Sun International

PROFIT AND CASH DIVIDEND ANNOUNCEMENT

FOR THE YEAR ENDED
30 JUNE 2016

HIGHLIGHTS

REVENUE
▲ 15%
to R12.2 billion

EBITDAR
▲ 6%
to R3.4 billion

EBITDA
▲ 4%
to R3.2 billion

DILUTED ADJUSTED HEPS
▼ 20%
to 628 cents

FINAL GROSS CASH DIVIDEND OF
135 cents
per share

Condensed group statements of comprehensive income

R million	Year ended 30 June 2016 Reviewed	% change	Year ended 30 June 2015 Audited
Continuing operations			
Revenue	**12 186**	15	10 553
Other income	**18**		466
Consumables and services	**(1 473)**		(1 081)
Depreciation and amortisation	**(1 131)**		(992)
Employee costs	**(2 464)**		(2 201)
Impairment of assets	**–**		(176)
Levies and VAT on casino revenue	**(2 388)**		(2 104)
LPM site owners commission	**(66)**		–
Promotional and marketing costs	**(723)**		(659)
Property and equipment rentals	**(202)**		(145)
Property costs	**(776)**		(665)
Time Square settlements	**(748)**		–
Monticello purchase price differential	**(243)**		(23)
Other operational costs	**(1 064)**		(896)
Operating profit	**926**		2 077
Foreign exchange losses	**(227)**		(103)
Interest income	**33**		51
Interest expense	**(756)**		(625)
Share of associates profits	**18**		20
(Loss)/profit before tax	**(6)**		1 420
Tax	**(533)**		(435)
(Loss)/profit for the year from continuing operations	**(539)**		985
Profit for the year from discontinued operations	**36**		46
(Loss)/profit for the year	**(503)**		1 031

R million	Year ended 30 June 2016 Reviewed	% change	Year ended 30 June 2015 Audited
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	**4**		(9)
Tax on remeasurements of post employment benefit obligations	**(1)**		3
Items that may be reclassified to profit or loss			
Net loss on cash flow hedges	**(21)**		(2)
Currency translation reserve	**220**		(57)
Total comprehensive (loss)/income for the year	**(301)**		966
(Loss)/profit for the year attributable to:			
Minorities	**(89)**		141
Ordinary shareholders	**(414)**		890
	(503)		1 031
Total comprehensive (loss)/income for the year attributable to:			
Minorities	**(60)**		126
Ordinary shareholders	**(241)**	(129)	840
	(301)		966
Total comprehensive (loss)/income attributable to ordinary shareholders arises from:			
Discontinued operations	**36**		41
Continuing operations	**(277)**		799
	(241)		840

Condensed group statements of comprehensive income continued

R million	Year ended 30 June 2016 Reviewed	% change	Year ended 30 June 2015 Audited
HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS RECONCILIATION			
(Loss)/profit attributable to ordinary shareholders	**(414)**	(147)	890
Net (profit)/loss on disposal of property, plant and equipment	**(3)**		7
Profit on disposal of shares in subsidiaries	**(18)**		(466)
Impairment of assets	**–**		176
Tax relief on the above items	**57**		(10)
Minorities' interests on the above items	**(2)**		(7)
Headline (loss)/earnings	**(380)**	(164)	590
Straightline adjustment for rentals	**27**		35
Pre-opening expenses	**28**		36
Time Square settlements	**748**		–
Transaction costs	**52**		45
Restructure and related costs	**–**		82
Monticello purchase price adjustment	**243**		23
Amortisation of Dreams intangible assets raised as part of the PPA	**18**		–
Dinokana – Employee share based payments expense	**–**		12
Other	**18**		11
Foreign exchange losses on intercompany and minority loans	**233**		96
Tax on the above items	**13**		(17)
Minorities' interests on the above items	**(353)**		(111)
Reversal of Employee Share Trusts' consolidation (i)	**7**		21
Adjusted headline earnings	**654**	(21)	823

(i) The consolidation of the Employee Share Trust is reversed in the calculation of adjusted headline earnings as the group does not receive the economic benefits of the trust.

	Cents per share		Cents per share
Earnings per share			
basic	**(422)**		950
diluted	**(422)**	(145)	946
Dividends per share	**225**		285

Condensed group statements of financial position

R million	Year ended 30 June 2016 Reviewed	Year ended 30 June 2015 Audited
ASSETS		
Non current assets		
Property, plant and equipment	**16 800**	11 244
Intangible assets	**3 303**	738
Equity accounted investments	**15**	591
Available-for-sale investment	**48**	48
Loans and receivables	**23**	17
Pension fund asset	**36**	36
Deferred tax	**365**	320
	20 590	12 994
Current assets		
Accounts receivable and other	**2 036**	806
Cash and cash equivalents	**1 301**	507
	3 337	1 313
Non current assets held for sale	**169**	69
Total assets	**24 096**	14 376
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shareholders' equity before put option reserve	**3 896**	2 325
Put option reserve*	**(5 252)**	–
Ordinary shareholders' equity	**(1 356)**	2 325
Minorities' interests	**2 334**	421
	978	2 746
Non current liabilities		
Deferred tax	**355**	384
Borrowings	**9 980**	5 347
Other non current liabilities	**904**	905
Put option liability*	**5 252**	–
	16 491	6 636
Current liabilities		
Accounts payable and other	**2 497**	1 578
Borrowings	**4 082**	3 371
	6 579	4 949
Non current liabilities held for sale	**48**	45
Total liabilities	**23 118**	11 630
Total equity and liabilities	**24 096**	14 376

* *Refer to note on put options in the commentary.*

Group statements of changes in equity

R million	Share capital and premium	Treasury shares and share options	Foreign currency translation reserve	Share based payment reserve	Available-for-sale reserve
Reviewed					
FOR THE YEAR ENDED 30 JUNE 2016					
Balance at 30 June 2015	**295**	**(542)**	**163**	**112**	**4**
Total comprehensive income for the year	**–**	**–**	**175**	**–**	**–**
Treasury share options purchased	**–**	**(2)**	**–**	**–**	**–**
Net deemed treasury shares sold	**–**	**(67)**	**–**	**–**	**–**
Employee share schemes	**–**	**13**	**–**	**17**	**–**
Delivery of share awards	**–**	**–**	**–**	**–**	**–**
Acquisition and disposal of shares to minorities as part of the Dreams transaction	**–**	**–**	**–**	**–**	**–**
SunWest option	**–**	**–**	**–**	**–**	**–**
Dreams option	**–**	**–**	**–**	**–**	**–**
Acquisition of minorities' interests	**–**	**–**	**–**	**–**	**–**
Subsidiary share issue	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2016	**295**	**(598)**	**338**	**129**	**4**
Audited					
FOR THE YEAR ENDED 30 JUNE 2015					
Balance as at 30 June 2014	309	(1 829)	449	112	4
Total comprehensive income for the year	–	–	(42)	–	–
Treasury share options purchased	–	(20)	–	–	–
Net deemed treasury shares purchased	–	10	–	–	–
Treasury shares cancelled	(14)	653	–	–	–
Treasury shares reversed back to share capital		614	–	–	–
Employee share schemes	–	30	–	–	–
Delivery of share awards	–	–	–	–	–
Disposal of shares in African operations	–	–	(117)	–	–
Acquisition of minority interests in Monticello	–	–	(127)	–	–
Acquisition of minorities' interests	–	–	–	–	–
Dividends paid	–	–	–	–	–
Balance at 30 June 2015	295	(542)	163	112	4

Reserve for non controlling interests	Hedging and other reserve	Retained earnings	Ordinary share-holders' equity before put option reserve	Put option reserve	Ordinary share-holders' equity	Minorities' interests	Total equity
(3 136)	**1**	**5 428**	**2 325**	**–**	**2 325**	**421**	**2 746**
–	**(16)**	**(400)**	**(241)**	**–**	**(241)**	**(60)**	**(301)**
–	**–**	**–**	**(2)**	**–**	**(2)**	**–**	**(2)**
–	**–**	**–**	**(67)**	**–**	**(67)**	**–**	**(67)**
–	**–**	**21**	**51**	**–**	**51**	**–**	**51**
–	**–**	**(4)**	**(4)**	**–**	**(4)**	**–**	**(4)**
1 496	**–**	**–**	**1 496**	**–**	**1 496**	**2 114**	**3 610**
–	**–**	**–**	**–**	**(1 272)**	**(1 272)**	**–**	**(1 272)**
–	**–**	**–**	**–**	**(3 980)**	**(3 980)**	**–**	**(3 980)**
604	**–**	**–**	**604**	**–**	**604**	**106**	**710**
–	**–**	**–**	**–**	**–**	**–**	**30**	**30**
–	**–**	**(266)**	**(266)**	**–**	**(266)**	**(277)**	**(543)**
(1 036)	**(15)**	**4 779**	**3 896**	**(5 252)**	**(1 356)**	**2 334**	**978**
(2 326)	(670)	5 448	1 497	–	1 497	491	1 988
–	(2)	884	840	–	840	126	966
–	–	–	(20)	–	(20)	–	(20)
–	–	–	10	–	10	–	10
–	–	(639)	–	–	–	–	–
–	–	–	614	–	614	–	614
–	–	27	57	–	57	–	57
–	–	(32)	(32)	–	(32)	–	(32)
–	–	–	(117)	–	(117)	(62)	(179)
(550)	673	–	(4)	–	(4)	3	(1)
(260)	–	–	(260)	–	(260)	110	(150)
–	–	(260)	(260)	–	(260)	(247)	(507)
(3 136)	1	5 428	2 325	–	2 325	421	2 746

Supplementary information

R million	Year ended 30 June 2016 Reviewed	Year ended 30 June 2015 Restated
EBITDA RECONCILIATION		
Operating profit	**926**	2 077
Depreciation and amortisation	**1 131**	992
Net (profit)/loss on disposal of property, plant and equipment*	**(3)**	7
Straightline adjustment for rentals*	**27**	35
Impairment of assets*	**–**	176
Pre-opening expenses*	**28**	36
Restructure and related costs*	**–**	82
Transaction costs*	**52**	45
Time Square settlements*	**748**	-
Profit on disposal of shares in subsidiaries*	**(18)**	(466)
Monticello purchase price adjustment*	**243**	23
Dinokana – Employee share based payments expense*	**–**	12
Other*	**12**	10
Reversal of Employee Share Trusts' consolidation*	**35**	31
EBITDA	**3 181**	3 060
EBITDA margin (%)	**26**	29
Number of shares ('000)		
– in issue	**97 977**	98 519
– for EPS calculation	**98 214**	93 729
– for diluted EPS calculation	**98 214**	94 040
– for adjusted headline EPS calculation(i)	**104 140**	104 000
– for diluted adjusted headline EPS calculation(i)	**104 140**	104 311
(Loss)/earnings per share (cents)		
– basic (loss)/earnings per share	**(422)**	950
– headline (loss)/earnings per share	**(387)**	629
– adjusted headline earnings per share	**628**	791
– diluted basic (loss)/earnings per share	**(422)**	946
– diluted headline (loss)/earnings per share	**(387)**	627
– diluted adjusted headline earnings per share	**628**	789
Continuing – (Loss)/earnings per share (cents)		
– basic (loss)/earnings per share	**(458)**	900
– headline (loss)/earnings per share	**(424)**	580
– adjusted headline earnings per share	**593**	747
– diluted basic (loss)/earnings per share	**(458)**	897
– diluted headline (loss)/earnings per share	**(424)**	578
– diluted adjusted headline earnings per share	**593**	745

R million	Year ended 30 June 2016 Reviewed	Year ended 30 June 2015 Restated
Discontinuing – Earnings per share (cents)		
– basic earnings per share	**36**	50
– headline earnings per share	**37**	49
– adjusted headline earnings per share	**35**	44
– diluted basic earnings per share	**36**	49
– diluted headline earnings per share	**37**	49
– diluted adjusted headline earnings per share	**35**	44
Tax rate reconciliation		
(Loss)/profit before tax	**(6)**	1 420
Share of associates profits	**(18)**	(20)
Adjusted (loss)/profit before tax	**(24)**	1 400
	%	%
Effective tax rate (excluding Time Square settlements)	**74**	31
Preference share dividends	**(4)**	(3)
Prior year (under)/over provisions	**(2)**	2
Withholding taxes	**(1)**	(1)
Foreign tax rate variation	**4**	2
Exempt income	**1**	5
Exempt income – capital gains	**16**	1
Foreign monetary adjustments and government incentives	**4**	1
Monticello purchase price adjustment	**(12)**	–
Capital allowances and disallowed expenditure	**(52)**	(10)
SA corporate tax rate	**28**	28
EBITDA to interest (times)	**4.4**	5.5
Borrowings to EBITDA (times)	**4.4**	2.7
Net asset value per share before put options reserve (Rand)	**39.76**	23.60
Capital expenditure	**2 538**	1 714
Capital commitments	**4 404**	2 974

* *Items identified above are included as headline and adjusted headline earnings adjustments impacting operating profit in the segmental analysis.*

(i) *The consolidation of the Employee Share Trust is reversed in the calculation of adjusted headline earnings as the group does not receive the economic benefits of the trust.*

Condensed group statements of cash flows

R million	Year ended 30 June 2016 Reviewed	Year ended 30 June 2015 Audited
Cash generated by operations before:	**3 236**	2 917
Time Square settlements	**(715)**	–
Section 189 restructuring costs	**–**	(181)
Working capital changes	**(14)**	(67)
Cash generated by operations	**2 507**	2 669
Tax paid	**(696)**	(505)
Cash generated by operating activities	**1 811**	2 164
Purchase of property, plant and equipment	**(2 461)**	(1 609)
Purchase of intangible assets	**(108)**	(148)
Payment of purchase differential	**(345)**	–
Acquisition of shares in subsidiary	**(272)**	–
Proceeds on disposal of PPE & Intangibles	**82**	–
Proceeds on disposal of investment in joint venture	**226**	–
Proceeds on disposal of subsidiaries	**–**	497
Investment in associates and joint ventures	**–**	(330)
Investment income	**39**	51
Other non current loans raised	**–**	(7)
Cash flows from investing activities	**(2 839)**	(1 546)
Purchase of treasury shares and share options	**(70)**	(10)
Vacation Club timeshare revenue received	**193**	132
Dividends paid	**(542)**	(507)
Interest paid	**(757)**	(610)
Sale of treasury shares	**–**	507
Minority shareholders' capitalisation of Worcester	**30**	–
Disposal of shares in subsidiaries	**111**	–
Purchase of additional shares in subsidiaries	**–**	(1 729)
Movement in borrowings	**2 870**	1 154
Net cash inflow/(outflow) from financing activities	**1 835**	(1 063)
Effect of exchange rates upon cash and cash equivalents	**(12)**	1
Increase/(decrease) in cash and cash equivalents	**795**	(444)
Cash and cash equivalents at beginning of the period	**514**	958
Cash and cash equivalents at end of the year	**1 309**	514
Assets held for sale	**(8)**	(7)
Cash and cash equivalents at end of the year excluding non current assets held for sale	**1 301**	507


The Palace
City

Commentary

REVIEW OF THE YEAR

The group has made significant progress in terms of its stated strategic objectives. Not only has this brought about a meaningful change in the composition of the group but it has laid the foundation for future growth. These changes include:

- Acquisition of a further 25% interest in GPI Slots on 1 April 2016 thereby increasing the group's interest to 50.1% and gaining control of the business;
- Completion of the Dreams merger in Latam on 31 May 2016 and gaining control of the business with a 55% interest in the merged entity;
- Disposal of a 10% interest in SunWest (Table Bay hotel, GrandWest casino and Golden Valley casino);
- Near completion of the refurbishment and upgrades to Sun City with the last major project being the refurbishment of the Entertainment Centre due for completion in November 2016;
- Conclusion of agreements for the disposal of the group's remaining interests in Botswana, Swaziland, Lesotho, Namibia and Zambia;
- Commencement of International VIP Gaming Business (IB);
- Completion of the strategy to insource food and beverage;
- Securing of debt funding for all developments currently underway and completion of the refinancing of the group's South African and Latam debt; and
- Significant progress with the construction of Time Square at Menlyn Maine with the casino on schedule to open in April 2017. Related to this, the settlement payment of R675 million for Peermont lifting its objection to the Morula casino licence relocation was made in May 2016 (reflected in HEPS and adjusted out in AHEPS).

These ongoing strategic changes, as with the half year results, continue to make comparisons to prior periods very complex.

The group continues to achieve strong revenue growth, but this is primarily as a consequence of revenue generated by new businesses, in particular the insourcing of food and beverage in South Africa, the introduction of IB at Sun City, and the properties opened in Panama and Colombia. These new businesses are yet to contribute meaningfully to EBITDA and at a HEPS level, start-up losses, interest charges and the associated depreciation charges have had a negative impact on earnings.

In the second half of the financial year we were successful in acquiring control of GPI Slots, which has been consolidated from 1 April 2016. We have now triggered our call option to move to 70% ownership of the business. We also concluded our merger in Latin America and the results of the Dreams properties have been consolidated from 1 June 2016 with the group owning 55% of the combined group. From this date the profits and losses from Monticello, the Ocean Sun Casino and Sun Nao Casino are no longer 100% attributed to Sun International. Agreements for the disposal of our African portfolio to the Minor group were concluded on 31 March 2016 and so these properties are reflected as discontinued operations up to 31 March 2016 and going forward the results will no longer be equity accounted.

The income statement below includes adjusted headline earnings adjustments.

R million	30 June 2016	%	30 June 2015
Revenue	**12 186**	15	10 553
EBITDAR	**3 356**	6	3 171
EBITDA	**3 181**	4	3 060
Operating profit	**2 068**	–	2 070
Foreign exchange profit/(loss)	**5**		(6)
Net interest	**(709)**	35	(525)
Profit before tax	**1 364**	(11)	1 539
Tax	**(465)**	–	(465)
Profit after tax	**899**	(16)	1 074
Minorities	**(296)**	5	(311)
Attributable profit	**603**	(21)	763
Discontinued ops and associates	**51**		60
Adj headline earnings	**654**	(21)	823

Revenue for the year increased by 15.5% to R12.2 billion with the strong growth driven by the new start-up businesses and acquisitions. Revenue reported in the second half of the year grew by 21%, in relation to the 10% achieved in the interim results.

The overall growth in group revenue masks the static performance of the core South African operations which still contribute 78% of revenue (predominantly gaming). Unfortunately the continuing poor economic conditions in South Africa have translated into low casino revenue growth of 0.8%, which is well below inflation.

Commentary continued

Revenue by nature and geographical region:

	South Africa		Latam		Nigeria		Total	
R million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Casino	**7 016**	6 962	**2 167**	1 563	**102**	107	**9 285**	8 632
IB	**154**	21	**–**	–	**–**	–	**154**	21
LPM	**233**	–	**–**	–	**–**	–	**233**	–
Rooms	**863**	757	**28**	14	**53**	53	**944**	824
Food and beverage	**807**	484	**224**	139	**47**	45	**1 078**	668
Other	**448**	374	**32**	27	**12**	7	**492**	408
	9 521	8 598	**2 451**	1 743	**214**	212	**12 186**	10 553

The low growth in South Africa has been partially offset by relatively strong results from Monticello in Chile, where the positive earnings growth in local currency has been further enhanced by the currency translation during the year under review.

We have historically reported EBITDA prior to rental payments (i.e. equivalent to EBITDAR in the table above). The EBITDA line above is reported after rentals and is now consistent with the convention adopted by other companies in the sector. We have achieved 6% growth in EBITDAR for the year, with a growth of 13% in the second six months offsetting the 1% decline reported at the half year. After rentals, at an EBITDA level, we have managed to achieve 4% growth for the year (9.6% second half growth offsetting a decline of 1.5% at the half year).

The increased depreciation from new businesses and refurbishments has led to operating profit remaining almost flat year on year. However, significantly increased interest costs and certain tax adjustments have led to a fall in adjusted headline earnings. Interest costs at R709 million were 35% up on last year due to the conversion of debt from US$ to Rand, higher Rand based interest rates and the fact that we have debt funded all the investment activity that has taken place over the last two years on the various projects and acquisitions. The group tax charge in the current year is also disproportionately high with the increased effective tax attributed to certain tax adjustments, no tax relief raised with respect to the Ocean Sun Casino and Federal Palace losses in the current year and an increase in the tax rate in Chile. Discontinued operations and associates include the group's share of the earnings from the African units disposed of (and to be disposed of) to Minor.

Adjusted headline earnings of R654 million for the year are 21% below the prior year with diluted adjusted headline earnings per share down 20% to 628 cents.

In line with the reduction in diluted adjusted headline earnings per share the board has declared a gross final dividend of 135 cents per share (2015: 175 cents).

Adjusted headline earnings adjustments

The group has incurred a number of one off or abnormal items which have been adjusted for in adjusted headlines earnings. The most significant of these include:

- The Time Square settlements (a total of R748 million) in relation to the objections raised to the Morula casino licence relocation by Peermont and Goldrush. The interest cost associated with these payments has been taken through the income statement and has not been adjusted for;
- The earn-out payment of R243 million due to the minority shareholders of Monticello bought out by the group as a result of Monticello achieving the earnings targets set in the transaction agreements. Although this payment is effectively an increase in the purchase price for the minorities interest, in terms of IFRS 3 it is treated as an expense in the statement of comprehensive income;
- An unrealised foreign exchange loss of R207 million (R102 million attributed to Sun International) incurred on the group's Nigerian subsidiary's US Dollar denominated shareholder loans; and
- Transactional costs of R52 million.

The table below sets out the consolidated revenue, EBITDA and operating profit by geographical region and the reconciliation between operating profits as reflected in the Statement of comprehensive income and the income statement above which includes headline and adjusted headline earnings adjustments:

	Revenue		EBITDA		Operating profit	
R million	**2016**	2015	**2016**	2015	**2016**	2015
South African operations	**9 521**	8 598	**2 601**	2 692	**1 809**	1 927
Sun International	**9 288**	8 598	**2 546**	2 692	**1 774**	1 927
GPI Slots (consolidated from 1 April 2016)	**233**	–	**55**	–	**35**	–
Latam operations	**2 451**	1 743	**565**	336	**291**	150
Sun International	**2 249**	1 743	**505**	336	**252**	150
Dreams (consolidated from 1 June 2016)	**202**	–	**60**	–	**39**	–
Federal Palace	**214**	212	**15**	32	**(32)**	(7)
Total operating segments	**12 186**	10 553	**3 181**	3 060	**2 068**	2 070
Headline and Adjusted headline earnings adjustments impacting operating profit					**(1 142)**	7
Unadjusted group operating profit	**12 186**	10 553	**3 181**	3 060	**926**	2 077

Segmental review

The implementation and consolidation of the strategic initiatives at various stages throughout the past year makes the current year difficult to analyse and we have therefore provided a segmental review with the full year's trading of Dreams and GPI Slots. The review is based on actual historic performance as if the acquisitions had been implemented on 1 July 2014 (i.e. we have included Dreams and GPI Slots for the full 2015 and 2016 financial years). Consolidation adjustments have been shown to enable reconciliation to the actual results. The segmental review throughout includes all headline and adjusted headline earnings adjustments.

The table below sets out the operating performance of the group's geographic segments:

	South Africa			Latam		
R million	**2016**		2015	**2016**		2015
Revenue	**10 223**	8.8%	9 396	**4 991**	10.2%	4 527
EBITDAR	**2 916**	(2.3%)	2 985	**1 353**	15.8%	1 168
EBITDA	**2 765**	(3.8%)	2 874	**1 315**	15.5%	1 139
Operating profit	**1 918**	(6.4%)	2 050	**821**	29.1%	636
PPA adjustment				**(11)**	–	(11)
Operating profit after PPA	**1 918**	(6.4%)	2 050	**810**	29.6%	625

South Africa

With the inclusion of a full years' revenue from the insourced F&B operations (3 months in the prior year) and the revenue from IB which only commenced in June 2015 the South African business reflects strong growth in revenue. The weak local economy and the general negative sentiment in South Africa, however, resulted in the core casino revenue (excluding IB) being only 0.8% up at R7 billion. This was offset by room's revenue, up strongly by 14%, benefitting from the weak Rand, with strong growth in international business in particular at the Table Bay and Sun City. Food and beverage revenue at R807 million was up 67% on last year as a result of the insourcing of these operations.

EBITDAR on a comparable basis was only 0.3% down reflecting good cost control considering the below inflation revenue growth in the gaming business. Included in EBITDAR in 2015 are management fees of R83 million from Monticello which did not pay any fees in 2016 as a result of the Dreams transaction (and the profit of Monticello has accordingly been enhanced by the non-payment of fees). Property and equipment rentals include a once off R33 million charge relating to the temporary convention facilities erected at Sun City, which ensured Sun City retained most of its conference business while the new permanent facilities were being constructed. The EBITDA margin, down 3.6%, is impacted by the insourcing of the food and beverage business and the acquisition of GPI Slots. Both of these businesses operate at lower margins, and this will be a feature of the group going forward.

Depreciation on a comparable basis (i.e. excluding GPI Slots) was up 0.8%.

The group recently introduced "freeplay" as a concept to increase playing time for customers identified through our enhanced database analytics. Only the Gauteng Gambling Board to date has allowed the deduction of freeplay in the calculation of gaming taxes, with the other provinces calculating tax on gross gaming revenue inclusive of freeplay. This treatment is inconsistent with that given to other casino operators in the same provinces, who have been allowed to deduct their freeplay equivalent. We are challenging this unfair and inconsistent treatment. The total quantum of additional gaming tax paid on freeplay in the year under review is R26 million.

Nigeria			Total		
2016		2015	**2016**		2015
214	0.9%	212	**15 428**	9.1%	14 135
15	(54.5%)	33	**4 284**	2.3%	4 186
15	(53.1%)	32	**4 095**	1.2%	4 045
(26)	(>200%)	(1)	**2 713**	1.0%	2 685
(6)	–	(6)	**(17)**	–	(17)
(32)	(>200%)	(7)	**2 696**	1.0%	2 668

South African unit segmental review

	Revenue		EBITDA		Operating profit	
R million	**2016**	2015	**2016**	2015	**2016**	2015
Core operations	**9 714**	9 070	**2 658**	2 772	**1 882**	2 034
GrandWest	**2 178**	2 152	**879**	912	**749**	787
Sun City	**1 780**	1 525	**224**	293	**39**	127
Sun City – Vacation club accounting adjustment	**(124)**	(115)	**(99)**	(98)	**(99)**	(97)
Sibaya	**1 178**	1 143	**393**	413	**322**	335
Carnival City	**1 108**	1 047	**343**	343	**265**	264
Boardwalk	**604**	568	**126**	167	**42**	82
Wild Coast	**471**	430	**90**	80	**34**	31
Smaller urban casinos	**952**	852	**295**	275	**223**	207
GPI Slots and SunBet	**967**	816	**214**	173	**137**	111
Management and corporate office	**600**	652	**193**	214	**170**	187
Operations under review	**1 038**	956	**107**	102	**36**	16
Carousel	**322**	319	**66**	72	**37**	42
Table Bay	**310**	252	**66**	43	**51**	29
Morula	**218**	217	**24**	32	**22**	14
Maslow	**139**	127	**(24)**	(22)	**(48)**	(45)
Naledi	**24**	19	**(4)**	(4)	**(4)**	(4)
Fish River	**25**	22	**(21)**	(19)	**(22)**	(20)
	10 752	10 026	**2 765**	2 874	**1 918**	2 050
Consolidation adjustment for GPI pre acquisition	**(702)**	(798)	**(164)**	(182)	**(109)**	(123)
Intercompany management fees	**(529)**	(630)				
	9 521	8 598	**2 601**	2 692	**1 809**	1 927

Commentary continued

GrandWest revenue was 1.2% ahead of last year at R2 178 million. Excluding the insourcing of F&B operations, revenue was down 0.8%. Casino revenue has been under significant pressure declining by 0.8% due to the slowdown in the economy. Costs were well managed with the drop in EBITDA contained to 3.6%. Gaming taxes as a percentage of revenue increased 0.3% to 27.7% as a result of the province not allowing freeplay to be deducted in the levy calculation (R6.4 million impact on EBITDA). GrandWest's EBITDA margin was down 2.0% to 40.4%.

Sun City revenue (which includes IB revenue and Vacation Club sales) was up 17% compared to last year. Excluding IB and food and beverage revenue, Sun City revenue was only up 1%. Casino revenue excluding IB revenue was actually down 6.9% at R513 million. Table's revenue at R81 million was down 36% with drop down 2.5% and the hold of 13.9% well below last year. Rooms revenue up 6.7% at R418 million benefitted from a significant increase in international rooms revenue (up 30% at R145 million).

IB revenue of R154 million was achieved compared to revenue of R21 million in the month of June 2015 when the business commenced. Despite the impressive IB revenue, the business ended the year reporting EBITDA of only R2 million (R15 million profit in 2015) as a result of unpaid debts at year end of R68 million, which have been fully provided for. We continue to pursue the payment of these debts and any successful collection will be reflected as revenue once banked. The group is gaining good traction in this initiative and believes that although potentially volatile, the IB business offers good growth potential.

Vacation Club sales of R161 million (2015: R139 million) were achieved for the year and, after selling costs, EBITDA of R122 million (2015: R102 million) was achieved. The accounting treatment, however, requires the revenue and directly related selling costs to be recognised over 10 years thereby reducing EBITDA for the year by R99 million (2015: R97 million). In addition to the outright sales, nightly rentals of unsold Vacation Club inventory amounting to R47 million (R43 million in 2015) is included in other revenue.

EBITDA was impacted in this year by the one off rental cost of R33 million for the temporary conference facility incurred to preserve the resort's conferencing business while the Entertainment Centre is being renovated. Depreciation has increased by 12% due to the improvements that have taken place at Sun City over the past few years.

Sibaya revenue was up 3% to R1 178 million with casino revenue up 0.6% at R1 108 million. EBITDA was impacted by cost escalations higher than the rate of revenue growth and higher property costs attributed to repairs and maintenance and the purchasing of ported water due to significant disruptions to the Municipal water supply as a result of the drought in the province. The property will have a number of improvements made in the next year including new restaurants, the addition of a Sun Park and an expansion to the gaming area which now includes the new Sun Lounge. Further plans are being developed to upgrade and add new features to the property in order to ensure that it remains relevant to its market.

Carnival City revenue was 5.8% ahead of last year at R1 108 million with strong growth in tables' revenue of 39% to R209 million, however slots' revenue decreased by 4% to R827 million. A number of initiatives are underway to refurbish the property and increase footfall which include a retail upgrade and the addition of a Sun Park exhibition and event facility.

The Casino Association of South Africa (CASA), through its legal representatives, is challenging the legal basis of a proposed gaming tax increase in Gauteng, from the current flat rate of 9% to a sliding scale structure. The proposed increase would result in a significant increase in


The Times
Fear rules

Commentary continued

gaming taxes in Gauteng. CASA has submitted its comments to the Gauteng Gambling Board (GGB) on the Draft Regulations.

Boardwalk revenue of R604 million was 6.3% up on last year with a 50.7% increase in Rooms' revenue and an increase in F&B revenue which together contributed R100 million in revenue (2015: R40 million). Casino revenue, which was down 4.7%, was impacted by the weak local economic environment and in particular by a new Electronic Bingo Terminal (EBT) operation opening and another one being expanded within the Boardwalk's catchment area. The low casino revenue growth and cost pressures resulted in EBITDA declining 25% to R126 million.

Emfuleni (owner of the Boardwalk) has launched a High Court action challenging the Eastern Cape Gambling and Betting Board decision to authorise electronic bingo licences within the Boardwalk's casino catchment area. The legal challenge has been made on the basis that the introduction of EBTs (effectively casinos) breaches the Boardwalk's casino gambling exclusivity, which it secured based on its bid commitment to spend R1 billion at the Boardwalk.

The groups **smaller urban casinos** which include Meropa, Windmill, Flamingo and Golden Valley generally performed well together achieving revenue growth of 12% and EBITDA growth of 7.3%.

GPI Slots continues to perform well with revenue up 17.2% and EBITDA up 20.3% for the year. Despite the good performance, challenges are being experienced with obtaining approvals from gaming boards for the roll out of new sites.

Management and corporate fees and related income at R600 million were 8% lower than last year due to fees no longer being received from Monticello (now reflected as increased EBITDA at Monticello) and a reduction in fees from the African properties that were disposed of to the Minor Group on 30 November 2014. The reduction in management fees was partially offset by project fees charged on the Time Square project.

Operations under review

With the opening of Time Square at Menlyn in April next year **Morula** casino will be closed and **Carousel** will be severely impacted. Plans are well advanced to open an independent hotel and gaming school at Morula and in this regard the group has partnered with the International Hotel School. All options, including disposal are being considered for the Carousel which will need to be downscaled when Time Square opens.

The Table Bay Hotel lease expires in May 2022 and consequently we have commenced discussions to determine the best options for the property, including the possibility of early renewal. The Table Bay continues to perform well with revenue growth of 23% with international room nights up 14%. Overall occupancies were up 11% to 74% and the average room rate was up 13%. EBITDA increased by 54% to R66 million and the EBITDA margin improved 4.2% points to 21.3%.

The Maslow is negatively impacting headline earnings, out of proportion to the materiality of the property to the group. With a 7.5% increase in occupancy to 68% and the room rate increasing by 5.2% to R1 182 the property is actually doing relatively well operationally and achieved an EBITDAR profit of R10.2 million, a 28.4% improvement on last year. The financial obligations of the long term lease, however, are onerous and result in the reported annual loss.

The **Fish River** property is subject to a land claim which we expect will be resolved shortly. We have engaged with representatives of the land claimants and the land commissioner and believe we are close to finding a solution. Emfuleni which owns and operates the Fish River as a Boardwalk licence condition cannot afford to continue to subsidise the losses that Fish River incurs, in particular given the significant negative impact the EBT's are having on the Boardwalk's own profitability.

Latam

In addition to the inclusion of the historic trading of Dreams for the full 2016 and 2015 financial years the 2015 trading has been converted at the 2016 average exchange rate to enable comparisons in Rands.

	Revenue		EBITDA		Operating profit	
R million	**2016**	2015	**2016**	2015	**2016**	2015
Monticello	**1 925**	1 799	**571**	429	**434**	284
Dreams SCJ licences	**1 571**	1 418	**525**	477	**423**	354
Dreams Municipal licences	**886**	892	**271**	282	**184**	166
Chile total	**4 382**	4 109	**1 367**	1 188	**1 041**	804
Ocean Sun Casino	**287**	179	**(25)**	(55)	**(115)**	(129)
Sun Nao Casino and Peru	**322**	239	**(27)**	6	**(105)**	(39)
Total	**4 991**	4 527	**1 315**	1 139	**821**	636
Dreams PPA adjustment on PP&E					**(11)**	(11)
Constant currency adjustment		(525)		(121)		(58)
Consolidation adjustment for Dreams pre acquisition	**(2 540)**	(2 259)	**(750)**	(682)	**(519)**	(417)
Consolidated	**2 451**	1 743	**565**	336	**291**	150

Chile

The group's Chilean properties have now fully recovered from the smoking ban implemented in 2013 and consequently revenue growth, although still good, is not as strong as seen in recent years. The Chilean economy has also come under pressure with the weakening copper price and currency but is holding up well with inflation at around 4% and GDP growth of 2%. Overall the Chilean operations achieved revenue growth of 6.6% and EBITDA growth of 15%. The strong growth in EBITDA is partly due to Monticello not paying any management fees in 2016 whereas last year R83 million was paid.

The Dreams Purchase Price Allocation (PPA) resulted in buildings and intangibles being valued above their book value and consequently a depreciation and amortisation charge of R212 million for the year (R18 million per month) will be charged in future periods. For adjusted headline earnings the amortisation on intangibles is added back and consequently included in the table above is depreciation on tangible assets only.

Monticello revenue was up 6.9% with casino revenue up 5.6%. EBITDA was up 32.7% with the abnormal increase due to the non-payment of management fees. Excluding the impact of the management fees EBITDA was up 8.1% despite significantly higher energy costs which in Chile are priced in US Dollars. We have recently implemented a restructure with a number of middle management positions removed in order to flatten the operating structure and align it with that of the Dreams business.

Dreams SCJ licences performed well achieving revenue growth of 10.8% and EBITDA growth of 10.1%. The **Dreams Municipal licences** did not perform as well with revenue down 0.7% and EBITDA down 3.9%. The drop in revenue is primarily attributed to the low copper price which has impacted the Iquique property which is situated in a copper mining area.

Ocean Sun Casino revenue at US$19.6 million is up 60% on the prior year which included 9.5 months trading compared to a full year in 2016. EBITDA for the period was a loss of US$1.7 million compared to last year's loss of

US$3.8 million. In the current year we have deemed it necessary to increase our provision for bad debts, a common feature of international business, with $0.7 million raised relating to 2015 debtors. At 30 June 2016 our debtors' book net of provisions stood at $2.8 million. We have recently implemented a restructuring of the business with a number of positions removed in order to flatten the structures and operating hours have been reduced in the tables operations to match business levels.

The property has been well received by the VIP segment of the market and now has a dominant market share in tables. The biggest challenge to the business in growing in the international market is restrictions on our banking in Panama where local banks are placing severe restrictions on receiving money/paying customers and banking cash. We are engaging with the local regulator and a number of banks to resolve the situation as soon as possible. Progress is being made to open bank accounts outside of Panama which will facilitate the international business.

Sun Nao Casino started trading in May 2015 however revenues are still well below expectations. Not helping matters is that the mixed use shopping complex in which the casino is situated is still not fully occupied and the related Intercontinental Hotel was still not 100% complete as at 30 June 2016. Management are working on strategies to increase VIP customer visits and focusing on cost controls and resource maximisation. The project was undertaken on a short term lease (5 years) to test the Colombian market and to date the experience has been disappointing. The new management team post the Dreams merger are devising strategies to improve both Panama and Colombia.

Nigerian property

The Federal Palace continues to operate in a difficult environment with the Nigerian economy facing a number of crises including the low oil price, Boko Haram and a weakening Naira and it has still not recovered from the significant impact that the Ebola epidemic had on the business. Occupancy at 41.6% was 6.8% below last year with the average room rate up 3.8%. Despite all efforts to keep costs as low as possible EBITDA declined 58%. In addition to the problems that the country faces, there are a number of issues specific to the local Nigerian partners in the Federal Palace and these have further exacerbated the problem. After much consideration the Board has determined to exit Nigeria and steps will be taken to achieve this in a manner that does not erode further value.

Associates, joint ventures and discontinued operations

Following agreements entered into with Minor Hotel Group to dispose of the remaining shareholdings in Zambia, Botswana, Namibia, Lesotho and Swaziland these equity accounted earnings have been disclosed as part of earnings from discontinued operations. The remaining equity accounted earnings include our share of earnings from our joint ownership of our corporate office building and earnings from GPI Slots (1 January 2015 to 31 March 2016) prior to it being accounted for as a subsidiary. GPI Slots' equity accounted earnings for 2016 were R16 million (2015: R7 million).

GROUP BORROWINGS

With the recent number of new projects and acquisitions, in particular the merger with Dreams and the construction of Time Square at Menlyn Maine, a significant restructure of debt has taken place during the year under review. The group debt is now separately raised and ring fenced to each of Latin America, South Africa and Nigeria.

To fund the Dreams merger the group raised (at a Latam holding company level) Clp45 billion (R1 billion) 5 year amortising term funding from a consortium of Chilean banks. The funding has no recourse to the South African balance sheet and covenants are based on the merged Sun Dreams debt and EBITDA. The Sun Dreams Latam balance sheet is not only ring fenced but

is deliberately under-geared in relation to its EBITDA in order to allow for sufficient future borrowings to fund the bidding for municipal licences as well as a number of new projects/ acquisitions that have been identified. Based on the current pipeline of opportunities there is no foreseeable need for further funding from the group/South African balance sheet.

In South Africa, the group has secured R10.6 billion funding facilities from a consortium of South African funders to refinance its existing South African bank debt and to complete the Sun City and Time Square developments. The funding includes a 5 year bullet loan of R3.8 billion, 5 year amortising term loan of R3.2 billion, 2 year revolving credit facility of R1 billion and short term banking facilities of R2.6 billion. The funding is unsecured and debt covenants are based on the South African debt and EBITDA. The South African debt will peak with the construction of Time Square, and will start to reduce upon opening of the project. The covenants allow for an increase above 3x EBITDA to cater for the construction of Time Square and it is anticipated that the ratio should be below 3x EBITDA within a year of the project opening.

The Nigerian debt has always been (and remains) ring-fenced to the Federal Palace, without recourse to the group balance sheet.

The group's borrowings at 30 June 2016 amounted to R14.1 billion which is R5.3 billion above 30 June 2015. The increase in borrowings is largely due to:
- Expenditure on Time Square (R1.5 billion) which includes unrecovered VAT;
- Sun City projects (R406 million);
- Peermont and Goldrush settlements of legal objections amounting to R748 million;
- Debt from the consolidation of Dreams (R1.6 billion) and GPI Slots (R229 million);
- Debt raised for the Dreams merger in the group's Latam holding company (R1 billion) and the GPI Slots acquisition (R275 million); and
- Increase in non-SA debt on translation of their balance sheets due to the weak Rand (R365 million).

		Share of debt	
R million	**Total debt**	**Minorities**	**Sun International**
South Africa			
Subsidiaries	3 161	1 378	1 783
Time Square	2 040	510	1 530
Central Office	4 352		4 352
	9 553	1 888	7 665
Nigeria			
Shareholder loans	863	437	426
Sun International intercompany	(302)	(153)	(149)
	561	284	277
Latam			
Subsidiaries	2 922	1 315	1 607
Central office	1 026	–	1 026
	3 948	1 315	2 633
30 June 2016	**14 062**	**3 487**	**10 575**
30 June 2015	8 718	1 119	7 599

Capital expenditure incurred during the year

R million	
Expansionary	
Time Square	1 221
Sun City	268
Sun Nao Casino, Colombia	29
Other expansions	22
	1 540
Refurbishment:	
Sun City	138
Carnival City	30
Sibaya	9
Other refurbishments	28
	205
Other ongoing asset replacement*	**751**
Enterprise Resource Planning	**42**
Total capital expenditure	**2 538**

* *Ongoing asset replacement relates primarily to the replacement of gaming and IT equipment.*

Project capital expenditure

The table below sets out the capital expenditure on major projects and the expected timing thereof:

R million	Project budget	Spend to date	Forecast to 30 June 2017	Forecast to 30 June 2018
Time Square	**4 122**	**1 261**	2 358	503
Sun City	**785**	**411**	348	28
Cabanas	**130**	**133**	–	–
Entertainment Centre	**370**	**132**	238	–
Valley of the Waves	**85**	**90**	–	–
Restaurants	**41**	**35**	–	–
Sun Park	**21**	**21**	–	–
Other projects	**88**	**–**	85	3
Vacation Club Phase 2	**50**	**–**	25	25
Meropa Hotel	**74**	**–**	37	37
Enterprise Resource Planning System	**162**	**169**	–	–
Sun Nao Casino, Colombia	**331**	**235**		
	5 474	**2 076**	2 743	568

Commentary continued

ACCOUNTING POLICIES

The condensed consolidated financial information for the year ended 30 June 2016 has been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the South African Companies Act No 71 of 2008. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and must also, as a minimum, contain the information required by IAS 34 "Interim Financial Reporting". The accounting policies applied are consistent with those adopted in the financial statements for the year ended 30 June 2015.

REVIEW OPINION

Sun International's condensed consolidated financial information for the year ended 30 June 2016 has been reviewed by the group's auditors, PricewaterhouseCoopers Inc. This review has been conducted in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and their unmodified review opinion is available for inspection at the company's registered office.

DREAMS AND GPI SLOTS ACQUISITIONS AND PURCHASE PRICE ALLOCATION (PPA)

A PPA in terms of IFRS 3 Business Combinations has been carried out for the acquisition of 55% of Dreams and 50.1% of GPI Slots. Based on the PPA, goodwill has been recognised and the assets and tangible assets of Dreams and GPI Slots were revalued. The outcome of the PPA, the assets and liabilities acquired and the goodwill recognised is summarised below:

R million		GPI Slots		Dreams
Property, plant and equipment		207		3 400
Intangible assets		160		1 292
Current assets		127		216
Other assets		–		196
Deferred tax		(29)		(224)
Non current liabilities		(225)		(32)
Current liabilities		(90)		(693)
Net assets		150		4 155
Minorities interests	49,9%	(75)	45,0%	(1 881)
Goodwill recognised		456		603
Net assets acquired		531		2 877
Acquisition settled through dilution of interests in Latam assets		–		(2 067)
Previously held associate at fair value		(257)		–
Consideration settled in cash		(274)		(810)
Pre acquisition dividend paid		–		261
Cash and cash equivalents in entity		77		474
Net cash outflow		(197)		(75)

The Dreams PPA was carried out in Chilean Pesos (Clp) and has been translated at the exchange rate of Clp44.5 to the Rand as at the merger date of 31 May 2016.

PUT OPTIONS

IFRS requires the group to account for written put options held by non controlling shareholders who have the right to put their shares at fair value in the event of certain events occurring or not occurring. In terms of IAS 32: Financial Instruments: Presentation, a financial liability is recognised initially at the present value of the redemption amount and accounted for subsequently at amortised cost. Finance charges are recognised in the statement of comprehensive income over the contract period up to the final redemption amount and any adjustments to the redemption amount are also recognised as finance charges in the statement of comprehensive income in terms of IAS 39 para AG8.

Sun International has entered into put arrangements with the Dreams minority shareholders and Tsogo Sun Limited (Tsogo) as further described below.

The group has complied with the IFRS requirements to raise the gross put liability and debit against equity for the put options. The board of directors however has reservations around the appropriateness of this treatment in view of the fact that:

- The non controlling shareholders have been allocated their share of the net asset value and the debit entry raised against ordinary shareholders equity represents largely the same non controlling interest. This has significantly reduced the ordinary shareholders equity while the non controlling interest remains the same;
- The Tsogo put option is subject to conditions outside of Sun International's control which are not expected to occur and therefore the gross liability is contingent and may not materialise;
- The put options meet the definition of a derivative and should therefore be accounted for as such in which case the gross liability and the related fair value adjustments related to the gross liability reported through the statement of comprehensive income would not be required; and
- In both cases should the puts be exercised the Group would be satisfied with acquiring the non controlling interests at the raised put value.

The accounting for put options on non controlling interests has been a contentious issue for many years and has been discussed at length at the International Accounting Standards Board ("IASB") and the International Financial Reporting Standards Interpretations Committee ("IFRS IC"). Many preparers have expressed their concerns about the accounting as a gross liability and have suggested the accounting treatment should be the same for all derivatives. The IASB and IFRS IC has undertaken a project on Financial Instruments with Characteristics of Equity project which they have indicated would address the accounting of put options and this may then change going forward.

Dreams shareholders put option

Sun International and the Dreams shareholders in the merger agreements agreed to a series of put option arrangements which regulate the potential disposal of the 45% interest in the merged entity held by the Dreams' minority shareholders either by an IPO or otherwise. The put options may be exercised if no successful IPO is undertaken within a 2 – 4 year period. A liability of R4 billion has been raised for the put obligation and a Put option reserve for the same amount has been created thereby reducing the group's equity. For accounting purposes the value of the put option was determined based on the merged businesses agreed value which was increased at 5% for two years and discounted back at a discount rate of 10%. We are actively looking to increase our shareholding in the Dreams business and should the minority shareholders choose to exercise their put options, the agreed process to determine the price at that time ensures that the transaction would take place at fair market value.

Tsogo put option

In terms of the restructure agreements of the group's Western Cape assets a put option has been given to Tsogo in the event that any party acquires 35% or more of the issued ordinary shares of Sun International, triggering a change of control of the company. The Western Cape assets include Worcester and SunWest. In terms of the put option Tsogo may elect to put its equity interests (20%) in the Western Cape assets to Sun International. Sun International can elect to either settle the put by the issue of Sun International shares or in cash. A liability has been raised of R1.3 billion in this regard. The liability is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times EBITDA multiple valuation of the Western Cape Assets, less net debt, times the 20% shareholding which Tsogo holds. The recent transaction to dispose of the 20% to Tsogo was concluded on a 7.75x EBITDA multiple and should the put option be exercised we believe there is value in repurchasing at a 7.5x EBITDA multiple.

The Dreams shareholders and Tsogo put liabilities of R5.2 billion are reflected as Put Option liabilities with the related charge debited to a reserve for put options (equity).

GROUP STATEMENT OF FINANCIAL POSITION

Other significant items included in the statement of financial position at 30 June 2016 that have not been dealt with elsewhere in this report include the following:

- In accounts receivable is the remaining Tsogo receivable of R525 million relating to the disposal of the 10% interest in SunWest and Worcester and VAT receivables of R293 million relating primarily to the Time Square development; and
- In accounts payable is a $16 million (R238 million) provision relating to the EBITDA warranty for Ocean Sun Casino which has been accrued for.

UPDATE ON STRATEGIC INITIATIVES

Initiatives to improve operational performance

The insourcing of food and beverage across the South African operations (which commenced in April 2015) has now been operational for over a year and with the experience built up over the past 15 months we have started process improvements and cost saving initiatives with the aim to lift the business from the current breakeven situation to drive meaningful profits going forward. The new and improved food and beverage offering is already assisting to drive footfall to our properties which was one of the key strategic reasons for insourcing.

The past three years have seen significant change in the operations of the business. The major initiatives are now largely bedded down, all major system changes have been successfully implemented (including the new Enterprise Resource Planning system) and the next phase revolves around extracting efficiencies from them.

The VIP gaming initiative is ramping up with the business starting to attract increasing interest and visitation. We expect the business in the year ahead to start generating a more meaningful contribution to profitability. There is potential to grow this business into other regions and in this regard we have started discussions with the Western Cape Gambling Board and the Gauteng Gambling Board regarding tax concessions required in order for the International VIP programme to be viable.

Protect and leverage our existing asset portfolio

Sun City

We are into the final stages of the major refurbishment at Sun City with the last of the big projects, being the R370 million refurbishment of the Entertainment Centre (EC), due for completion in November.


COME
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LINE
PASS

Commentary continued

The refurbished EC, to be renamed Sun Central, will re-establish Sun City as the premier meeting and conferencing destination in South Africa and will result in higher mid-week occupancies thereby smoothing the current intra week peaks and troughs.

Over the past few years we have completed a number of significant refurbishments and developments at Sun City which will ensure Sun City remains the premier integrated resort destination in Africa. The developments over the past few years include the upgrade and refurbishment of the Vacation Club phase 1 units, Cabanas Hotel, Valley of the Waves, the Main Hotel casino and a number of new restaurants and fast food outlets. We continue to focus on staff efficiencies and optimisation and reviewing outsourced service contracts to not only reduce costs but to improve the overall guest experience.

Total Vacation Club timeshare sales since the relaunch of the Phase one units at 30 June 2016 amount to R403 million (R161 million in the current financial year) representing 42% of the Phase one inventory. In December 2015 we commenced early bird offers for the extension of the Phase two units where the contracts expire in 3 years. Take up has been good and to date we have realised sales of R41 million representing just under 10% of the Phase two inventory. Total sales proceeds for Phase two for 10 year memberships are estimated at R480 million which at a 70% margin will raise approximately R336 million in cash flow for Sun City. The net proceeds from the Vacation Club sales will fund the bulk of the cost of renovating Sun City and as we are only selling 10 year memberships the units can be sold again at the end of the term with minimum capital expenditure required.

Restructure of our Western Cape assets

In terms of an agreement announced on SENS on 4 April 2016 we concluded the disposal of a 10% shareholding in our Western Cape assets (GrandWest, Golden Valley and Table Bay) for R675 million to Tsogo Sun with effect from 1 April 2016. Grand Parade Investments, our BEE partner in the Western Cape assets obtained shareholder approval in June 2016 for a disposal of 10% of these assets which now gives Tsogo an effective 20% economic interest in each operation.

The transaction allows us to realise a portion of our investment in the Western Cape assets at market value without compromising our control or management of the assets. The cash proceeds from the proposed transaction are being used to repay debt.

Disposal of the group's African portfolio to Minor

As announced on SENS on 9 May 2016 we concluded agreements with the Minor Hotel Group (Minor) for the disposal of our remaining interests and investments in Botswana, Namibia, Lesotho, Swaziland and Zambia for a consideration of R394 million. The disposals are subject to final regulatory approvals before implementation, save for Zambia, where all regulatory approvals were obtained and the transaction was implemented in June 2016 with Sun International receiving a net consideration of R239 million.

Tourist Company of Nigeria – Federal Palace

Continued setbacks in Nigeria as well as the ongoing shareholder dispute have frustrated all attempts to develop and improve the property. Five of our staff members who were detained by the Economic and Financial Crimes Commission earlier in the year have still not had their passports returned to them despite no charges being laid against the individuals, the company or Sun International. As a result of the current environment and issues facing the company the board has taken the decision to exit our investment in Nigeria. This is however expected to be a protracted process given the challenges we are facing and to ensure we receive fair value for our investment.

The Boardwalk

We applied to the ECGB to further develop the land at the Boardwalk with the addition of a large high end shopping complex and requested a 20 year extension of the casino licence in return. The ECGB approved the shopping complex but did not grant the 20 year extension of the casino licence. As a result we will not be proceeding with the mall development at this stage.

On 10 August 2016 Emfuleni commenced a process of litigation against the Eastern Cape Gambling Board (ECGB) on the basis that the granting of competing Electronic Bingo Terminal licences in the catchment area of the Boardwalk is in breach of the exclusivity that the Boardwalk should have received in return for its bid commitment spend of R1 billion at the Boardwalk complex.

Initiatives to grow our business into new areas and new products

South Africa

GPI Slots

The acquisition of a further 25.0% interest in GPI Slots was concluded on 5 April 2016 and consequently Sun International now has a controlling interest in GPI Slots with a 50.1% shareholding and consolidates the investment. Subsequent to year end we have exercised our option to acquire a further 19.9% interest which will cost approximately R253 million and will take our shareholding to 70%. The acquisition is still subject to certain gaming board approvals which are expected by the end of the 2016 calendar year. The total purchase consideration for the three tranches acquired by Sun International will be approximately R765 million. Given the growth in EBITDA which GPI Slots has achieved over the past two years the acquisition consideration for the 70% shareholding equates to a historical EBITDA multiple valuation of GPI Slots of 6 times.

Time Square

The Time Square casino and entertainment centre development is making pleasing progress with the casino component remaining on schedule to open in April 2017. The casino back of house and preparation areas are on schedule for handover to the operations team at the end of November and the casino furniture, fixtures and equipment are at final approval stage. The Hotel and Arena design is complete to meet the construction critical path. The budget, in part as a result of rand weakness when securing the imported gaming equipment, has come under some pressure and currently stands at R4.1 billion.

Latam

Merger of the group's Latam assets with Dreams S.A. ("Sun Dreams")

All approvals for the merger were received and accordingly the merger was implemented on 1 June 2016. Sun Dreams is now the largest gaming company in Latin America with Sun International owning 55%. The size and scale of the merged entity will give the company the profile, critical mass and assets needed to expand elsewhere on the South American continent including potential opportunities in Peru as well as Brazil, which is expected to commence a process to license casinos in the next few years.
The Dreams executive management team has taken over management of the group's Latam operations and has already implemented a number of initiatives to reduce costs and improve performance.

The municipal licence bidding process in Chile has commenced with bids due in November 2016 and provides an opportunity for Sun Dreams to bid for new licences as well as to renew the two municipal licences that exist within our portfolio.

One of the minority shareholders in the merged Sun Dreams entity is a private equity fund which holds 20% of the shares. The fund is seeking to exit over the next 2 years and this could be achieved through a separate listing in Santiago. Alternatively Sun International could acquire these shares and increase its shareholding to 75%. Strategically the group would like to increase its interest in the business, subject to valuation and funding considerations and the potential acquisition of this stake will receive significant strategic focus in the year ahead.

Change of year end

The group will be changing its year end to 31 December to align with its Chilean operations which in terms of statutory requirements must have a 31 December year end. We will report audited results for the 6 months to 31 December 2016 and the next full financial period will be the 12 months to 31 December 2017. Given that the year end has been 30 June, fortunately this change is simply a shift from interim reporting period to final and it will still be possible to announce and make half year comparisons.

CHANGES TO DIRECTORATE & COMPANY SECRETARY

Mr Nigel Morrison has been appointed as an independent non-executive director of the company with effect from 19 August 2016 subject to regulatory approval. Mr Morrison has extensive international gaming experience particularly in Australasia, and served as the managing director and chief executive of Skycity Entertainment Group (from 2008 – 2016) a publicly listed company on both the New Zealand and Australian Stock Exchanges. He also has extensive experience in international VIP gaming and the board looks forward to his contribution and expertise.

Ms Louisa Mojela having served on the Sun International board for more than 12 years, will retire at the forthcoming annual general meeting by way of rotation in terms of the Company's Memorandum of Incorporation. Ms Mojela has indicated that she is unavailable for re-election and accordingly will retire at the 2016 annual general meeting. The board extends its appreciation to Ms Mojela for her many years of dedicated tenure and valuable contributions.

Further to the above changes and as communicated on SENS on 17 June 2016, Ms Chantel Reddiar has resigned as company secretary of Sun International, with effect from 5 September 2016 and the board thanks her for her commitment and dedicated service, not only as company secretary but in other roles within the company. The board has progressed its search for the group company secretary and an announcement will be made in this regard shortly. Mr Anthony Leeming, the chief financial officer of Sun International will act in the capacity of interim company secretary from 5 September 2016 until such announcement can be made.

OUTLOOK

A large number of our strategic initiatives have now been implemented which not only reduces uncertainty around them but also means that the anticipated benefits will start to reflect in full in the next financial period. The acquisition of an additional 20% in GPI Slots will increase the proportion of the consolidated results that flow to shareholders and the opening of the new conferencing facilities at Sun City is expected to improve the resorts performance from January 2017. The major remaining large project currently in progress is Time Square at Menlyn Maine. As the Time Square project opens in phases, commencing with the casino in April 2017 and culminating with the hotel in March 2018, it will still be some time before we have two financial periods that are directly comparable.

Despite a slowdown in the Chilean economy we expect continued growth from our portfolio of properties in that country. With the new Latam management team in place we also expect that the recent restructuring of Panama and Colombia should deliver improved performance from those properties, in particular if we can also remove the banking constraints on the Panama business.

In South Africa, the economic environment remains a serious concern. We do not anticipate any meaningful growth in gaming revenue until there is a recovery in the economy and renewed consumer confidence. Rooms and food & beverage are expected to achieve growth but these are relatively small components of the overall business.

We continue to focus on cost control and in this way we hope to at least maintain EBITDA despite low anticipated gaming revenue growth. We anticipate a slight improvement in performance from the existing business during the current 6 month period (due to extracting efficiencies) but with the opening of the Time Square casino in April next year we anticipate meaningful growth in revenue and EBITDA for the full period.

The forward looking information above has not been reviewed or reported on by the company's auditors.

For and on behalf of the board

MV Moosa	**GE Stephens**
Chairman	*Chief Executive*

Registered office:
6 Sandown Valley Crescent, Sandown, Sandton 2196

Sponsor:
Rand Merchant Bank (a division of FirstRand Bank Limited)

Transfer secretaries:
Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg 2001

The profit announcement was prepared under the supervision of the CFO, AM Leeming; BCom, BAcc, CA(SA).

Directors:
MV Moosa (Chairman), IN Matthews (Lead Independent Director), GE Stephens (Chief Executive)*, PD Bacon (British), ZBM Bassa, EAMMG Cibie (Chilean), PL Campher, Dr NN Gwagwa, AM Leeming (Chief Financial Officer)*, BLM Makgabo-Fiskerstrand, LM Mojela, DR Mokhobo (Director: Special Projects)*, N Morrison (Australian)†, GR Rosenthal

* *Executive*
† *Only appointed 19 August 2016*

Group Secretary
CA Reddiar

22 August 2016

DECLARATION OF FINAL CASH DIVIDEND

Notice is hereby given that a gross final cash dividend of 135 cents per share (114.75 cents net of dividend withholding tax) for the year ended 30 June 2016 has been declared, payable to shareholders recorded in the register of the company at the close of business on the record date appearing below. This dividend has been declared out of income reserves. The number of ordinary shares in issue at the date of this declaration is 109 086 988 including 4 963 214 treasury shares. The salient dates applicable to the final dividend are as follows:

	2016
Last day to trade cum final cash dividend	Tuesday, 13 September
First to trade ex final cash dividend	Wednesday, 14 September
Record date	Friday, 16 September
Payment date	Monday, 19 September

No share certificates may be dematerialised or rematerialised between Wednesday, 14 September 2016 and Friday, 16 September 2016 both days inclusive. Dividend cheques will be posted and electronic payments made, where applicable, to certificated shareholders on the payment date. Dematerialised shareholders will have their accounts with their Central Securities Depository Participant or broker credited on the payment date.

Sun International Limited’s tax reference number is: 9875/186/71/1.

By order of the board

CA Reddiar
Group Secretary

19 August 2016

SUN INTERNATIONAL

Registration Number:
1967/007528/06

Share Code: SUI

ISIN: ZAE 000097580