



International

REVIEWED CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016\*

*\* The year ended 31 December 2016 covers the period 1 July 2016 to 31 December 2016.*



## Condensed group statements of comprehensive income

R million	Reviewed 31 December 2016	Unaudited 31 December 2015	Audited Year ended 30 June 2016
<b>Continuing operations</b>			
<b>Revenue</b>	<b>7 670</b>	5 837	12 186
Other income	–	–	18
Consumables and services	(920)	(724)	(1 473)
Depreciation and amortisation	(788)	(531)	(1 131)
Employee costs	(1 474)	(1 226)	(2 464)
Impairment of assets	(269)	–	–
Levies and VAT on casino revenue	(1 446)	(1 121)	(2 388)
LPM site owners commission	(146)	–	(66)
Promotional and marketing costs	(485)	(355)	(723)
Property and equipment rentals	(117)	(80)	(202)
Property costs	(380)	(385)	(776)
Time Square settlements	–	(747)	(748)
Monticello purchase price differential	–	(195)	(243)
Other operational costs	(823)	(458)	(1 064)
<b>Operating profit</b>	<b>822</b>	15	926
Foreign exchange (losses)/profit	(82)	254	(227)
Interest income	20	20	33
Fair value adjustment to put option liability	247	–	–
Interest expense	(542)	(349)	(756)
Share of equity accounted profits	1	32	18
<b>Profit/(loss) before tax</b>	<b>466</b>	(28)	(6)
Tax	(256)	(303)	(533)
<b>Profit/(loss) for the period from continuing operations</b>	<b>210</b>	(331)	(539)
<b>Profit for the period from discontinued operations</b>	<b>4</b>	4	36
<b>Profit/(loss) for the period</b>	<b>214</b>	(327)	(503)

R million	Reviewed 31 December 2016	Unaudited 31 December 2015	Audited Year ended 30 June 2016
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post employment benefit obligations	–	–	4
Tax on remeasurements of post employment benefit obligations	–	–	(1)
<i>Items that may be reclassified to profit or loss</i>			
Gross (loss)/profit on cash flow hedges	(50)	1	(21)
Currency translation reserve	(151)	205	220
<b>Total comprehensive profit/(loss) for the period</b>	<b>13</b>	<b>(121)</b>	<b>(301)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Minorities	109	118	(89)
Ordinary shareholders	105	(445)	(414)
	214	(327)	(503)
<b>Total comprehensive profit/(loss) for the period attributable to:</b>			
Minorities	(235)	147	(60)
Ordinary shareholders	248	(268)	(241)
	13	(121)	(301)
<b>Total comprehensive profit/(loss) attributable to ordinary shareholders arises from:</b>			
Discontinued operations	4	2	36
Continuing operations	244	(270)	(277)
	248	(268)	(241)

## Condensed group statements of comprehensive income continued

R million	Reviewed 31 December 2016	Unaudited 31 December 2015	Audited Year ended 30 June 2016
<b>HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS RECONCILIATION</b>			
<b>Profit/(loss) attributable to ordinary shareholders</b>	<b>105</b>	(445)	(414)
Net profit on disposal of property, plant and equipment	(9)	(24)	(3)
Profit on disposal of shares in subsidiaries	–	–	(18)
Impairment of assets	269	–	–
Tax (relief)/expense on the above items	(48)	4	57
Minorities' interests on the above items	(28)	–	(2)
<b>Headline earnings/(loss)</b>	<b>289</b>	(465)	(380)
Straightline adjustment for rentals	10	16	27
Pre-opening expenses	4	13	28
Time Square settlements	–	747	748
Transaction costs	4	19	52
Monticello purchase price adjustment	–	195	243
Amortisation of Dreams intangible assets raised as part of the PPA	104	–	18
Other	(9)	1	18
Foreign exchange losses/(profits) on intercompany and minority loans	80	(234)	233
Interest on Time Square Note	43	–	–
Discount on Tsogo settlement	20	–	–
Fair value adjustment on put options	(247)	–	–
Tax on the above items	42	60	13
Minorities' interests on the above items	(111)	–	(353)
Reversal of Employee Share Trusts' consolidation (i)	3	5	7
<b>Adjusted headline earnings</b>	<b>232</b>	357	654

(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	Cents per share
Earnings/(loss) per share			
basic	107	(453)	(422)
diluted	107	(452)	(422)
Dividends per share	–	90	225
Diluted adjusted headline earnings per share	223	343	628

## Condensed group statements of financial position

R million	Reviewed 31 December 2016	Unaudited 31 December 2015	Restated Year ended 30 June 2016
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	17 371	12 424	16 984*
Intangible assets	2 959	789	3 251*
Equity accounted investments	16	615	15
Available-for-sale investment	48	48	48
Loans and receivables	24	21	23
Pension fund asset	33	36	36
Deferred tax	878	329	365
	21 329	14 262	20 722
<b>Current assets</b>			
Accounts receivable and other	1 480	1 019	2 036
Cash and cash equivalents	1 123	656	1 301
	2 603	1 675	3 337
Non current assets held for sale	170	77	169
<b>Total assets</b>	<b>24 102</b>	<b>16 014</b>	<b>24 228</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Ordinary shareholders' equity before put option reserve	2 013	1 857	2 703*
Put option reserve	(4 651)	–	(5 252)
Ordinary shareholders' equity	(2 638)	1 857	(2 549)
Minorities' interests	3 171	434	3 671*
	533	2 291	1 122
<b>Non current liabilities</b>			
Deferred tax	820	392	343*
Borrowings	10 731	5 221	9 980
Other non current liabilities	936	754	896
Put option liability	4 651	–	5 252
	17 138	6 367	16 471
<b>Current liabilities</b>			
Accounts payable and other	2 599	2 510	2 505
Borrowings	3 786	4 798	4 082
	6 385	7 308	6 587
Non current liabilities held for sale	46	48	48
<b>Total liabilities</b>	<b>23 569</b>	<b>13 723</b>	<b>23 106</b>
<b>Total equity and liabilities</b>	<b>24 102</b>	<b>16 014</b>	<b>24 228</b>

\* These amounts have been restated due to the finalisation of Dream's IFRS 3 purchase price allocation (PPA). Property, plant and equipment (R184 million), ordinary shareholders equity (R74 million), minority interests (R70 million) were increased whereas intangibles (R52 million) and deferred tax liabilities (R12 million) were decreased. More details on the changes will be provided in the annual financial statements.

## 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
<b>Reviewed</b>					
<b>FOR THE YEAR ENDED* 31 DECEMBER 2016</b>					
<b>Balance at 30 June 2016 – restated</b>	<b>295</b>	<b>(598)</b>	<b>337</b>	<b>129</b>	<b>4</b>
Total comprehensive income for the year	–	–	182	–	–
Net deemed treasury shares sold	–	(36)	–	–	–
Employee share schemes	–	30	–	(13)	–
Increase in SunWest option	–	–	–	–	–
Decrease in Dreams option	–	–	–	–	–
Foreign exchange on put option	–	–	(354)	–	–
Acquisition of minorities' interests	–	–	–	–	–
Dividends paid	–	–	–	–	–
<b>Balance at 31 December 2016</b>	<b>295</b>	<b>(604)</b>	<b>165</b>	<b>116</b>	<b>4</b>
<b>Audited</b>					
<b>FOR THE YEAR ENDED 30 JUNE 2016</b>					
<b>Balance at 30 June 2015</b>	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 as previously shown	295	(598)	338	129	4
Correction of PPA misallocation <sup>#</sup>	–	–	–	–	–
Dreams merger PPA finalisation adjustment	–	–	(1)	–	–
<b>Balance at 30 June 2016 – restated</b>	<b>295</b>	<b>(598)</b>	<b>337</b>	<b>129</b>	<b>4</b>

Reserve for non controlling interests	Hedging and other reserve	Retained earnings	Ordinary shareholders' equity before put option reserve	Put option reserve	Ordinary shareholders' equity	Minorities' interests	Total equity
(2 228)	(15)	4 779	2 703	(5 252)	(2 549)	3 671	1 122
–	(39)	105	248	–	248	(235)	13
–	–	–	(36)	–	(36)	–	(36)
–	–	–	17	–	17	–	17
–	–	14	14	(14)	–	–	–
–	–	(261)	(261)	261	–	–	–
–	–	–	(354)	354	–	–	–
(183)	–	–	(183)	–	(183)	(79)	(262)
–	–	(135)	(135)	–	(135)	(186)	(321)
(2 411)	(54)	4 502	2 013	(4 651)	(2 638)	3 171	533
(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
(1 267)	–	–	(1 267)	–	(1 267)	1 267	–
75	–	–	74	–	74	70	144
(2 228)	(15)	4 779	2 703	(5 252)	(2 549)	3 671	1 122

## Group statements of changes in equity continued

R million	Share capital and premium	Treasury shares and share options	Foreign currency translation reserve	Share based payment reserve	Available-for-sale reserve
<b>Unaudited</b>					
<b>FOR THE SIX MONTHS ENDED 31 DECEMBER 2015</b>					
<b>Balance at 30 June 2015</b>	295	(542)	163	112	4
Total comprehensive income for the year	–	–	177	–	–
Treasury share options purchased	–	(3)	–	–	–
Net deemed treasury shares purchased	–	(49)	–	–	–
Vested employee share awards	–	4	–	(4)	–
Employee share based payments	–	–	–	31	–
Release of share based payment reserve	–	–	–	(21)	–
Delivery of share awards	–	–	–	–	–
Subsidiary share issue	–	–	–	–	–
Dividends paid	–	–	–	–	–
<b>Balance at 31 December 2015</b>	295	(590)	340	118	4

# An amount of R1 267 million relating to the Non controlling reserve was in error allocated to minorities in the provisional PPA workings. This has been corrected by restating the opening balances of Minorities' interest and the Reserve for non controlling interest.

\* The year ended is for the period 1 July 2016 to 31 December 2016.



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
–	–	(445)	(268)	–	(268)	147	(121)
–	–	–	(3)	–	(3)	–	(3)
–	–	–	(49)	–	(49)	–	(49)
–	–	–	–	–	–	–	–
–	–	–	31	–	31	–	31
–	–	21	–	–	–	–	–
–	–	(4)	(4)	–	(4)	–	(4)
–	–	–	–	–	–	30	30
–	–	(175)	(175)	–	(175)	(164)	(339)
(3 136)	1	4 825	1 857	–	1 857	434	2 291

## Supplementary information

R million	Reviewed 31 December 2016	Unaudited 31 December 2015	Audited Year ended 30 June 2016
<b>EBITDA RECONCILIATION</b>			
<b>Operating profit</b>	<b>822</b>	15	926
Depreciation and amortisation	<b>788</b>	531	1 131
Net (profit)/loss on disposal of property, plant and equipment*	<b>(9)</b>	(24)	(3)
Straightline adjustment for rentals*	<b>10</b>	16	27
Impairment of assets*	<b>269</b>	–	–
Pre-opening expenses*	<b>4</b>	13	28
Transaction costs*	<b>4</b>	19	52
Time Square settlements*	<b>–</b>	747	748
Profit on disposal of shares in subsidiaries*	<b>–</b>	–	(18)
Monticello purchase price adjustment*	<b>–</b>	195	243
Other*	<b>(4)</b>	1	12
Reversal of Employee Share Trusts' consolidation*	<b>16</b>	21	35
<b>EBITDA</b>	<b>1 900</b>	1 534	3 181
EBITDA margin (%)	<b>25</b>	26	26
<b>Number of shares ('000)</b>			
– in issue	<b>97 903</b>	98 128	97 977
– for EPS calculation	<b>97 925</b>	98 319	98 214
– for diluted EPS calculation	<b>97 932</b>	98 371	98 214
– for adjusted headline EPS calculation (i)	<b>104 140</b>	104 140	104 140
– for diluted adjusted headline EPS calculation (i)	<b>104 147</b>	104 191	104 140
<b>Earnings/(loss) per share (cents)</b>			
– basic earnings/(loss) per share	<b>107</b>	(453)	(422)
– headline earnings/(loss) per share	<b>295</b>	(473)	(387)
– adjusted headline earnings per share	<b>223</b>	343	628
– diluted basic earnings/(loss) per share	<b>107</b>	(452)	(422)
– diluted headline earnings/(loss) per share	<b>295</b>	(473)	(387)
– diluted adjusted headline earnings per share	<b>223</b>	343	628
<b>Continuing – earnings/(loss) per share (cents)</b>			
– basic earnings/(loss) per share	<b>103</b>	(455)	(458)
– headline earnings/(loss) per share	<b>291</b>	(475)	(424)
– adjusted headline earnings per share	<b>219</b>	341	593
– diluted basic earnings/(loss) per share	<b>103</b>	(454)	(458)
– diluted headline earnings/(loss) per share	<b>291</b>	(475)	(424)
– diluted adjusted headline earnings per share	<b>219</b>	341	593

R million	Reviewed 31 December 2016	Unaudited 31 December 2015	Audited Year ended 30 June 2016
<b>Discontinuing – earnings per share (cents)</b>			
– basic earnings per share	4	2	36
– headline earnings per share	4	2	37
– adjusted headline earnings per share	4	2	35
– diluted basic earnings per share	4	2	36
– diluted headline earnings per share	4	2	37
– diluted adjusted headline earnings per share	4	2	35
<b>Tax rate reconciliation</b>			
Profit/(loss) before tax	466	(28)	(6)
Share of associates profits	(1)	(32)	(18)
Adjusted profit/(loss) before tax	465	(60)	(24)
	%	%	%
Effective tax rate (excluding Time Square settlements)	55	(166)	74
Preference share dividends	(4)	23	(4)
Prior year over/(under) provisions	1	17	(2)
Withholding taxes	–	20	(1)
Foreign tax rate variation	1	(20)	4
Exempt income	17	(7)	1
Exempt income – capital gains	–	(3)	16
Foreign monetary adjustments and government incentives	1	(27)	4
Monticello purchase price adjustment	–	118	(12)
Reversal of deferred tax assets	(20)	–	–
Capital allowances and disallowed expenditure	(23)	73	(52)
SA corporate tax rate	28	28	28
EBITDA to interest (times)	3.8	4.9	4.4
Borrowings to EBITDA (times)	3.8	3.2	4.4
Net asset value per share (Rand)	21.45	18.92	27.59
Capital expenditure	2 218	1 009	2 538
Capital commitments	3 385	4 582	4 404

\* Items identified above are included as headline and adjusted headline 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	Reviewed 31 December 2016	Unaudited 31 December 2015	Audited Year ended 30 June 2016
<b>Cash generated by operations before:</b>	<b>1 788</b>	1 575	3 236
Time Square settlements	–	–	(715)
Vacation Club timeshare sales	<b>83</b>	103	161
Working capital changes	<b>560</b>	(641)	18
<b>Cash generated by operations</b>	<b>2 431</b>	1 037	2 700
Tax paid	<b>(190)</b>	(282)	(677)
<b>Cash generated by operating activities</b>	<b>2 241</b>	755	2 023
Purchase of property, plant and equipment	<b>(2 185)</b>	(955)	(2 461)
Purchase of intangible assets	<b>(52)</b>	(70)	(108)
Payment of purchase differential	–	–	(345)
Acquisition of shares in subsidiaries	–	–	(272)
Proceeds on disposal of PPE and intangibles	<b>33</b>	75	82
Proceeds on disposal of investment in joint venture	–	–	226
Investment income	<b>20</b>	26	39
<b>Cash flows from investing activities</b>	<b>(2 184)</b>	(924)	(2 839)
Purchase of treasury shares and share options	<b>(36)</b>	(52)	(70)
Dividends paid	<b>(321)</b>	(340)	(543)
Interest paid	<b>(516)</b>	(349)	(734)
Minority shareholders' capitalisation of Worcester	–	30	30
Acquisition of shares in GPI Slots	<b>(262)</b>	–	–
Disposal of shares in subsidiaries	–	–	111
Movement in borrowings	<b>994</b>	989	2 830
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(141)</b>	278	1 624
Effect of exchange rates upon cash and cash equivalents	<b>(91)</b>	45	(13)
(Decrease)/increase in cash and cash equivalents	<b>(175)</b>	154	795
Cash and cash equivalents at beginning of the period	<b>1 309</b>	514	514
<b>Cash and cash equivalents at end of the period</b>	<b>1 134</b>	668	1 309
Assets held for sale	<b>(11)</b>	(12)	(8)
<b>Cash and cash equivalents at end of the year excluding non current assets held for sale</b>	<b>1 123</b>	656	1 301



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# Commentary

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## INTRODUCTION

Stakeholders are referred to the profit and dividend announcement released on SENS on 22 August 2016, when Sun International Limited announced that it would change its year end to 31 December in order to align with its Chilean operations' statutory requirements. Accordingly, these year-end results are for the period 1 July to 31 December 2016. The next full financial period will be for the 12 months ending 31 December 2017. In the tables throughout this report the columns headed 31 December 2015 and 31 December 2016 are for the six-month period there ended.

During the period under review, the group continued to make good progress regarding its strategic initiatives including:

- the integration of the Sun International Latin American (Latam) operations with Dreams S.A. operations (for more information, refer to the SENS announcement on 1 June 2016);
- the acquisition of a further 19.9% in GPI Slots bringing its total holding to 70%, and thereby increasing its exposure to the fast growing Limited Payout Machine (LPM) market (for more information refer to the SENS announcement on 17 November 2016);
- progressing the development of Time Square in Menlyn, Tshwane with the project expected to open to the public on time and within budget;
- opening of the upgraded and refurbished entertainment and conference centre, Sun Central, at Sun City;
- refinancing of its South African and Latam debt, with the group remaining within its debt covenants at year-end; and
- various cost cutting initiatives in both South Africa and Latam have resulted in below inflation cost growth during the review period.

## FINANCIAL OVERVIEW

The income statement below includes adjusted headline earnings adjustments.

R million	31 December 2016	%	31 December 2015	Year ended 30 June 2016
Revenue	7 670	31	5 837	12 186
EBITDA	1 900	24	1 534	3 181
Adjusted operating profit	1 216	21	1 004	2 068
Foreign exchange (loss)/profit	(2)	(111)	18	5
Net interest	(476)	46	(326)	(709)
Profit before tax	738	6	696	1 364
Tax	(249)	4	(240)	(465)
Profit after tax	489	7	456	899
Minorities	(260)	95	(133)	(296)
Attributable profit	229	(29)	323	603
Discontinued ops and associates	3	(91)	34	51
Adjusted headline earnings	232	(35)	357	654

For the period under review, group revenue increased by 31% to R7.7 billion with the growth in revenue attributable to the inclusion of Dreams S.A. and GPI Slots' operations for the full period.

The group's South African revenue continues to be affected by difficult trading conditions linked to an uncertain macro-economic environment and reduced consumer spend. South African comparable revenue (excluding GPI Slots) was flat off the back of lower casino revenue. Sun City and Table Bay continued to benefit however from an increase in international tourism which helped boost rooms' revenue by 14%.

Revenue growth in Chile has slowed over the past six months with Sun Dreams' (including the Dreams S.A. properties for the prior period) revenue up 1% in local currency. Monticello was impacted by the relocation of the toll road to the Santiago side of Monticello, making it more costly to reach the property, whilst Iquique, which is located in a copper mining region, was impacted by the weak copper price.

## Commentary continued

### Revenue by nature and geographic segment

R million	South Africa			Latam		
	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
Casino	3 488	3 586	7 016	2 061	952	2 167
International Business	(30)	(11)	154	–	–	–
LPM	540	16	233	–	–	–
Rooms	482	423	863	110	9	28
Food and beverage	444	423	807	280	100	224
Other	225	209	448	–	15	32
	<b>5 149</b>	4 646	9 521	<b>2 451</b>	1 076	2 451

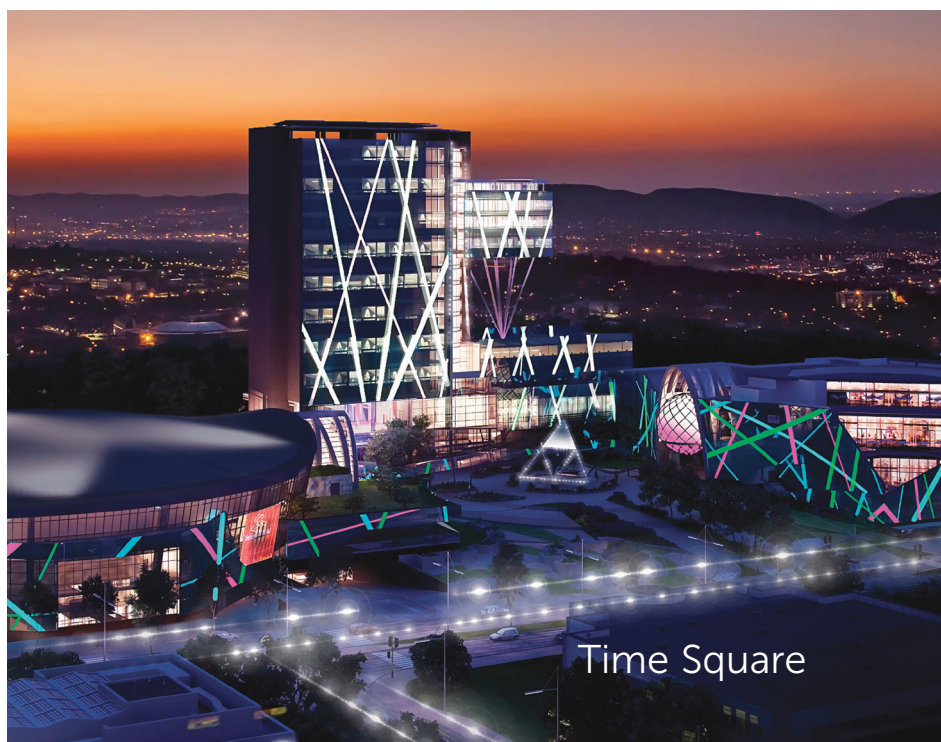
Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period increased by 24%. On a comparable basis, (excluding the consolidated GPI Slots and Dreams S.A. operations) EBITDA decreased by 12%.

Interest charges are significantly higher due to the conversion of US Dollar debt in late 2015 to Rand based debt with higher effective interest rates, R27 million of unamortised debt raising costs expensed on the refinance of the Latam debt and the consolidation of the GPI Slots and Dreams S.A. results.

Minorities' share of earnings has increased with the disposal of a 10% interest in SunWest and Worcester and the consolidation of GPI Slots and Dreams S.A. results.



	Nigeria			Total		
	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
	32	51	102	5 581	4 589	9 285
	–	–	–	(30)	(11)	154
	–	–	–	540	16	233
	17	31	53	609	463	944
	17	27	47	741	550	1 078
	4	6	12	229	230	492
	70	115	214	7 670	5 837	12 186



## Commentary continued

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

R million	Revenue		
	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
<b>South African operations</b>	<b>5 149</b>	4 646	9 521
Sun International	<b>4 633</b>	4 646	9 288
GPI Slots (consolidated from 1 April 2016)	<b>516</b>	–	233
<b>Latam operations</b>	<b>2 451</b>	1 076	2 451
Sun International	<b>1 071</b>	1 076	2 249
Dreams (consolidated from 1 June 2016)	<b>1 380</b>	–	202
<b>Federal Palace</b>	<b>70</b>	115	214
<b>Total operating segments</b>	<b>7 670</b>	5 837	12 186
Headline and adjusted headline earnings adjustments impacting operating profit	–	–	–
<b>Unadjusted group operating profit</b>	<b>7 670</b>	5 837	12 186

Adjusted headline earnings of R232 million for the year are 35% below the prior year with diluted adjusted headline earnings per share down 35% to 223 cents.

Headline and adjusted headline charges include the following:

- impairment charges of R208 million of the Carousel and Morula assets (R156 million after tax) as a result of the likely negative impact Time Square will have on Carousel's revenue and R61 million (R34 million attributed to the group) of the Sun Nao Casino assets due to its continued underperformance;
- a reduction in the fair value of the put options of R247 million as a result of a reduction in the fair value of the underlying investments to which the put options are related;
- interest charges of R43 million (R23 million attributable to the group after tax) on the debt raised for the Time Square settlements (with Peermont and Gold Rush) which will be adjusted for up until the opening of Time Square;
- a present value charge of R20 million on the early settlement of the Tsogo note relating to the 10% disposal of SunWest and Worcester;
- an unrealised forex loss of R80 million (R45 million after tax attributable to the group) on US Dollar denominated shareholder loans owed by the Federal Palace property in Nigeria;

EBITDA			Operating profit		
31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
<b>1 279</b>	1 292	2 601	<b>845</b>	904	1 809
<b>1 152</b>	1 292	2 546	<b>757</b>	904	1 774
<b>127</b>	–	55	<b>88</b>	–	35
<b>622</b>	224	565	<b>386</b>	104	291
<b>203</b>	224	505	<b>67</b>	104	252
<b>419</b>	–	60	<b>319</b>	–	39
<b>(1)</b>	18	15	<b>(15)</b>	(4)	(32)
<b>1 900</b>	1 534	3 181	<b>1 216</b>	1 004	2 068
<b>–</b>	–	–	<b>(394)</b>	(989)	(1 142)
<b>1 900</b>	1 534	3 181	<b>822</b>	15	926

- reversal of deferred tax assets of R87 million (R47 million attributable to the group) of Ocean Sun Casino and Sun Nao Casino; and
- amortisation of R104 million of Dreams S.A. intangibles (R41 million after tax attributable to the group). As indicated in the Profit and Dividend announcement for the financial year ended 30 June 2016, the intangibles recognised on the Dreams S.A. purchase price allocation will be amortised with the amortisation charge being recognised as an adjusted headline earnings adjustment.

Given the difficult trading conditions and the need to complete strategic group initiatives, particularly Time Square, and the need to reduce debt levels, the board has decided not to declare a dividend for the period under review.

## Commentary continued

### SEGMENTAL REVIEW

The implementation and consolidation of strategic initiatives makes the current period difficult to analyse and we have therefore provided a segmental review with the full periods trading of Dreams S.A. and GPI Slots. The review is based on actual historic performance as if the acquisitions had been implemented on 1 July 2015 (i.e. we have included Dreams S.A. and GPI Slots for the 2015 and 2016 financial periods under review). 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:

R million	South Africa			Latam		
	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
Revenue	5 149	5 115	10 223	2 451	2 371	4 991
EBITDA	1 279	1 405	2 765	622	614	1 315
Adjusted operating profit	845	980	1 918	389	379	821
PPA adjustment	–	–	–	(3)	–	(11)
Operating profit after PPA	845	980	1 918	386	379	810

	Nigeria			Total		
	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
	70	115	214	7 670	7 601	15 428
	(1)	18	15	1 900	2 037	4 095
	(13)	(1)	(26)	1 221	1 358	2 713
	(2)	(3)	(6)	(5)	(3)	(17)
	(15)	(4)	(32)	1 216	1 355	2 696

## Commentary continued

### South Africa

The current economic climate in South Africa continued to impact negatively on the group's core casino operations, with casino revenue down 2.7% following weaker than expected December 2016 trading. While the group's International VIP Gaming Business (IB) experienced an increase in volumes, this was offset by a low win percentage. GPI Slots continues to trade well, with revenue up 10%.

With comparable revenue (excluding IB and GPI Slots) flat on the prior corresponding period, EBITDA from South African operations was down 8%. EBITDA was also impacted by a R34 million charge incurred relating to the temporary conference centre at Sun City whilst renovations were underway.

R million	Revenue		
	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
GrandWest	1 105	1 129	2 178
Sun City	896	821	1 627
Sun City – IB	(30)	(11)	153
Sun City – vacation club accounting adjustment	(60)	(55)	(124)
Sibaya	581	602	1 178
Carnival City	526	561	1 108
Boardwalk	289	308	604
Wild Coast	244	242	471
Meropa	167	158	316
Windmill	138	148	289
Flamingo	91	94	182
Golden Valley	85	83	165
GPI Slots and Sunbet	540	484	967
Management and corporate office	295	300	600
Carousel	158	165	322
Table Bay	167	143	310
Morula	107	113	218
Maslow	78	70	139
Naledi	12	12	24
Fish River	15	14	25
	5 404	5 381	10 752
Consolidation adjustment for GPI pre acquisition	–	(468)	(702)
Intercompany management fees	(255)	(267)	(529)
	5 149	4 646	9 521

	EBITDA			Operating profit		
	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
	440	453	879	369	385	749
	78	107	222	(20)	18	37
	(55)	(19)	2	(55)	(19)	2
	(40)	(34)	(99)	(40)	(34)	(99)
	186	201	393	159	165	322
	141	171	343	102	132	265
	49	65	126	8	24	42
	43	44	90	18	16	34
	59	52	110	48	42	90
	47	49	97	37	39	77
	25	29	57	17	23	43
	17	13	31	10	6	13
	129	110	214	90	73	137
	97	114	193	77	104	170
	31	37	66	17	23	37
	37	28	66	29	20	51
	15	10	24	13	1	22
	(8)	(13)	(24)	(20)	(25)	(48)
	(1)	(2)	(4)	(2)	(2)	(4)
	(11)	(9)	(21)	(12)	(10)	(22)
	1 279	1 406	2 765	845	981	1 918
	–	(112)	(164)	–	(77)	(109)
	–	–	–	–	–	–
	1 279	1 294	2 601	845	904	1 809

## Commentary continued

### GrandWest (Western Cape)

Lower gaming revenues resulted in a revenue reduction of 2%. Costs were well managed with the decrease in EBITDA contained to 3%. A Sun Park (events and exhibition facility) has been opened and will help drive significant footfall. Upgrades to the gaming floor have taken place including the establishment of a Sun Lounge (VIP gaming area).

### Sun City (North West)

Total revenue increased by 7% with gaming revenue up 3% and rooms revenue up 10%. EBITDA decreased by 48% predominantly as a result of a non-recurring rental cost of R34 million for the temporary conferencing facility mentioned above. Excluding this rental cost, EBITDA would have increased by 1%.

Sun Central was opened in November 2016 following a R375 million refurbishment and upgrade of the conference and entertainment centre. Hotel occupancy levels have increased and the conferencing facility is almost fully booked for the 2017 financial year.

A number of cost saving initiatives and process streamlining are underway with the resultant benefit expected to materialise in the 2017 calendar year.

### Sibaya (KwaZulu-Natal)

Revenue decreased by 4% and EBITDA decreased by 8% with costs, excluding gaming levies and VAT, in line with the previous year. The property will be opening new restaurants and a Sun Park while an expansion of the gaming area is under review.

### Carnival City (Gauteng)

Despite increased footfall, gaming revenue at Carnival declined by 8% largely as a result of a reduction in average spend and a 16% drop in tables' revenue. Overall costs excluding gaming taxes were down 1%. EBITDA declined by 18%.

The property is currently undergoing a refresh of its retail and food and beverage offering and a Sun Park exhibition and eventing facility has been completed.

### Boardwalk (Eastern Cape)

Competition from Electronic Bingo Terminal (EBT) operations within the Boardwalk's catchment area and a weak regional economy, continue to impact gaming revenues. Revenue decreased by 5% and EBITDA by 24%. Costs excluding gaming taxes were up by 2%.

### Other Casinos

The smaller urban casinos which include Meropa (Limpopo), Windmill (Free State), Flamingo (Northern Cape) and Golden Valley (Western Cape) generally performed satisfactorily with revenue flat on the prior period and EBITDA growth of 3%.

A new 60 room hotel at a cost of R74 million is currently under construction at Meropa with an expected opening around August 2017.

### Morula and Carousel

As previously communicated, the current casino at Morula will be closed as the licence is being relocated to Time Square and Morula itself will be closed. Options, including the selling or downscaling of the Carousel are being considered, as it will be impacted by Time Square.

### Management and Corporate office

Management fees and related income of R295 million were 2% lower than last year, primarily due to the lower EBITDA of the operating units. The reduction in management fees was partially offset by project fees charged on the Time Square project. Costs increased by 6% with EBITDA declining by 15%. With the opening of Time Square certain head office staff will be relocated to that operation.

### Nigeria

The environment in Nigeria continues to deteriorate and as a result, revenue during the period, decreased by 39% while EBITDA recorded a loss of R1 million compared to the prior corresponding period's R18 million profit.





Sun City

## Commentary continued

### Latin America

The integration of Sun International's Latin American operations and Dreams S.A. is progressing well.

The table below includes the historic trading of Sun Dreams for the full 30 June 2016 financial year and six month period ended 31 December 2015 and has converted these periods at the average exchange rate for the year ended 31 December 2016 to enable comparisons in Rands.

R million	Revenue		
	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
Monticello	952	956	1 905
Dreams SCJ licences	809	781	1 555
Dreams Municipal licences	432	435	877
Central office	–	–	–
<b>Chile total</b>	<b>2 193</b>	<b>2 172</b>	<b>4 337</b>
Ocean Sun	101	148	300
Sun Nao	17	20	45
Peru	140	145	278
<b>Total</b>	<b>2 451</b>	<b>2 485</b>	<b>4 960</b>
Dreams PPA adjustment on PP & E	–	–	–
Constant currency adjustment	–	(114)	31
Dreams pre acquisition	–	(1 295)	(2 540)
<b>Consolidated</b>	<b>2 451</b>	<b>1 076</b>	<b>2 451</b>

### Chile

In local currency the Chilean operations, other than Iquique and Monticello, generally performed satisfactorily. Overall revenue from Chile increased by 1% and EBITDA was down by 1.5%. As mentioned, the operation in Monticello was impacted by the relocation of the toll road whilst Iquique, which is located in a copper mining region was impacted by the weak copper price.

Management has reduced costs at Iquique which should have a positive impact on margins going forward. At Monticello, the casino system was replaced in July 2016 and a new arena, additional smoking terrace and bar are currently under construction and due for completion by June 2017.

### Panama

Due to the restrictive banking practices in Panama, the VIP operations of the Ocean Sun Casino during the period under review have been kept to a minimum. This situation was largely resolved towards the end of 2016 which should have a positive impact on trading going forward.

A second very small operation, Sun Down Town, was opened to increase reach and to use underutilised slot machines. The premises are rented on a short term trial basis.

EBITDA			Operating profit		
31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016	31 Dec 2016	31 Dec 2015	Year ended 30 Jun 2016
262	277	565	193	211	430
304	289	520	285	262	419
159	160	268	132	130	182
(63)	(54)	–	(104)	(120)	–
662	672	1 353	506	483	1 031
(40)	(17)	(26)	(83)	(59)	(120)
(20)	(24)	(39)	(33)	(38)	(67)
20	13	12	(1)	(7)	(39)
622	644	1 300	389	379	805
–	–	–	(3)	–	(11)
–	(30)	15	–	(16)	16
–	(390)	(750)	–	(259)	(519)
622	224	565	386	104	291

## Commentary continued

### BORROWINGS

The group's borrowings at 31 December 2016 amounted to R14.5 billion, R455 million above the 30 June 2016 levels. The increase in borrowings is primarily attributable to:

- the purchase of a further 19.9% interest in GPI Slots (R262 million);
- expenditure on Time Square (R1.2 billion), offset by
- receipt of proceeds from the 10% sale of SunWest and Worcester to Tsogo in the prior period (R505 million); and
- Foreign Currency Translation Reserve movement on debt in foreign subsidiaries (R493 million reduction).

The group continues to remain within its debt covenants.

R million	Total debt	Share of debt	
		Minorities	Sun International
<b>South Africa</b>			
Subsidiaries	3 137	917	2 220
Time Square	3 313	828	2 485
Central Office	4 167	–	4 167
	10 617	1 745	8 872
<b>Nigeria</b>			
Shareholder loans	801	406	395
Sun International intercompany	(282)	(143)	(139)
	519	263	256
<b>Latam</b>			
Subsidiaries	2 478	1 126	1 352
Central office	903	–	903
	3 381	1 126	2 255
<b>31 December 2016</b>	<b>14 517</b>	<b>3 134</b>	<b>11 383</b>
30 June 2016	14 062	3 171	10 891

The group has unutilised borrowing facilities of R1.6 billion and available cash balances of R767 million.

## 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 31 December		
			2017	2018	2019
Time Square	4 225	2 425	1 371	429	–
Sun City	483	387	76	25	–
Entertainment Centre	370	351	24	–	–
Other projects	63	36	27	–	–
Vacation Club Phase 2	50	–	25	25	–
Monticello arena, smoking deck and bar	177	20	157	–	–
Meropa Hotel	74	12	62	–	–
	<b>4 959</b>	<b>2 844</b>	1 666	454	–

## SUBSEQUENT EVENTS

On 15 February 2017 Menlyn Maine exercised their right to acquire a 14.25% interest in Time Square. In terms of the agreement Menlyn Maine has a put option against the company for its 14.25% interest in Time Square which is exercisable on 30 June 2020.

The disposal of the Lesotho shareholding was completed on 16 February 2017 and the disposal of the remaining Namibian shareholding and management contract was completed on 23 March 2017.

## UPDATE ON STRATEGIC INITIATIVES

### Time Square

The construction of the new casino and entertainment complex, Time Square at Menlyn Maine, Tshwane is well advanced with an expected opening of the casino on 1 April 2017. The arena public opening is scheduled for November 2017 and the hotel in March 2018. To date, the cost of the development is in line with its R4.2 billion budget.

### GPI Slots

During November 2016, Sun International acquired a further 19.9% interest in GPI Slots for a consideration of R262 million, taking its shareholding in the company to 70%. The revenue and profits from GPI Slots have

been consolidated from 1 April 2016. The total purchase consideration for the three tranches acquired by Sun International was R765 million. Given the growth in EBITDA the acquisition consideration equates to a historical EBITDA multiple valuation of six times.

### Chile municipal licence bidding process

The bidding process for the Chile municipal casino licences has been delayed following their High Court's decision to hear objections from a number of third parties. The court's ruling is expected imminently and if any amendment in legislation is required the process will be further delayed. As a result of the delay, the municipal licences will be extended to 31 December 2018 in the event a new licence is not ready to operate before then. Sun Dreams is planning on bidding to renew its two licences, as well as bid for additional licences.

### Sun Dreams shareholders' put options

One of the minority shareholders in Sun Dreams has issued notice to the company requesting Sun Dreams to list on the Santiago or New York stock exchange through an initial public offering (IPO). On condition that appropriate market conditions exist, Sun International has the option to list Sun Dreams or if it chooses not to do so, the minority shareholder who requested the IPO will have the right to exercise its put option against the Company. If Sun Dreams

## Commentary continued

conducts an IPO, the minority shareholders' put options will fall away. Strategically the group would like to increase its interest in this business, subject to valuation and funding considerations.

### Disposal of the group's Africa portfolio to the Minor group

Final regulatory approval for the implementation of the disposal of the group's remaining interests in Botswana, Lesotho and Swaziland remain outstanding. As noted under subsequent events, the disposal of the Lesotho shareholding was completed on 16 February 2017 and the group received R19 million relating to this portion of the transaction. The disposal of the remaining Namibian shareholding and management contract was completed on 23 March 2017 and R35 million was received. The group is still expecting to receive R133 million in respect of the balance of interests in the Minor transaction.

### Tourist Company of Nigeria – Federal Palace

As announced on 22 August 2016, Sun International is pursuing its decision to exit this investment.

## CORPORATE GOVERNANCE

The group continues to embrace and implement best corporate governance practices, including the recommendations set out in King III, and has satisfied itself that during the period under review, it has complied in all material respects with the provisions of King III as well as with the Listings Requirements of the JSE. The group has commenced with applying the principles contained in King IV.

## CHANGES TO DIRECTORATE

On 3 October 2016, Ms CM Henry was appointed as an independent non-executive director of the company and has also been appointed as a member of the audit committee. On 21 November 2016, Ms L Mojela and Mr NB Morrison retired as non-executive directors.

Mr AG Johnston was appointed as the permanent group company secretary with effect from 16 November 2016 replacing Mr AM Leeming as the interim company

secretary on that same day. Mr GE Stephens stepped down as Chief Executive with effect from 31 January 2017 and Mr AM Leeming was appointed as the Chief Executive on 1 February 2017.

On 24 March 2017, Mr N Basthdaw was appointed as the new Chief Financial Officer and an executive director of the company.

## OUTLOOK

Sun International expects gaming revenue in South Africa to remain under pressure as a result of ongoing subdued economic conditions, increased personal income taxes and reduced disposable income. Hotel occupancy is however anticipated to grow for the remainder of the year and will be boosted by the refurbished conference and entertainment centre at Sun City, where forward bookings for conferences are well up on last year. The opening of the casino at Time Square in April 2017 is expected to have a positive impact on the group's performance going forward.

In Latin America, the Chilean economy, although still experiencing low GDP growth, is showing positive signs of an improvement with an increase in the copper price and low inflation and interest rates. Although trading in the early part of 2017 has remained subdued it is expected to pick up towards the end of the year.

Taking into account current trading conditions and the group's levels of indebtedness, the primary focus for the foreseeable future will be to reduce debt and ensure the successful implementation and integration of recent acquisitions.

## ACCOUNTING POLICIES

The condensed consolidated financial information for the period ended 31 December 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 Financial Pronouncements

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as issued by the Financial Reporting Standards and must also, as a minimum, contain the information required by IAS 34 "Interim Financial Reporting". The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those adopted in the financial statements for the year ended 30 June 2016.

## **REVIEW OPINION**

Sun International's condensed consolidated financial information for the year ended 31 December 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.

## **ANNUAL GENERAL MEETING: ANNUAL STATUTORY REPORT: INTEGRATED ANNUAL REPORT**

Sun International's 33<sup>rd</sup> annual general meeting will be held at The Maslow Hotel, Corner of Grayston Drive and Rivonia Road, Sandton, Johannesburg on Wednesday, 14 June 2017 at 09h00. Further details regarding the company's annual general meeting will be contained in Sun International's 2016 annual statutory report to be posted to shareholders during or about the middle of April 2017. Given the short time period which has elapsed since posting the company's previous integrated annual report (21 October 2016), no further integrated annual report will be delivered to shareholders in respect of the period under review.

For and on behalf of the board

**MV Moosa**  
*Chairman*

**AM Leeming**  
*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, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

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

### **Directors:**

MV Moosa (Chairman), IN Matthews (Lead Independent Director), AM Leeming (Chief Executive)\*, PD Bacon (British), ZBM Bassa, N Basthdaw (Chief Financial Officer)\*, PL Campher, EAMMG Cibie (Chilean), CM Henry, Dr NN Gwagwa, BLM Makgabo-Fiskerstrand, DR Mokhobo\*, GR Rosenthal

\* *Executive*

### **Group Company Secretary**

AG Johnston

24 March 2017

The image features a dark blue background with several thick, bright yellow, curved lines that overlap and create a sense of movement and depth. These lines form a large, abstract shape that resembles a stylized letter 'S' or a similar curve, dominating the upper and middle portions of the page.

**SUN INTERNATIONAL LIMITED**

Registration Number: 1967/007528/06 | Share Code: SUI | ISIN: ZAE 000097580