For the Kalahari Sands building, expiring in August 2010, with an annual rental of R6,2 million, escalating at 11% per year. The group has the option to renew the lease to August 2020.				
The table below summarises the operating lease commitments:				
2005		32 383		13 011
2006	30 518	30 518	13 011	13 011
2007	29 896	29 896	13 011	13 011
2008	29 499	29 499	13 011	13 011
2009	27 631	27 631	13 011	13 011
2010	20 778	20 778	13 011	13 011
Thereafter	53 133	53 133	49 876	49 876
	<b>191 455</b>	223 838	<b>114 931</b>	127 942

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<b>2005</b> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>31 RELATED PARTY TRANSACTIONS</b>				
Details of the ownership of ordinary share capital is set out on pages 65 to 66 of this annual report.				
<b>(i) Transactions with related parties</b>				
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	<b>576</b>	1 226		
Sun International of Lesotho (Proprietary) Limited	<b>2 227</b>	1 969		
	<b>2 803</b>	3 195		
At year end, an amount of R349 345 (2004: R925 306) was owing by the above two associates in respect of management fees.				
Management fees are contractually determined.				
Dividends were received from the following associate companies:				
City Lodge Hotels Limited	<b>35 670</b>	20 848		
Sun International of Lesotho (Proprietary) Limited	-	4 382		
	<b>35 670</b>	25 230		
<b>(ii) Loans to related parties</b>				
Loans to SCE and SCME				
Balance at the beginning of the year	<b>1 236</b>	123 065		
Repaid	-	(106 362)		
Advances to SCME	<b>2 159</b>	-		
Currency translation adjustment	<b>277</b>	(13 322)		
	<b>3 672</b>	3 381		
Impairment of loan	-	(2 145)		
Balance at the end of the year	<b>3 672</b>	1 236		
Interest received	-	3 882		
<b>(iii) Share options granted to directors</b>				
The aggregate number of share options granted to the directors of the group during 2005 was 243 750 (2004: 487 500) at exercise prices of R40,95 and R61,825 (2004: R34,15). 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 1 315 375 (2004: 1 075 025).				



## Notes to the annual financial statements (continued)

for the year ended 30 June

	<i>Group</i>		<i>Company</i>	
	<i>2005</i> <i>R000's</i>	<i>2004</i> <i>R000's</i>	<i>2005</i> <i>R000's</i>	<i>2004</i> <i>R000's</i>
<b>31 RELATED PARTY TRANSACTIONS continued</b>				
<b>(iv) Directors' emoluments</b>				
Non-executive directors				
Fees	2 546	2 135	2 522	2 135
Consultancy fees paid by subsidiaries	180	–	–	–
Gains on share options by former executive director	–	3 335	–	3 335
	<b>2 726</b>	<b>5 470</b>	<b>2 522</b>	<b>5 470</b>
Executive directors				
Basic remuneration	5 562	5 178	–	–
Bonuses/performance related payments	6 737	3 804	–	–
Pension fund contributions	673	632	–	–
Other benefits	1 530	534	–	–
Gains on share options	52	1 852	52	1 852
	<b>14 554</b>	<b>12 000</b>	<b>52</b>	<b>1 852</b>
	<b>17 280</b>	<b>17 470</b>	<b>2 574</b>	<b>7 322</b>
Details of individual directors' emoluments and share options are set out on pages 97 and 100 respectively of this report.				

### 32 SHARE OPTION SCHEME

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

Balance at the beginning of the year		8 533 765	6 093 859
Cancelled		–	(11 800)
Granted		2 305 938	4 978 500
Exercised		(1 395 086)	(2 164 197)
Lapsed		(363 616)	(362 597)
Balance at the end of the year		<b>9 081 001</b>	<b>8 533 765</b>
<b>Options held by Share Option Trust</b>			
Balance at the beginning of the year		570 539	1 048 731
Purchased from employees		1 395 086	2 164 197
Re-issued		–	(2 722 684)
Re-issued options cancelled		254 568	170 938
Cancelled		–	(90 643)
Balance at the end of the year		<b>2 220 193</b>	<b>570 539</b>
		<b>11 301 194</b>	<b>9 104 304</b>

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

<i>Financial year of grant</i>	<i>Financial year of lapse</i>	<i>Unexercised options</i>	<i>Vested options</i>	<i>Number of participants</i>	<i>Average exercise price</i>
1999	2009	519 013	519 013	21	19,23
2000	2010	243 445	243 445	37	19,92
2001	2011	486 538	486 538	62	31,01
2002	2012	581 413	393 913	125	22,96
2003	2013	864 127	357 877	147	26,38
2004	2014	4 120 527	877 621	162	35,50
2005	2015	2 265 938	22 188	190	59,91
<b>Balance as at 30 June 2005</b>		<b>9 081 001</b>	<b>2 900 595</b>		<b>37,58</b>
Balance as at 30 June 2004		8 533 765	2 304 654		30,76

Share options are exercisable on the expiry of one year from the date of grant in cumulative tranches of 25% per annum and vest on retirement, retrenchment and death. Options lapse if not exercised within ten years of their date of grant. Options under the scheme are granted at prices ruling on the JSE Limited at the date of granting those options.

for the year ended 30 June

### 32 SHARE OPTION SCHEME continued

The fair value of options granted since 7 November 2002 was estimated using the binomial asset pricing model. The table below sets out the options granted since 7 November 2002, valuation thereof and the assumptions used to value the grants.

<i>Date granted</i>	<i>Total options granted</i>	<i>Weighted average grant price</i>	<i>Weighted average 400-day volatility</i>	<i>Weighted average long term risk-free rates</i>	<i>Weighted average dividend yields</i>	<i>Total option valuation</i>
2003	1 066 250	R26,52	30,1%	10,8%	8,0%	7 563 866
2004	4 938 500	R35,35	26,4%	10,0%	7,7%	43 915 140
2005	2 302 413	R56,63	22,5%	8,5%	6,0%	31 350 927

Principal assumptions used were as follows:

Exit multiple	1,8
Volatility	400-day
Exit rate	5%

Share option cost charged directly to equity for the year was R19 million (2004: R16 million).

### 33 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. These loans have been fair valued and imputed interest at 12% per annum is recognised over the expected loan period. 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 has no control over the trust.

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

	<i>2005</i> %	<i>2004</i> %
Afrisun Gauteng (Proprietary) Limited	3,5	3,5
Emfuleni Resorts (Proprietary) Limited	3,5	3,5
Sun International (South Africa) Limited	–	3,0
SunWest International (Proprietary) Limited	3,5	3,5
Meropa Leisure and Entertainment (Proprietary) Limited	3,5	3,5
Teemane (Proprietary) Limited	3,5	3,5
Afrisun KZN (Proprietary) Limited	3,5	–
Sun International Limited	2,2	–



## Notes to the annual financial statements (continued)

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for the year ended 30 June

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### 34 COMPARATIVES

The group has exited its investment in City Lodge as set out in note 35. Earnings from City Lodge have therefore been disclosed as part of discontinuing operations. The amounts have been reclassified in the prior year income statement. Comparatives have also been restated for changes in accounting policies as set out on page 111.

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### 35 POST BALANCE SHEET EVENTS

#### 35.1 Disposal of interest in City Lodge Hotels Limited

Following the authority and approvals granted at the scheme and general meetings held on 29 August 2005, two wholly-owned subsidiaries acquired 8 590 275 shares in the issued capital of the company in terms of the scheme of arrangement proposed by the wholly-owned subsidiaries between the company and its members, as consideration for which shareholders received 16 287 604 shares in City Lodge. This resulted in the disposal of the company's entire shareholding in City Lodge as from 6 September 2005 for a consideration of R627 072 754.

The expected profit of R416 million will be recognised in the 2006 financial year. The Sun International shares acquired will be accounted for as treasury shares.

#### 35.2 Introduction of a 7% BEE shareholder in Sun International Limited

Sun International has concluded agreements with an empowerment consortium for the acquisition of 7% of the total Sun International shares in issue. Further details are provided on page 43 of this report and in the circular to shareholders dated 7 November 2005.

#### 35.3 Developments regarding shareholding in SunWest

Sun International has reached agreements in principle to increase Grand Parade Investment Limited's shareholding in SunWest. The transaction has the potential to dilute the group's shareholding in SunWest from 59% to 54%. Further details are provided on page 43 of this report and in a separate announcement published in the press on 25 October 2005.

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## Interest in principal subsidiaries and associates

for the year ended 30 June

		Amount of issued capital 2005 R000's	Effective holding		Interest of holding company			
			2005 %	2004 %	Shares		Indebtedness	
					2005 R000's	2004 R000's	2005 R000's	2004 R000's
SUBSIDIARIES		*						
<b>Unlisted</b>								
Afrisun Gauteng (Pty) Ltd	(1)	199	70	44	-	-	-	-
Afrisun KZN (Pty) Ltd	(1)	133	56	62	-	-	-	-
Emfuleni Resorts (Pty) Ltd	(1)	85	70	45	-	-	-	20 000
Mangaung Sun (Pty) Ltd	(1)	-	100	62	-	-	-	-
Meropa Leisure and Entertainment (Pty) Ltd	(1)	38	68	42	-	-	-	-
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	100	62	1 760 111	327 218	-	-
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	687 560	865 060	-	-
Sun International Management Ltd	(11)	449	100	100	36 278	17 154	-	-
SunWest International (Pty) Ltd	(1)	337	59	59	-	-	279 442	267 253
Swazispa Holdings Ltd	(3)	3 497	51	51	-	-	-	-
Teemane (Pty) Ltd	(1)	28	77	48	-	-	-	-
Transkei Sun International Ltd	(1)	14 495	70	42	-	-	-	-
					2 483 949	1 209 432	279 442	287 253
ASSOCIATES								
<b>Listed</b>								
City Lodge Hotels Ltd – Ordinary shares	(1)	4 191	39	39	211 676	211 676	-	-
<b>Unlisted</b>								
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  
(11) Registered in Bermuda and as a South African external company.

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

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



## Notice of annual general meeting

Notice is hereby given that the twenty-first 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, 29 November 2005 at 09h00 for the following purposes, namely:

1. To receive and adopt the annual financial statements for the year ended 30 June 2005.
2. To re-elect Messrs RP Becker, L Boyd, DC Coutts-Trotter, MP Egan and IN Matthews 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 [xx] and [xx] 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 2006, as follows:
  - 3.1 to the chairman of the board, R825 000;
  - 3.2 for their services as directors, R140 000 each;
  - 3.3 to the chairman of the audit committee, R120 000;
  - 3.4 to the other members of the audit committee, R60 000 each;
  - 3.5 to the chairman of the remuneration and nomination committee, R90 000;
  - 3.6 to the other members of the remuneration and nomination committee, R45 000 each;
  - 3.7 to the chairman of the risk committee, R80 000; and
  - 3.8 to the other members of the risk committee, R40 000 each.

### SPECIAL BUSINESS

#### 4. Special Resolution Number 1 – 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 Limited ("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;
- 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 foregoing 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, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- directors and management – pages [xx] and [xx];
- major beneficial shareholders – page [xx];
- directors' interests in ordinary shares – page [xx]; and
- share capital of the company – page [xx].

#### Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages [xx] and [xx] of the annual report, 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 [xx] and [xx] 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. Save as is specified in this notice or elsewhere in the circular annexed to the annual report, 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. RESOLUTIONS REQUIRED FOR THE IMPLEMENTATION OF THE BEE TRANSACTION ("THE PROPOSED BEE TRANSACTION")

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions with regards to the proposed BEE transaction:

### 5.1 Ordinary Resolution Number 4 -Authority to issue treasury shares

"RESOLVED that the directors of the company be and they are hereby authorised and empowered, by way of specific authority, in terms of Section 221(2) of the Companies Act, to allot and issue up to a maximum of 4 268 854 (four million two hundred and sixty eight and eight hundred and fifty four) ordinary shares with a par value of 8 cents each in the authorised share capital of the company to Newco currently held as treasury shares."

### 5.2 Ordinary Resolution Number 5- Authority to transfer treasury shares

"RESOLVED that the company transfer up to a maximum of 4 268 854 (four million two hundred and sixty eight and eight hundred and fifty four) ordinary shares with a

par value of 8 cents each in the share capital of the company, held by two wholly owned subsidiaries of the company as treasury shares, as if such issue constituted a fresh issue of shares for cash, to Newco."

It must be noted that ordinary resolution number 5 requires to be approved by no less than a 75% (seventy five percent) majority of the votes cast by shareholders present in person or represented by proxy at the annual general meeting in accordance with the provisions of the Listings Requirements of the JSE.

### 5.3 Ordinary resolution number 6

"RESOLVED that the proposed BEE transaction as detailed in the circular annexed to the annual report ("the circular"), the detailed terms and conditions of which are contained in the agreements dated [ October] 2005 (signed copies of which have been initialled by the chairman of the annual general meeting for the purposes of identification), be and they are hereby ratified and approved."

### 5.4 Ordinary resolution number 7

"Resolved that any director or the company secretary of the company be and he/she is hereby authorised to sign all such documentation, take all such steps and do all such things as may be necessary for the implementation of ordinary resolutions numbers 4, 5 and 6 as passed by shareholders in accordance with, and subject to the terms thereof."

The purpose and effect of ordinary resolutions number 4 to 7 is set out in paragraphs 1 to 6 of the circular annexed to the annual report.

## 6. AMENDMENTS TO THE TRUST DEED OF THE SUN INTERNATIONAL EMPLOYEE SHARE TRUST

### 6.1 Ordinary resolution number 8

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 they 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 enable the trust to effectively acquire an additional shareholding in the company through Newco, as follows:

- **Clause 13.1.3** is amended to read:  
'acquire ordinary shares in group share holding companies on the basis that there is no limitation on the percentage shareholding of the trust in such group share holding company concerned, provided that the indirect holding by the trust of shares in SIL or any other group company, excluding the group



## Notice of annual general meeting (continued)

share holding company concerned, may not exceed 10% (ten percent) of the issued equity share capital of such company (post the acquisition of the shares)'

- **Clause 13.4** is amended as follows:  
'the loans made to the trust in terms of clause 13.2 shall be free of interest and shall be repayable proportionately, utilising 20 % of all dividends received by the trust after the commencement date from each of the relevant group companies in respect of its shareholding therein'...
- **Clause 17.1** is amended to read:  
'provided that this restriction does not apply to the holding of shares by the trust in a group share holding company'....
- **Clause 17.2** is amended as follows:  
'the requirements as set out herein do not apply to the disposal of shares by the trust in any group share holding company'....
- **Clause 28.1** is amended by inserting in the beginning thereof the following:  
'except to the extent that there may be restrictions relating to rights of pre-emption in favour of the other shareholders in the group share holding company,.....'
- **Clause 28.2** is amended by inserting in the beginning thereof the following:  
'except with reference to forfeiture and/or default provisions where shares may have to be sold at par and/or a discount to market value in terms of the provisions under which the shares have been acquired,.....'
- A new **clause 7.1.7A** is also inserted which reads as follows:  
'to deal with shares in group share holding companies, to acquire same, to enter into shareholders agreements with reference to the shares in a group share holding company, to obtain funding to acquire such shares, to attend meetings of such group share holding company and to appoint directors to such group share holding company and to take decisions with reference to the assets of such group share holding company and how it is to be dealt with and to be disposed of, if any, on the basis that such assets shall be held as an investment;

which amendments are incorporated in the draft second amendment to the trust deed, initialled by the chairmen of the annual general meeting for the purposes of identification."

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

Ordinary resolution number 8, if passed, will enable the trust to participate in the proposed BEE

transaction by acquiring a 43% interest in Newco which will in turn acquire an effective 7% shareholding in the company as more fully explained in paragraph 3.6 of the circular.

## 7. PROPOSAL TO IMPLEMENT AN ODD-LOT OFFER

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

### 7.1 Special Resolution number 1

"RESOLVED that, in terms of section 62 of the Companies Act, with the effect from the date of passing the special resolution, the company's articles of association be and they are hereby amended by the insertion of the following new article 8A after the existing article 8:

(1.) 8A If, upon implementation of any odd-lot offer made by the company in accordance with the restrictions and procedures imposed by a stock exchange on which the company's shares may be listed and subject to the approval of that stock exchange, there are holders of shares holding in aggregate less than one hundred shares, or such other number of shares as determined by that stock exchange as amounting to an odd-lot ("odd-lots") in the company ("odd-lot holders"), then the company shall, save in respect of odd-lot holders who have elected to retain their odd-lots or to increase their odd-lots to holdings of one hundred shares or such other number of shares as determined by that stock exchange as amounting to an odd-lot, in the company -

8A(1) cause the odd-lots to be sold in such manner as the directors may direct; and

8A(2) procure that the proceeds of such sales are paid to such odd-lot holders.

(2.) All unclaimed proceeds (of such sales) may be invested or otherwise made use of by the directors for the benefit of the company until claimed, provided that such proceeds unclaimed for a period of three years from the date on which the directors caused the odd-lots to be sold may be declared forfeited by the directors for the benefit of the company."

The reason for the special resolution is to provide a mechanism to facilitate a reduction in the number of shareholders holding in aggregate less than 100 shares in an equitable manner.

The effect of the special resolution is to amend the articles of association of the company accordingly.

### 7.2 Special Resolution Number 2

"RESOLVED that the directors be they are hereby authorised as a specific approval, in terms of section 85

of the Companies Act, and in terms of the Listings Requirements of the JSE Limited, to approve and implement the repurchase, at the offer price, being the volume weighted average traded price of the company's ordinary shares on the JSE over a five day trading period to be determined by the directors plus a 5% premium thereon, the ordinary shares of those odd-lot holders who elect pursuant to the odd-lot offer, the details of which will be contained in a circular to shareholders, to be dated no later than 30 June 2006, to sell their odd-lot holding to the company or who do not make an election, which ordinary shares will be cancelled, delisted and restored to the status of authorised ordinary shares."

The approval of a 75% majority of the votes cast by the shareholders (excluding any shareholder and its associates which are participating in the repurchase) present or represented by proxy at the general meeting is required for special resolution number 3 to be effective.

The reason for and effect of special resolution number 3 is to grant the directors of the company a specific authority to make the repurchases of Sun International ordinary shares in terms of an odd-lot offer, details of which will be contained in a circular to shareholders to be dated no later than 30 June 2006.

Based on the number of shareholders as at the date of issue of this notice of annual general meeting, the number of ordinary shares which could potentially be repurchased in terms of special resolution number 3 will not exceed [ ] ordinary shares.

The statements which the JSE requires the Company to make in respect of this special resolution are contained in the paragraph 18 of the circular annexed hereto.

### 7.3 Ordinary Resolution Number 9

"RESOLVED that, subject to the passing and registration of special resolutions numbers 2 and 3, the directors of the company be and are hereby authorised and empowered, to make and implement an odd-lot offer to shareholders holding less than 100 ordinary shares in the company by the close of business on a date to be determined but which shall be no later than 30 June 2006, according to the terms and conditions of an odd-lot offer to be contained in a circular to be issued no later than 30 June 2006 and which will be subject to the approval of the JSE."

### 7.4 Ordinary Resolution Number 10

"RESOLVED that the directors of the company be and are hereby authorised to allot and issue as a specific authority, in terms of section 221(2) of the Companies Act, at the offer price, being the volume weighted average traded price of the ordinary shares on the JSE over five trading days commencing on a date no later than 30 June 2006 such number of ordinary shares of 8

cents each in the capital of the company as may be necessary to satisfy the ordinary shares required by those odd-lot holders who, pursuant to an odd-lot offer to be contained in a circular to shareholders to be dated no later than 30 June 2006 ("the odd-lot offer"), elect to increase their holdings to 100 ordinary shares."

The approval of a 75% majority of the votes cast by the shareholders (excluding any shareholders and their associates participating in the specific issue for cash) present or represented by proxy at the annual general meeting is required for this ordinary resolution to be effective.

### 7.5 Ordinary Resolution Number 11

"RESOLVED that, subject to the passing and registration of special resolutions numbers 2 and 3, the directors of the company are hereby authorised and empowered, to make and implement an odd-lot offer to shareholders holding less than 100 ordinary shares in the company by the close of business on a date no later than 30 June 2006 according to the terms and conditions of an odd-lot offer to be contained in a circular to be dated no later than 30 June 2006 which will be approved by the JSE."

### 7.6 Ordinary Resolution Number 12

"RESOLVED that such number of ordinary shares of 8 cents each in the capital of the company as may be necessary to satisfy the ordinary shares required by those odd-lot holders who, pursuant to an odd-lot offer to be contained in a circular to shareholders to be dated no later than 30 June 2006, elect to increase their holdings to 100 ordinary shares, be placed under the control of the directors to allot and issue as a specific authority, at the offer price, being the volume weighted average traded price of the ordinary shares on the JSE over five trading days commencing on a date no later than 30 June 2006 for purposes of the proposed odd-lot offer."

The approval of a 75% majority of the votes cast by the shareholders (excluding any shareholders and their associates participating in the specific issue for cash) present or represented by proxy at the annual general meeting is required for this ordinary resolution to be effective.

## 8. ADOPTION OF NEW SHARE PLANS

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

### 8.1 Ordinary resolutions number 13

"Resolved that the company adopt and approve:

- the Sun International Limited Equity Growth Plan 2005;
- the Sun International Limited Conditional Share Plan 2005; and
- the Sun International Limited Deferred Bonus Plan 2005 ("the Plans")

## Notice of annual general meeting (continued)

the details of which are incorporated in separate Plan Rules, initialled by the chairman of the annual general meeting for the purposes of identification".

Copies of the plan rules referred to in the foregoing ordinary resolution are available for inspection at the registered office of the company.

### 8.2 Ordinary Resolution number 14

"RESOLVED that 10 780 000 ordinary shares with a par value of 8 cents each in the authorised but 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, with power to allot and issue these shares in accordance with and for the purposes of the Sun International Limited Equity Growth Plan 2005, the Sun International Limited Conditional Share Plan 2005 and the Sun International Limited Deferred Bonus Plan 2005 ("the Plans"), subject to the provisions of the Act and the JSE Listings Requirements, and subject to the proviso that no more than 5 390 000 of the shares placed under the specific control of the directors for purposes of the Plans may be allocated in terms of the Plans in the first three years of the operation of the Plans, calculated as from the date of the first allocation and/or award under the Plans."

### 8.3 Ordinary Resolution 15

"RESOLVED that the directors of the company be and are hereby authorised to do all such things as may be necessary for and incidental to the implementation of ordinary resolution numbers 13 and 14 including, but not limited to, the signature of the relevant share incentive Plan Rules as well as all related or ancillary documents."

The Plans have been approved by the JSE.

Ordinary resolutions numbers 13, 14 and 15, if passed, will result in the implementation of the Plans, details of which are given in section [20] of the circular annexed to the annual report.

Ordinary resolution number 14, if passed, will place 10 780 000 ordinary shares under the control of the directors as a specific authority under the Companies Act, to allot and issue in terms of the Plans, with the proviso that no more than 5 390 000 of these shares may be allotted under the Plans in the first three years of the operation of the Plans.

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 appearing below, no less than 24 hours before the time appointed for the holding of the annual general meeting. A proxy form is enclosed for this purpose.

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

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

7 November 2005

#### 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**

(Incorporated in the Republic of South Africa)  
(Registration number 1967/007528/06)  
Share code: SUI ISIN: ZAE000070678  
("Sun International" or "the company")

**Form of proxy – Annual general meeting**

The definitions contained on pages [ ] to [ ] of this document of which this form of proxy forms part, apply in this form of proxy.

For use by Sun International shareholders holding shares in certificated form or recorded on the company's sub-register in electronic dematerialised form in "own name" at the twenty-first annual general meeting of shareholders of the company to be held at 09:00 a.m on Tuesday, 29 November 2005 at the registered office of Sun International in the boardroom, 4th Floor, 27 Fredman Drive, Sandown, Sandton.

If dematerialised shareholders, other than own name dematerialised shareholders, have not been contacted by their Central Securities Depository Participant ("CSDP") or broker with regard to how they wish to cast their vote, they should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their vote at the annual general meeting in order for their CSDP or broker to vote in accordance with such instructions. If dematerialised shareholders, other than own name dematerialised shareholders, have not been contacted by their CSDP or broker it would be advisable for them to contact their CSDP or broker, as the case may be, and furnish them with their instructions. Dematerialised shareholders who are not own name dematerialised shareholders and who wish to attend the annual general meeting must obtain their necessary letter of representation from their CSDP or broker, as the case may be, and submit same to the transfer secretaries to be received by no later than 9:00 on Monday, 28 November 2005. This must be done in terms of the agreement entered into between the dematerialised shareholder and their CSDP or broker. If the CSDP or broker, as the case may be, does not obtain instructions from such dematerialised shareholders, it will be obliged to act in terms of the mandate furnished to it, or if the mandate is silent in this regard, to abstain from voting. Such dematerialised shareholders, other than own name dematerialised shareholders, must not complete this form of proxy and should read note 10 overleaf.

I/We (please print) \_\_\_\_\_

of (please print) \_\_\_\_\_

being the holder/s of \_\_\_\_\_ ordinary shares in the company, appoint (see note 1)

1. \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ or failing him/her

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 2):

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.

	For	Against	Abstain
<b>Ordinary resolutions</b>			
1. Adoption of financial statements			
2. Re-election of directors			
2.1 Mr R P Becker			
2.2 L Boyd			
2.3 Mr D C Coutts-Trotter			
2.4 Mr P Egan			
2.5 Mr I N Matthews			
3.1 Fees – chairman of the board R825 000			
3.2 Fees – services as directors R140 000			
3.3 Fees – chairman of the audit committee R120 000			
3.4 Fees – other shareholders of the audit committee R60 000			
3.5 Fees – chairman of the remuneration and nomination committee R90 000			
3.6 Fees – other shareholders of the remuneration and nomination committee R45 000			
3.7 Chairman of the risk committee R80 000			
3.8 Other shareholders of the risk committee R40 000			
4. General authority to repurchase shares			
5. Implementation of the proposed BEE transaction			
5.1 Authority to issue treasury shares			
5.2 Authority to transfer treasury shares			
5.3 Ratification and approval of the proposed BEE transaction			
5.4 Authority for directors and company secretary to sign and act			



## Form of proxy – Annual general meeting (continued)

	For	Against	Abstain
<b>Ordinary resolutions</b> <i>(continued)</i>			
6. Amendment to Trust Deed: Sun International Employee Share Trust			
6.1 Authority for directors and trustees to amend the trust deed			
7. Implementation of odd-lot offer			
7.3 Authority of directors to make and implement an odd-lot offer to shareholders			
7.4 Authority of directors to allot and issue such number of shares to satisfy the shares required for odd-lot holders			
7.5 Authority of directors to make and implement an odd-lot offer to shareholders			
7.6 Place under the control of the directors such number of shares in the capital of the company as may be necessary to satisfy the shares required by the odd-lot holders			
8. Adoption of new share plans			
8.1.1 Sun International Limited Equity Growth Plan 2005			
8.1.2 Sun International Limited Conditional Share plan 2005			
8.1.3 Sun International Limited Deferred Bonus plan 2005			
8.2 10 780 000 ordinary shares be placed under the control of the directors			
8.3 Authority for directors to act and sign share plan rules			
10.1 Adopt and approve			
<b>Special resolutions</b>			
7.1 Amendment to the articles of association: Implementation of odd-lot offer			
7.2 Authority for directors to approve and implement the share repurchase pursuant to odd-lot offer			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Signature of member(s) \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Please read the notes and instructions on the reverse hereof.

### NOTES:

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of Sun International.

Every person present and entitled to vote at the annual general meeting as a member or as a proxy or as a representative of a body corporate shall, on a show of hands, have one vote only, irrespective of the number of Sun International shares such person holds or represents, but in the event of a poll, a member holding shares will be entitled to only one vote per share held.

Please insert the relevant number of Sun International shares and indicative with an "X" in the appropriate spaces on the face hereof, how you wish your votes to be cast at the annual general meeting. If you return this form duly signed without any specific instructions, the proxy will vote or abstain from voting at the proxy's discretion.

## Instructions on signing and lodging the form of proxy

1. A Sun International ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialed by the Sun International ordinary shareholder. The person whose name appears 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.
2. Please insert the number of shares in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of Sun International shares exercisable by you, insert the number of Sun International shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise and compel the chairperson, if the chairperson is an authorised proxy, to vote in favour of the resolutions, or to authorise any other proxy to vote for or against the resolutions or abstain from voting as he/she deems fit, in respect of all the Sun International shareholder's votes exercisable thereat. A Sun International ordinary shareholder or its/his/her proxy is not obliged to use all the votes exercisable by the Sun International ordinary shareholder or its/his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the Sun International ordinary shareholder or its/his/her proxy.
3. Forms of proxy must be lodged with the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107) to be received by no later than 9:30 on Friday, 26 August 2005.
4. Any alteration or correction made to this form of proxy must be initialed by the signatory(ies).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Sun International's transfer secretaries or waived by the chairperson of the annual general meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant Sun International ordinary shareholder 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 Sun International ordinary shareholder wish to do so.
7. The chairperson of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these notes and instructions, provided that the chairperson is satisfied as to the manner in which the Sun International ordinary shareholder wishes to vote.
8. Joint holders – any such persons may vote at the annual general meeting in respect of such joint shares as if he/she were solely entitled thereto; but if more than one of such joint holders are present or represented at the annual general meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, is alone entitled to vote in respect thereof.
9. Shareholders of Sun International who hold Sun International ordinary shares that have been dematerialised, and are registered by the CSDP on the sub-register in their own name kept by that CSDP, will be entitled to attend the annual general meeting in person or, if they are unable to attend and wish to be represented thereat, must complete and return this form of proxy to the transfer secretaries in accordance with the time specified herein.
10. Sun International ordinary shareholders who hold shares in Sun International through a nominee should advise their nominee or, if applicable, their CSDP or broker timeously of their intention to attend and vote at the annual general meeting or to be represented by proxy thereat in order for their nominee or, if applicable, their CSDP or broker to provide them with the necessary authorisation to do so or should provide their nominee or, if applicable, their CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in person, in order for their nominee to vote in accordance with their instructions at the annual general meeting.



# Shareholders' diary

Annual General Meeting

29 November 2005

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## 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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**Sun International**  
Limited

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