

# Report of the audit committee

I am pleased to present the report of the Sun International audit committee for year ended 31 December 2016.

The audit committee assists the board in fulfilling its responsibilities regarding the Company's corporate and financial reporting, internal controls, risk management as well as assessing the independence and effectiveness of the external auditors. This is supplemented with the statutory duties set out in the Companies Act, 2008. The committee also performs the requisite statutory functions on behalf of all subsidiaries within the group and reports to these subsidiary boards confirming the performance of its duties each year.

## Composition, meetings and assessment

The committee comprises of five independent, non-executive directors and meets at least three times per annum as per the committee mandate and terms of reference or more frequently as required. The Sun International chief executive, chief financial officer, director of group internal audit, the external auditor and other service providers (group tax manager and group finance manager) attend meetings by invitation.

From 1 January 2016 to date (taking into account the change in financial year end from June to December) six meetings were held.

Members	Feb 2016	May 2016	Aug 2016	Sep 2016	Nov 2016	Mar 2017
GR Rosenthal (Chairman) CA(SA)	Yes	Yes	Yes	Yes	Yes	Yes
PD Bacon FIH, National Diploma in Hotel Keeping and Catering, Standford Executive Programme	Yes	Yes	Yes	Apology	Yes	Yes
ZBM Bassa BAcc, Dip Acc, CA(SA)	Yes	Yes	Yes	Yes	Yes	Yes
PL Campher BEcon	Yes	Yes	Yes	Yes	Yes	Yes
CM Henry* CA(SA)	-	-	-	-	Yes (invitee)	Yes

\* Appointment confirmed by the board of directors on 21 November 2016

Yes – Attended

Apology – Submitted apologies and was granted leave of absence

The members of the committee as a whole, have the necessary financial literacy, skills and experience to discharge their duties effectively.

The committee's terms of reference prescribe that the effectiveness of the committee, its chairman and members should be assessed annually. Last year the committee's evaluation assessment was conducted internally following an external evaluation conducted in 2015. The results of the assessment reflected that the committee was performing its functions effectively and there were limited areas for improvement.

Following the assessment of the effectiveness of the committee as conducted by the nomination committee, the members of the committee are nominated by the board for re-election to the committee in the forthcoming financial year. Shareholders will vote on this recommendation at the upcoming 2017 annual general meeting.

## Role and responsibilities

The committee has executed its responsibilities in keeping with the recommendations of King III, the JSE Listings Requirements and the Companies Act, 2008. This is in addition to the supplementary responsibilities prescribed by our mandate and terms of reference, as approved by the board. Our key areas of responsibility are to:

- perform the statutory duties as prescribed by the Companies Act;
- oversee the group's integrated reporting process and assess the disclosures made to all stakeholders, which includes the annual financial statements for the year under review;
- considers risk and compliance management processes and the relevant assurance;
- consider the effectiveness of internal controls;
- oversee the appointment and function of internal and external audit and the non-audit services rendered during the year; and
- assess the independence and performance of both the internal and external audit processes and providers.

## Financial statements and accounting policies

The committee assessed the group's accounting policies and consolidated annual financial statements for the year ended 31 December 2016. The committee recommended the audited consolidated financial statements to the board for approval, which the board subsequently approved and which will be presented to shareholders at the 2017 annual general meeting.

The committee confirms that no reportable irregularities were identified and reported by the external auditors, during the period under review, in terms of the Auditing Profession Act 26 of 2005.

The committee did not receive any complaints relating to the accounting practices; internal audit; the content or auditing of the group's financial statements; the internal financial controls of the group; or any related matters.

## External auditor appointment and independence

The committee is satisfied that the group's external auditor, PricewaterhouseCoopers Inc. ("PwC") is independent, which review included the extent of non-audit work undertaken by PwC for the group and compliance with criteria relating to independence or conflicts of interest, as prescribed by the Independent Regulatory Board for Auditors. The requisite assurance was also sought and provided by PwC that internal governance processes within the audit firm support and demonstrate its claim to independence. A formal policy governs the process whereby PwC is considered for non-audit services and will be reviewed by the committee on an annual basis.

The committee, in consultation with executive management, agreed to the terms of the 31 December 2016 audit engagement letter, the audit plan and budgeted audit fees.

Following an assessment of the performance of PwC, the committee has nominated PwC for re-appointment as the group's external auditor at the 2017 annual general meeting. The committee satisfied itself that the audit firm and designated auditor are accredited in terms of the JSE list of auditors and their advisors.

## Significant matters and quality of the external audit

- **Put options relating to the acquisition of entities within the Sun Dreams Group**
- **Impairment of non-financial assets**

The procedures performed on the key audit matters have been discussed and agreed with management and have been presented to the audit committee.

The committee has satisfied itself that the procedures performed are adequate and appropriate. Refer to the Independent Auditor’s Report presented on pages 8 and 9 for the detailed description of the key audit matters.

## Governance of risk

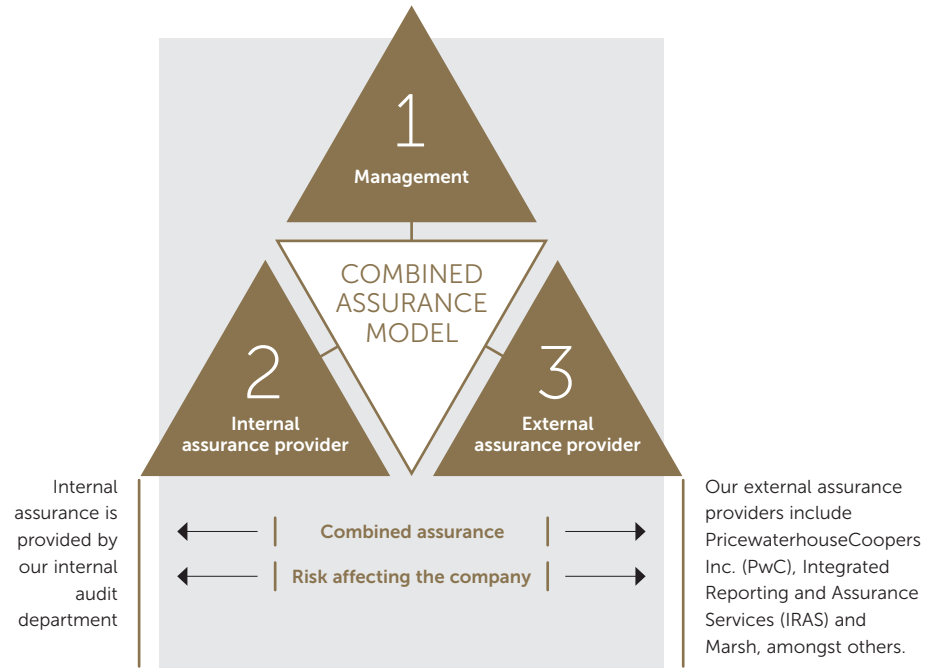
The committee’s chairman is a member of the risk committee and the chairman of the risk committee is a member of the audit committee. This intentionally provides the audit committee with oversight of the group’s risk management function, including the risks relating to operational, financial reporting, fraud, internal control, IT governance and compliance, amongst others. The group’s strategic risk register and risk committee minutes are also included in the audit committee meeting pack for review.

## Combined assurance

The group’s combined assurance model assists the group with understanding and demonstrating its combined lines of defence in mitigating against areas of risk. Last year, management expanded the model further in order to detail further evidence of the various lines of defence. The group’s assurance model is robustly evaluated by management, the risk committee and the audit committee during the year and provides the committee with the assurance that adequate assurance is provided for the mitigation of key risks across the group.

The group’s combined assurance model as depicted at a high level below was incorporated into the group’s top 20 risks for the year under review.

## Combined assurance model



## Group internal audit

The committee is mandated to ensure that the internal audit function is independent, properly resourced and effective. The independence, resources and effectiveness of group internal audit (GIA) is assessed annually by the committee while in 2015 an independent quality assurance review as required by the Institute Of Internal Auditors was conducted.

The purpose, authority and responsibilities of GIA are formally defined in an internal audit charter, which is reviewed and approved by the committee annually. GIA is designed to maintain an appropriate degree of independence from management in order to render impartial and unbiased judgments in performing its services. The scope of its function includes:

- performing independent evaluations of the adequacy and effectiveness of group controls, financial reporting mechanisms and records, information systems and operations;
- reporting on the adequacy of these controls;
- providing additional assurance regarding the safeguarding of assets and financial information; and
- reviewing and providing opinions on the effectiveness of the group's risk management processes and internal financial controls.

The director of GIA is accountable to the committee chairman and reports administratively to the chief financial officer. GIA is functionally independent from the activities audited and the day to day internal control processes of the organisation. GIA provides management and the committee with independent evaluations and examinations of the group's activities and resultant business risks.

It is also responsible for monitoring and evaluating operating procedures and processes including, inter alia, gaming compliance, the Responsible Gambling Programme compliance, operational health and safety, and environmental audits. To minimise the duplication of effort, risk assessment in Sun International is coordinated through interaction between GIA and the audit and risk committees. The director of GIA reports at audit and risk committee meetings and has unrestricted access to the chairmen of these committees with whom she meets, independent of management, several times during the year. The appointment or dismissal of the director of GIA requires the agreement of the audit committee.

The head of GIA also attends the social and ethics committee meetings to provide feedback on audits considered relevant to the work of that committee.

## Internal financial controls

The board of directors is responsible for the group's systems of internal financial controls. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements. The systems also safeguard, verify and maintain accountability of group assets, as well as to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations. The board has tasked the committee to oversee the testing of the group's internal financial controls.

The committee confirms that GIA has adequately tested the group's internal financial controls to provide the board with positive assurance on the key areas of the group's internal financial controls.

The committee is of the opinion having received the written assurance provided by GIA that the group's systems of internal financial controls in all key material aspects is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the group's financial statements.

## Internal controls

The controls throughout the group concentrate on all risk areas with an emphasis on critical risk areas in the casino and hotel control environments.

These risk areas are closely monitored and subjected to GIA reviews. Furthermore, assessments of the information technology environments are also performed. Continual review and reporting structures enhance the control environments. GIA is of the opinion that the control environment of the group is adequate and effective in meeting the risks to which the group is exposed.

## Evaluation of the expertise and experience of the chief financial officer and the finance function

The committee satisfied itself that the expertise and experience of the chief financial officer, Mr AM Leeming, is appropriate. Mr AM Leeming, the chief executive, continued to fill this role up until the appointment of Mr N Basthdaw as the chief financial officer on 24 March 2017.

The committee also satisfied itself that the expertise and resources within the finance function are appropriate, as is the experience of the senior members engaged to perform the financial responsibilities within the group.

## Going concern

Based on the results of the committee's assessment of the going concern, the committee believes that no material uncertainties existed to impact the going concern of the group and was comfortable in recommending to the board that the group will be a going concern for the next financial year and that the going concern basis of accounting was appropriately applied.

The committee having fulfilled its responsibility has recommended the consolidated audited financial statements for the year ended 31 December 2016 for approval by the board of directors.



**GR Rosenthal**  
Chairman of the audit committee

# Company secretary's certificate

for the year ended 31 December 2016

## To the members of Sun International Limited

I certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, all such returns required of a public company in terms of the Companies Act, No. 71 of 2008, as amended, in respect of the period from 1 July 2016 to 31 December 2016 and that all such returns are true, correct and up to date.



**AG Johnston**  
Company secretary

21 April 2017

# Independent auditor's report

## To the Shareholders of Sun International Limited Report on the audit of the consolidated financial statements

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sun International Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

Sun International Limited's consolidated financial statements set out on pages 16 to 77 comprise:

- the consolidated statements of financial position as at 31 December 2016;
- the consolidated statements of comprehensive income for the six months then ended;
- the consolidated statements of changes in equity for the six months then ended;
- the consolidated statements of cash flows for the six months then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

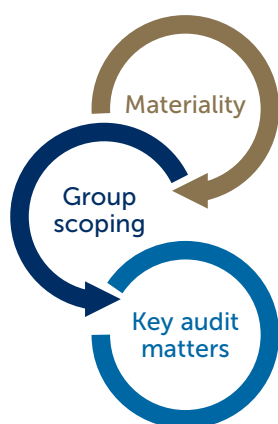
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

### Our audit approach

#### Overview



#### Overall group materiality

- R 37 043 006, which represents 5% of adjusted profit before tax.

#### Group audit scope

- There are 64 reporting units within the group with the most significant operations located in South Africa and Latin America.
- The main indicators used to identify significant components are revenue and total assets.
- We communicated group audit instructions to component auditors.
- The Group engagement team visited the component team responsible for the Sun Dreams consolidation.

#### Key audit matters

- Put option relating to the acquisition of entities with the Sun Dreams Group.
- Impairment of non-financial assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us

to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<b>Overall group materiality</b>	R37 043 006
<b>How we determined it</b>	5% of profit before tax adjusted for one off impairment losses recognised during the period.
<b>Rationale for the materiality benchmark applied</b>	<p>We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</p> <p>Profit before tax was adjusted for one off impairment losses recognised during the period as these are unrelated to normal business operations and not expected to re-occur.</p> <p>We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</p>

**How we tailored our group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. This scoping included consideration of significant components as well as taking into consideration sufficiency of work performed over material line items in the financial statements.

To ensure that the audit teams both at Group and at operational levels included the appropriate skills and competencies, experts in valuations, IT, actuarial, and tax were included in the team structures.

The Group operates across two different geographical locations – Latin America and Africa. The group financial statements are a consolidation of 64 reporting units, comprising the group's operating businesses and centralised functions. An analysis was performed, taking into account profit before tax and total assets of individual units, in order to identify significant components on which full scope audits were performed. In addition, specified audit procedures were performed on certain account balances for additional entities. The group engagement team also performed audit and review procedures over the remaining balance and the consolidation process.

In accordance with the ISAs, we determined the level of involvement we needed to have in the audit work at the various locations in order to be satisfied that sufficient audit evidence and quality of work has been performed at all levels within the Group in order to express an opinion on the Sun International Group results. A combination of procedures were performed, such as a visit to foreign operations in Latin America, and detailed group audit instructions and reporting. A comprehensive audit approach and strategy session was held for significant and local component teams before commencing their respective audits. In addition, various calls and discussions throughout the planning, execution and completion phases were held with significant components.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
<b>Put option relating to the acquisition of entities within the Sun Dreams Group ("Dreams")</b>	
<p><b>Dreams put option:</b> As part of the acquisition of entities within the Dreams Group during the year ended 30 June 2016, Sun International provided the non-controlling shareholders of the Sun Dreams Group a put option on their shares. IFRS provides specific guidance on such instruments and requires recognition of the financial liability, based on the strike price thereof.</p> <p>For further detail refer to Note 16, page 44 (financial disclosures) and page 73 (accounting policy).</p>	<p>Our audit procedures to assess the assumptions used within the liability calculation included an analysis of the results of the Dreams operations for the past financial period, discussions with management and review of contracts and minutes for the period.</p> <p>We tested the accuracy of the calculation supporting the liability at year end. We assessed the key inputs in the calculations, for example growth rates, discount rates and other significant assumptions by reference to the approved forecasts and data external to the group.</p>



Key audit matters	How our audit addressed the key audit matter
<b>Put options relating to the acquisition of entities within the Sun Dreams Group ("Dreams") (continued)</b>	
<p>The put option liability value as at 31 December 2016, R3 365 million (denominated in CLP as CLP 165,490,277,261), incorporates elements of judgement and assumptions (growth rates, discount rates, EBITDA multiples) which would have a significant impact on the total liability recognised should there be a slight change in any of these. The final liability recognises the value which would be due by Sun International should the option be exercised in future.</p>	<p>We obtained management's calculation of the translation of the Pesos balances and recalculated results to South African Rand for disclosure in the financial statements.</p> <p>We used our valuation expertise in testing the key assumptions within the liability valuation, specifically surrounding the EBITDA multiple applied to each entity in the Group, as well as the present value percentage used to calculate the value of the put option liability. The assumptions used by management were found to be within an acceptable range.</p> <p>We agreed all prior year amounts to audited financial statements.</p>
<b>Impairment of non-financial assets</b>	
<p>An impairment review of non-financial assets is performed when there is an indication that these may be impaired. Goodwill is tested annually for impairment or whenever there is an impairment indicator.</p> <p>The Group determines the recoverable amount of non-financial assets at the higher of fair value less costs of disposal and value in use. The recoverable amount is determined by using the discounted cash flow model.</p> <p>Refer to the <i>Critical accounting estimates and assumptions</i> section, note 11 (Property, plant and equipment) and note 12 (Intangible assets) to the consolidated financial statements where the impairment of non-financial assets have been discussed.</p> <p>The impairment of non-financial assets was of most significance to our audit due to the amount of goodwill recognised within the Sun International Limited Group ("SIL Group"). Given the materiality of non-financial assets, an impairment could have a significant impact on the financial statements, and it involved significant assumptions around growth and discount rates.</p> <p>In the current year the following impairments have been recognised on consolidation:</p> <ul style="list-style-type: none"> <li>• Columbia (R61 million)</li> <li>• Morula division (R18 million)</li> <li>• Carousel division (R184 million)</li> </ul> <p>Refer to note 11 (Property, plant and equipment) where the impairment losses have been discussed in detail.</p>	<p>We tested the reasonableness of management's assumptions using our valuations expertise to independently calculate the discount rates, taking into account independent data, as well as the impact of economic and industry factors within the different countries in which each of the Cash Generating Units ('CGUs') are located. The discount rates used by management were found to be within an acceptable range.</p> <p>We also inspected each of management's impairment calculations to confirm the appropriateness of the discount rates used in their calculations.</p> <p>We verified the mathematical accuracy of the cash flow model and agreed inputs to supporting documentation such as the approved budgets for the individual units within the SIL Group. We also held discussions with management and the relevant PwC component teams to understand the basis for the assumptions used.</p> <p>In respect of the budgeting process we compared the current year actual results with the forecast December 2016 Budget, and obtained an understanding if variances were above a set threshold where the budgeted and actual results weren't closely aligned. Corroborating evidence was inspected to support variances, and thus the budgeting inputs are accepted as reasonable.</p>

**Other information**

The directors are responsible for the other information. The other information comprises the Directors' Report, the Report of the Audit Committee and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and no information is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the consolidated financial statements**

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were significant in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Sun International Limited for 33 years.



PricewaterhouseCoopers Inc.

**Director: Johan Potgieter**

Registered Auditor

Johannesburg

21 April 2017

# Directors' report

for the year ended 31 December 2016

## To the shareholders of Sun International Limited (Sun International)

The directors have pleasure in submitting the financial statements of the Sun International group for the year ended 31 December 2016. Kindly take note that the period covered by this directors' report is from 1 July 2016 to 31 December 2016.

## Nature of business

The Sun International group has interests in, and provides management services to businesses in the hotel, resort, casino and gambling industry. There has not been any material changes in the nature of the group's businesses from the prior year save for the transactions as detailed in the reviewed condensed consolidated financial statements released on SENS on 27 March 2017.

## Financial results

Particulars of the Sun International group's attributable earnings and earnings per share for the year ended 31 December 2016 are given in the statement of comprehensive income, whilst particulars of the Sun International group headline earnings per share for the year ended 31 December 2016 are given in note 9 of the financial statements.

Full details of the financial position and results of the Sun International group are set out in these financial statements.

## Dividends

The company has not declared a dividend for the year ended 31 December 2016.

For the year ended 30 June 2016, a final dividend of 135 cents per share was declared on 19 August 2016 and paid on 19 September 2016 and an interim dividend of 90 cents per share was declared on 19 February 2016 and paid on 22 March 2016.

## Associate companies and other investments

Particulars of the associate companies, joint ventures and other investments are provided in the group financial statements in notes 13 and 14.

## Corporate activity during the year and after the balance sheet date

Commentary on the nature of business of the company, and its subsidiaries, acquisitions, future developments and prospects of the group are addressed in the reviewed condensed consolidated financial statements of the company which were released on SENS on 27 March 2017.

## Share plans

Full particulars relating to awards and grants made under the various Sun International share plans are provided in note 22 to the group financial statements.

At the date of this report, a total of 10 780 000 ordinary shares remain reserved for the purposes of the company's employee share plans.

## Share capital

The total issued share capital of the company for the period under review constitutes 109 086 988 (2016: 109 086 988) ordinary shares. The company has an authorised share capital of 200 000 000 (2016: 200 000 000) ordinary shares.

Further details regarding the authorised and issued share capital appear as a note to the group's financial statements.

## Directorate

### Appointments:

During the period under review Mr NB Morrison and Ms CM Henry were appointed as directors to the company's board.

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

### Resignation:

On 31 January 2017, Mr GE Stephens resigned as an executive director and as Chief Executive of Sun International, to pursue an offshore opportunity.

### Retirements:

At the company's annual general meeting held on 21 November 2016, Mr NB Morrison and Ms LM Mojela retired from the company's board and did not make themselves available for re-election.

In addition thereto, Messrs PL Campher, IN Matthews and Medames ZBM Bassa and BLM Makgabo-Fiskerstrand retired from the board in accordance with clause 39.3 of the company's memorandum of incorporation but being eligible for re-election were duly re-elected to the company's board.

In terms of the company's memorandum of incorporation, Mr N Basthdaw, Mr EAMMG Cibie, Dr NN Gwagwa and Messrs MV Moosa and GR Rosenthal are required to retire by rotation at the upcoming annual general meeting to be held on 14 June 2017 and, being eligible, offer themselves for election/re-election, as the case may be.

Their profiles appear in the annual statutory report posted to shareholders on or about 21 April 2017 and which can be located on the company's website at <http://www.suninternational.com/investors>.

## Secretaries

On 16 November 2016, Mr AG Johnston was appointed as the Sun International group company secretary. He replaced Mr AM Leeming who had been appointed as the acting company secretary on 5 September 2016 and who resigned from this role upon Mr AG Johnston's appointment. The secretaries' business and postal addresses appear in the annual statutory report posted to shareholders on or about 21 April 2017 and which can be located on the company's website at <http://www.suninternational.com/investors>.

## Directors' interests

At 31 December 2016, the directors of the company held interests in 802 159 of the company's issued ordinary shares (30 June 2016: 750 660). Details of shares held per individual director and which includes restricted shares held through the various share schemes are listed below.

	Ordinary shares Direct beneficial		Ordinary shares indirect beneficial
	Unrestricted	Restricted	Unrestricted
<b>2016 – 31 December*</b>			
NN Gwagwa			70 224
AM Leeming*	92 422	69 098	
IN Matthews		2 723	
DR Mokhobo		37 733	
MV Moosa			143 345
GE Stephens	247 117	139 497	
<b>Total</b>	<b>339 539</b>	<b>249 051</b>	<b>213 569</b>

\* At the date of this report, these interests remain unchanged..

	Ordinary shares Direct beneficial		Ordinary shares indirect beneficial
	Unrestricted	Restricted	Unrestricted
2016 – 30 June			
NN Gwagwa			70 224
AM Leeming	79 285	65 214	
IN Matthews		2 723	
DR Mokhobo		31 031	
MV Moosa			143 345
GE Stephens	203 220	155 618	
<b>Total</b>	<b>282 505</b>	<b>254 586</b>	<b>213 569</b>

### Public and non-public shareholders (as at 31 December 2016)

Ordinary shares	Number of shareholders	%	Number of shares	%
<b>Non-Public Shareholders</b>	<b>18</b>	<b>0.33</b>	<b>12 879 023</b>	<b>11.81</b>
Directors and associates of the Company	6	0.11	803 280	0.74
Sun International Employee Share Trust and Plans	11	0.20	5 397 590	4.95
Dinokana Investments (Pty) Ltd*	1	0.02	6 678 153	6.12
<b>Public Shareholders</b>	<b>5 493</b>	<b>99.67</b>	<b>96 207 965</b>	<b>88.19</b>
<b>Total</b>	<b>5 511</b>	<b>100.00</b>	<b>109 086 988</b>	<b>100.00</b>

\* Excludes 41 606 shares allocated in terms of the Sun International Black Executive Management Trust and includes 3 646 497 treasury shares.

### Material shareholders

Beneficial shareholders (excluding directors) holding 5% or more of the company's listed ordinary shares as at 31 December 2016 were the following:

	Number of Shares	%
Dinokana Investments (Pty) Ltd	6 719 759*	6.16
Investment Solutions	5 866 576	5.38
<b>Total</b>	<b>12 586 335</b>	<b>11.54</b>

\* Includes 3 646 497 treasury shares.

### Special resolutions

The company passed three special resolutions during the period under review:

- approving the acquisition by the company or any of its subsidiaries of the company's shares;
- approving the remuneration of the non-executive directors; and
- amendment of the company's memorandum of incorporation.

Except for the above, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the Sun International group, were passed by the company or its subsidiaries during the period covered by this directors' report.

### Corporate governance

The board endorses the contents of the King Report on Governance for South Africa, 2009, as well as the King Code of Governance Principles for South Africa 2009 (the Code) and has satisfied itself that Sun International has complied throughout the period in all material aspects with the Code and the Listings Requirements of the JSE.

Sun International's compliance with paragraphs 3.84 and 8.63 (a) of the Listings Requirements of the JSE plus application of the Principles set out in the Code (as contained in a corporate governance register), appear on the company's website at <http://www.suninternational.com/investors/governance/>.

### Directors emoluments

The individual directors emoluments paid in respect of the financial period under review are contained in the audited financial statements in note 28.

### Repurchased equity securities

Neither Sun International nor any of its subsidiary companies repurchased any Sun International equity securities during the period covered by this directors' report.

### Borrowing powers and restrictive funding arrangements

In terms of its memorandum of incorporation, Sun International has unlimited borrowing powers. At 31 December 2016 unutilised borrowing facilities amounted to R1 591 million (30 June 2016: R991 million).

No restrictive funding arrangements were undertaken by Sun International or any of its subsidiaries during the period covered by this directors' report.

### Issues for cash

Sun International did not undertake any issues of securities for cash, whether general or specific, during the period covered by this directors' report.

### Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Sun International, comprising the statements of financial position at 31 December 2016 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes. In accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and the directors' report. In accordance with paragraph 8.62 (d) of the Listings Requirements of the JSE, Sun International has only published group consolidated financial statements given that the company's financial statements do not contain any significant additional information.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in the financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

### Approval of consolidated financial statements

The consolidated financial statements of Sun International, as identified in the aforementioned paragraph, were approved by the board of directors on 19 April 2017 and signed by:

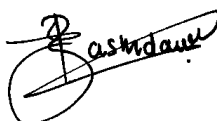
**For: Sun International Limited**



Mr MV Moosa  
Chairman



AM Leeming  
Chief Executive



N Basthdaw  
Chief Financial Officer

21 April 2017

# Group statements of comprehensive income

for the year ended

	Notes	31 December 2016 Rm	30 June 2016 Rm
<b>Continuing operations</b>			
<b>Revenue</b>	1	<b>7 670</b>	12 186
Other income		–	18
Consumables and services		(920)	(1 473)
Depreciation	11	(598)	(1 002)
Amortisation	12	(190)	(129)
Employee costs	2	(1 474)	(2 464)
Impairment of property, plant and equipment	11	(263)	–
Impairment of intangible assets	12	(6)	–
Levies and VAT on casino revenue		(1 446)	(2 388)
LPM site owners commission		(146)	(66)
Promotional and marketing costs		(485)	(723)
Property and equipment rentals	3	(117)	(202)
Property costs		(380)	(776)
Other operational costs		(823)	(1 064)
Time Square settlements		–	(748)
Monticello purchase price differential		–	(243)
<b>Operating profit</b>		<b>822</b>	926
Foreign exchange losses		(82)	(227)
Finance income	5	20	33
Finance expense	6	(542)	(756)
Fair value adjustment to put liability	16	247	–
Share of profit of investments accounted for using the equity method	13	1	18
<b>Profit/(loss) before tax</b>		<b>466</b>	(6)
Tax	8	(256)	(533)
<b>Profit/(loss) for the year from continuing operations</b>		<b>210</b>	(539)
Profit for the year from discontinued operations	21	4	36
<b>Profit/(loss) for the year</b>		<b>214</b>	(503)
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post employment benefit obligations	17	–	4
Tax on remeasurements of post employment benefit obligations		–	(1)
<i>Items that may be reclassified to profit or loss</i>			
Net loss on cash flow hedges		(50)	(21)
Currency translation reserve		(151)	220
<b>Total comprehensive income/(loss) for the year</b>		<b>13</b>	(301)



	Notes	31 December 2016 Rm	30 June 2016 Rm
<b>Profit/(loss) for the year attributable to:</b>			
Minorities		109	(89)
Ordinary shareholders		105	(414)
		214	(503)
<b>Total comprehensive (loss)/income for the year attributable to:</b>			
Minorities		(235)	(60)
Ordinary shareholders		248	(241)
		13	(301)
<b>Total comprehensive income/(loss) attributable to ordinary shareholders arises from:</b>			
Discontinued operations	21	4	36
Continuing operations		244	(277)
		248	(241)
<b>Earnings/(loss) per share (cents)</b>			
Basic	9	107	(422)
Continuing operations		103	(458)
Discontinued operations		4	36
Basic diluted	9	107	(422)

# Group statements of financial position

as at

	Notes	31 December 2016 Rm	30 June 2016 Restated* Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	17 371	16 984
Intangible assets	12	2 959	3 251
Equity-accounted investments	13	16	15
Available-for-sale investment	14	48	48
Pension fund asset	17	33	36
Deferred tax	8	878	365
Trade and other receivables	18	24	23
		21 329	20 722
<b>Current assets</b>			
Inventory	19	160	145
Trade and other receivables	18	1 320	1 889
Derivative financial instruments	15	–	2
Cash and cash equivalents	20	1 123	1 301
		2 603	3 337
<b>Non-current assets held for sale</b>	21	170	169
<b>Total assets</b>		24 102	24 228
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Ordinary shareholders' equity before put option reserve		2 013	2 703
Put option reserve		(4 651)	(5 252)
Ordinary shareholders' equity	22	(2 638)	(2 549)
Minorities' interests		3 171	3 671
		533	1 122
<b>Non-current liabilities</b>			
Deferred tax	8	820	343
Borrowings	23	10 731	9 980
Derivative financial instruments	15	5	20
Put option liability	16	4 651	5 252
Deferred income and other liabilities	17, 24	931	876
		17 138	16 471
<b>Current liabilities</b>			
Borrowings	23	3 786	4 082
Trade payables and accruals	25	2 452	2 402
Derivative financial instruments	15	66	–
Deferred income and other liabilities	24	81	103
		6 385	6 587
<b>Non-current liabilities held for sale</b>	21	46	48
<b>Total liabilities</b>		23 569	23 106
<b>Total equity and liabilities</b>		24 102	24 228

\* The statement of financial position has been restated due to the finalisation of the Dreams IFRS 3 purchase price allocation (see note 10) and the correction of the prior period error (see note 31).

# Group statements of cash flows

for the year ended

	Notes	31 December 2016 Rm	30 June 2016 Rm
<b>Cash flows from operating activities</b>			
Cash generated by operations before:	26.1	2 289	3 254
Time Square settlements		–	(715)
Vacation Club timeshare sales		83	161
Tax paid	26.2	(139)	(677)
<i>Net cash inflow from operating activities</i>		2 233	2 023
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment:			
for expansion purposes		(1 563)	(1 540)
for replacement purposes		(622)	(921)
Monticello purchase price differential		–	(345)
Disposal of property, plant and equipment		33	82
Purchase of intangible assets		(52)	(108)
Acquisition of subsidiaries	10	–	(272)
Disposal of investment in joint venture		–	226
Investment income		20	33
Other non-current loans repaid		–	6
<i>Net cash outflow from investing activities</i>		(2 184)	(2 839)
<b>Cash flows from financing activities</b>			
Minority shareholders' equity contribution		–	30
Purchase of additional shares in subsidiaries	10	(262)	–
Additional borrowings raised	26.4	1 467	4 996
Repayment of borrowings	26.4	(473)	(2 166)
Interest paid	26.3	(508)	(734)
Dividends paid	9	(321)	(543)
Proceeds from disposal of shares in subsidiaries	26.5	–	111
Cash paid for the purchase of treasury shares		(36)	(70)
<i>Net cash (outflow)/inflow from financing activities</i>		(133)	1 624
Effects of exchange rate changes on cash and cash equivalents		(91)	(13)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(175)	795
Cash and cash equivalents at beginning of year		1 309	514
<b>Cash held by discontinued operations</b>	21	(11)	(8)
Cash and cash equivalents at end of year		1 123	1 301
Cash flows from discontinued operations	21	3	2

# Group statements of changes in equity

	Notes	Share capital and premium Rm	Treasury shares and share options Rm	Foreign currency translation reserve Rm	Share-based payment reserve Rm
<b>Balance at 30 June 2015</b>		295	(542)	163	112
Profit for the year		–	–	–	–
Other comprehensive income		–	–	175	–
Total comprehensive income for the year		–	–	175	–
Treasury share options purchased	22	–	(2)	–	–
Net deemed treasury shares sold	22	–	(67)	–	–
Employee share schemes	22	–	13	–	17
Acquisition and disposal of minorities as part of the Dreams transaction		–	–	–	–
SunWest option	22	–	–	–	–
Dreams option		–	–	–	–
Delivery of share awards		–	–	–	–
Acquisition of minorities' interests		–	–	–	–
Subsidiary share issue		–	–	–	–
Dividends paid	9	–	–	–	–
<b>Balance at 30 June 2016 as previously reported</b>		295	(598)	338	129
Correction of PPA misallocation	31	–	–	–	–
Dreams merger PPA finalisation adjustment		–	–	(1)	–
<b>Balance as at 30 June 2016 – restated</b>		295	(598)	337	129
Profit for the year		–	–	–	–
Other comprehensive income		–	–	182	–
Total comprehensive income for the year		–	–	182	–
Net deemed treasury shares sold	22	–	(36)	–	–
Employee share schemes	22	–	30	–	(13)
Increase in SunWest option		–	–	–	–
Decrease in Dreams option		–	–	–	–
Foreign exchange on put option		–	–	(354)	–
Acquisition of minorities' interests		–	–	–	–
Dividends paid	9	–	–	–	–
<b>Balance at 31 December 2016</b>		<b>295</b>	<b>(604)</b>	<b>165</b>	<b>116</b>

\* Reserve for non-controlling interests relates to the premium paid on purchases of minorities' interests and profits and losses on disposals of interests to minorities.

	31 December 2016	30 June 2016
<b>Dividend per share declared for the financial year (cents)</b>		
<b>Ordinary shares</b>	–	225
Interim	n/a	90
Final	–	135

GROUP STATEMENTS OF CHANGES IN EQUITY CONTINUED

Available- for-sale investment reserve Rm	Reserve for non- controlling interests* Rm	Hedging and other reserve Rm	Retained earnings Rm	Ordinary shareholders' equity before put option reserve Rm	Put option reserve Rm	Ordinary shareholders' equity Rm	Minorities' interests Rm	Total Rm
4	(3 136)	1	5 428	2 325	–	2 325	421	2 746
–	–	–	(414)	(414)	–	(414)	(89)	(503)
–	–	(16)	14	173	–	173	29	202
–	–	(16)	(400)	(241)	–	(241)	(60)	(301)
–	–	–	–	(2)	–	(2)	–	(2)
–	–	–	–	(67)	–	(67)	–	(67)
–	–	–	21	51	–	51	–	51
–	1 496	–	–	1 496	–	1 496	2 114	3 610
–	–	–	–	–	(1 272)	(1 272)	–	(1 272)
–	–	–	–	–	(3 980)	(3 980)	–	(3 980)
–	–	–	(4)	(4)	–	(4)	–	(4)
–	604	–	–	604	–	604	106	710
–	–	–	–	–	–	–	30	30
–	–	–	(266)	(266)	–	(266)	(277)	(543)
4	(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
4	(2 228)	(15)	4 779	2 703	(5 252)	(2 549)	3 671	1 122
–	–	–	105	105	–	105	109	214
–	–	(39)	–	143	–	143	(344)	(201)
–	–	(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)
<b>4</b>	<b>(2 411)</b>	<b>(54)</b>	<b>4 502</b>	<b>2 013</b>	<b>(4 651)</b>	<b>(2 638)</b>	<b>3 171</b>	<b>533</b>

# Notes to the group 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. The comparative period is from 1 July 2015 to 30 June 2016.

## Overall accounting basis

All policies stated in the consolidated financial statements relate to the group and the companies within the group. The consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements (FRP) as issued by the Financial Reporting Standards Council (FRSC) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), effective at the time of preparing these financial statements and in compliance with the JSE Listings Requirements and the Companies Act of South Africa.

The financial statements have been prepared under the historical cost convention except as disclosed in the annexure to these financial statements. The policies used in preparing the financial statements are consistent with those of the previous year except in instances where new accounting standards or amendments have been adopted.

Preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

## Early adoption of the amendment to IAS 1 – Presentation of financial statements

During the prior financial year, the group undertook a project to adopt the principles as included in the amendment to IAS 1. The results of this project are evident in the financial statements and notes that follow. Examples of significant changes include the following:

- (a) deletion of immaterial notes;
- (b) presentation of operating cash flows, in the statement of cash flows, using the indirect method;
- (c) aggregation of immaterial line items;
- (d) amendment of the notes' format; and
- (e) disclosure of additional information to improve the understanding of users.

We will continue to assess what information is material and relevant.

## Early adoption of the amendment to IAS 7 – Statement of cash flows

The group also early adopted the amendment to IAS 7 introducing additional disclosure related to changes in liabilities arising from financing activities in the prior financial year (refer to note 26.4).

## Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### Asset useful lives and residual values

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The group has not made any material adjustments to the useful lives and residual values in the past.

#### Impairment of assets

Property, plant and equipment and intangible assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. If the information to project future cash flows is not available or could not be reliably established, management uses the best alternative information available to estimate a possible impairment (refer to notes 11 and 12).

**Valuation of derivatives and other financial instruments**

The valuation of derivatives and financial instruments is based on the market conditions at the statement of financial position date. The value of the instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the statement of financial position date (refer to note 15).

**Estimated impairment of goodwill**

The group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 11).

**Dreams put option liability**

The Dreams put option liability is denominated in Chilean Pesos and incorporates elements of judgement and assumptions such as growth rates, discount rates and EBITDA multiples which would have a significant impact on the total liability recognised should there be a slight change in any of these. The final liability recognises the value which would be due by Sun International should the option be exercised in future. The value of the put option was determined based on the merged businesses agreed value which was increased by a growth rate for two years and discounted back at a discount rate. Refer to note 16 of the financial statements for the disclosure thereof.

**(b) Critical judgements in applying the entity’s accounting policies**

**Pension fund asset**

Management needed to assess whether or not the group had an unconditional right to a refund in respect of the surplus from the pension plan. A legal interpretation was obtained which indicated that the group does not have an unconditional right to the full refund of the surplus.

**Consolidation of an entity where the % ownership is less than 50%**

Management consider that the group has control over the Tourist Company of Nigeria Plc even though it has less than 50% of the voting rights. Control is determined by applying the Application Guidance of IFRS 10, which includes an assessment of various factors including, but not limited to the following:

- What the relevant activities are and how decisions about those activities are made – relevant activities include the efficient management of the property which the group is responsible for through its Management Agreement.
- Whether the rights of the investor give it the current ability to direct the relevant activities – the group appoints the key management of the company and these employees have the ability to direct the relevant activities
- The group has the largest individual shareholding

**Investments considered associates of the group**

Management has assessed the level of influence that the group has on its investments in Botswana (Gaborone Sun) and Lesotho (Lesotho Sun and Maseru Sun) where it holds 16% and 9% respectively. They have assessed that the group has significant influence even though its shareholding is below 20%. The group has representation on the board and manages the casino operations and consequently these investments have been classified as associates. The group has however entered into firm commitments to sell the remaining equity interests to Minor. Consequently these investments in associates are included as part of Non-current assets held for sale.

**Consolidation of Dreams**

On acquisition of the merged Dream entity, a detailed assessment was performed under IFRS 10 as to whom controls the new merged entity. Sun International currently hold a 55% interest in the merged entity. However, in terms of the shareholders agreement, the previous Dream’s shareholders were provided voting rights under certain conditions. These rights were assessed and determined to not be substantive but rather protective in nature and do not prevent Sun International from exercising control over the merged entity. It was concluded that the merged Dream’s entity should be consolidated.

**Exchange rates**

The exchange rates used in converting foreign subsidiaries statement of comprehensive income (average rate) and statement of financial position (closing rate) are set out below:

	31 December 2016		30 June 2016	
	Average rate	Closing rate	Average rate	Closing rate
United States Dollar	13.96	13.61	14.65	14.86
Chilean Peso	47.59	49.18	46.99	44.50
Nigerian Naira	21.92	22.37	13.77	19.01
Colombian Peso	212.99	217.25	211.59	197.80

	Casino		Tables		Slots	
	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm
<b>1. Segmental revenue analysis</b>						
<b>South African operations</b>	<b>3 458</b>	7 169	<b>470</b>	1 174	<b>2 988</b>	5 995
GrandWest	<b>1 063</b>	2 097	<b>146</b>	260	<b>917</b>	1 837
Sun City	<b>266</b>	513	<b>44</b>	81	<b>222</b>	432
Sibaya	<b>544</b>	1 108	<b>112</b>	238	<b>432</b>	870
Carnival City	<b>486</b>	1 036	<b>84</b>	209	<b>402</b>	827
Boardwalk	<b>238</b>	491	<b>22</b>	47	<b>216</b>	444
Wild Coast Sun	<b>185</b>	356	<b>26</b>	53	<b>159</b>	303
Carousel	<b>148</b>	303	<b>13</b>	24	<b>135</b>	279
Meropa	<b>154</b>	292	<b>16</b>	29	<b>138</b>	263
Table Bay	–	–	–	–	–	–
Windmill	<b>132</b>	277	<b>18</b>	47	<b>114</b>	230
GPI Slots	–	–	–	–	–	–
Morula	<b>100</b>	202	<b>10</b>	14	<b>90</b>	188
Flamingo	<b>83</b>	168	<b>6</b>	13	<b>77</b>	155
Golden Valley	<b>79</b>	153	<b>3</b>	5	<b>76</b>	148
International Business	<b>(30)</b>	154	<b>(30)</b>	154	–	–
Maslow	–	–	–	–	–	–
Other operating segments*	<b>10</b>	19	–	–	<b>10</b>	19
Management and corporate office	–	–	–	–	–	–
<b>Federal Palace</b>	<b>31</b>	102	<b>5</b>	22	<b>26</b>	80
<b>Latam operations</b>	<b>2 062</b>	2 167	<b>463</b>	700	<b>1 599</b>	1 467
Monticello	<b>840</b>	1 698	<b>269</b>	477	<b>571</b>	1 221
Dreams SCJ licences	<b>588</b>	94	<b>44</b>	7	<b>544</b>	87
Dreams Municipal licences	<b>393</b>	61	<b>51</b>	7	<b>342</b>	54
<b>Chile total</b>	<b>1 821</b>	1 853	<b>364</b>	491	<b>1 457</b>	1 362
Ocean Sun Casino	<b>85</b>	255	<b>54</b>	178	<b>31</b>	77
Sun Nao Casino	<b>16</b>	40	<b>8</b>	28	<b>8</b>	12
Sun Dreams Peru	<b>140</b>	19	<b>37</b>	3	<b>103</b>	16
<b>Intercompany management fees</b>	–	–	–	–	–	–
<b>Total</b>	<b>5 551</b>	9 438	<b>938</b>	1 896	<b>4 613</b>	7 542

\* Other operating segments is made up of Sunbet, Fish River and Naledi.



Rooms		Food and Beverage		Alternative revenue		Other		Total	
Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm
481	862	444	808	540	270	480	941	5 403	10 050
1	3	27	52	–	–	13	26	1 104	2 178
248	418	202	351	–	–	120	220	836	1 502
7	12	27	51	–	–	4	7	582	1 178
3	7	26	46	–	–	11	18	526	1 107
17	42	27	58	–	–	6	13	288	604
21	42	22	44	–	–	16	28	244	470
3	7	–	1	–	–	7	12	158	323
–	–	12	22	–	–	1	2	167	316
128	233	35	67	–	–	4	10	167	310
–	–	6	11	–	–	–	1	138	289
–	–	–	–	516	238	–	–	516	238
–	2	6	12	–	–	2	3	108	219
–	–	7	13	–	–	–	1	90	182
1	2	5	9	–	–	–	–	85	164
–	–	–	–	–	–	–	–	(30)	154
45	83	32	54	–	–	1	2	78	139
7	11	10	17	24	32	1	2	52	81
–	–	–	–	–	–	294	596	294	596
17	53	17	47	–	–	4	12	69	214
110	29	280	223	–	–	–	32	2 452	2 451
10	17	102	175	–	–	–	29	952	1 919
87	10	135	13	–	–	–	–	810	117
13	2	26	3	–	–	–	–	432	66
110	29	263	191	–	–	–	29	2 194	2 102
–	–	16	30	–	–	–	2	101	287
–	–	1	2	–	–	–	1	17	43
–	–	–	–	–	–	–	–	140	19
–	–	–	–	–	–	(254)	(529)	(254)	(529)
608	944	741	1 078	540	270	230	456	7 670	12 186

	EBITDA		Depreciation and amortisation		Operating profit	
	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm
<b>1. Segmental analysis</b>						
<b>South African operations</b>	<b>1 279</b>	2 601	<b>434</b>	793	<b>616</b>	1 809
GrandWest	440	879	70	131	369	749
Sun City	38	123	98	185	(50)	(62)
Sibaya	186	393	27	71	159	322
Carnival City	141	343	40	78	102	265
Boardwalk	49	126	42	83	10	42
Wild Coast Sun	43	90	25	56	18	34
Carousel	31	66	14	29	(166)	37
Meropa	59	110	11	21	48	90
Table Bay	37	66	8	15	29	51
Windmill	47	97	10	20	37	77
GPI Slots	127	55	39	20	88	35
Morula	15	24	2	2	(11)	22
Flamingo	25	57	8	14	17	43
Golden Valley	17	31	7	18	10	13
International Business	(55)	2	–	–	(55)	2
Maslow	(8)	(24)	12	24	(26)	(48)
Other operating segments <sup>3</sup>	(9)	(30)	1	3	(13)	(33)
Time Square	–	–	–	–	–	–
Management and corporate office	96	193	20	23	50	172
<b>Federal Palace</b>	<b>(1)</b>	15	<b>14</b>	47	<b>(15)</b>	(32)
<b>Latam operations</b>	<b>622</b>	566	<b>340</b>	292	<b>221</b>	291
Monticello	262	570	69	136	181	433
Dreams SCJ licences	304	39	71	21	60	30
Dreams Municipal licences	159	22	58	11	77	14
Central Office	(63)	–	50	–	116	–
<b>Chile total</b>	<b>662</b>	631	<b>248</b>	168	<b>434</b>	477
Ocean Sun Casino	(40)	(25)	43	90	(81)	(115)
Sun Nao Casino	(20)	(39)	13	27	(96)	(66)
Sun Dreams Peru	20	(1)	36	7	(36)	(5)
<b>Total operating segments</b>	<b>1 900</b>	3 182	<b>788</b>	1 132	<b>822</b>	2 068
<b>Other</b>	<b>–</b>	(1)	<b>–</b>	(1)	<b>–</b>	(1 142)
Elimination of intragroup	–	(1)	–	(1)	–	–
Discontinued operations	–	–	–	–	–	–
Other income	–	–	–	–	–	21
Other expenses	–	–	–	–	–	(1 163)
Equity accounted earnings	–	–	–	–	–	–
Minorities' interest	–	–	–	–	–	–
<b>Total</b>	<b>1 900</b>	3 181	<b>788</b>	1 131	<b>822</b>	926

<sup>1</sup> Minorities interests are calculated at the adjusted headline earnings level.

<sup>2</sup> Adjusted headline earnings include adjustments made for certain items of income or expense. These adjustments include pre-opening expenses and material items considered to be outside the normal operating activities of the group and/or of a non-recurring nature.

<sup>3</sup> Other operating segments is made up of SunBet, Fish River and Naledi.

Net interest paid		Tax		Minorities' interest <sup>1</sup>		Adjusted headline earnings <sup>2</sup>	
Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm
332	460	134	512	174	317	324	935
27	47	101	205	95	154	241	495
48	15	(42)	(30)	–	–	(63)	(54)
15	28	43	86	38	77	101	207
26	47	22	64	5	14	53	154
51	60	1	(9)	(9)	(2)	(39)	(9)
17	32	–	1	–	–	–	1
(4)	–	(45)	11	–	–	15	26
5	9	13	23	10	19	31	57
22	46	–	–	–	1	7	5
5	9	9	19	7	15	23	49
7	4	24	(16)	17	23	57	46
(1)	–	4	–	–	–	11	22
4	7	4	10	3	7	10	26
–	5	3	4	3	2	7	4
–	–	–	–	–	–	(55)	2
–	(1)	(7)	4	–	–	(14)	(45)
–	–	(1)	(2)	–	(4)	(13)	(33)
–	7	(13)	–	–	–	–	–
111	145	18	142	5	11	(48)	(18)
21	42	(1)	(2)	(18)	(37)	(35)	(72)
77	221	123	23	105	17	201	36
57	122	32	66	56	15	125	256
3	1	11	(3)	41	11	90	25
3	–	14	–	42	–	94	–
7	–	1	–	22	–	16	–
70	123	58	63	161	26	325	281
–	81	30	(7)	(36)	(8)	(80)	(192)
–	17	40	(33)	(15)	(1)	(34)	(53)
7	–	(5)	–	(5)	–	(10)	–
430	723	256	533	261	297	490	899
66	–	–	–	2	2	(258)	(245)
–	–	–	–	–	–	–	–
–	–	–	–	2	2	2	35
–	–	–	–	–	–	–	–
66	–	–	–	–	–	–	–
–	–	–	–	–	–	–	18
–	–	–	–	–	–	(260)	(298)
496	723	256	533	263	299	232	654

	Assets		Borrowings		Liabilities		Capital expenditure	
	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm
<b>1. Segmental analysis</b>								
<b>South African operations</b>	<b>12 884</b>	12 177	<b>10 617</b>	9 617	<b>3 393</b>	3 400	<b>2 010</b>	2 380
GrandWest	<b>1 402</b>	1 310	<b>611</b>	544	<b>155</b>	173	<b>76</b>	155
Sun City	<b>3 055</b>	2 714	<b>1 907</b>	41	<b>872</b>	651	<b>387</b>	540
Sibaya	<b>843</b>	738	<b>302</b>	360	<b>130</b>	97	<b>64</b>	83
Carnival City	<b>837</b>	749	<b>626</b>	599	<b>119</b>	93	<b>97</b>	118
Boardwalk	<b>990</b>	988	<b>599</b>	483	<b>(131)</b>	111	<b>20</b>	53
Wild Coast Sun	<b>527</b>	488	<b>319</b>	339	<b>80</b>	62	<b>23</b>	36
Carousel	<b>127</b>	335	<b>(143)</b>	2	<b>28</b>	31	<b>3</b>	22
Meropa	<b>207</b>	179	<b>97</b>	111	<b>32</b>	31	<b>25</b>	25
Windmill	<b>241</b>	212	<b>107</b>	120	<b>27</b>	26	<b>10</b>	26
Table Bay	<b>159</b>	127	<b>319</b>	260	<b>44</b>	42	<b>13</b>	25
Morula	<b>30</b>	35	<b>(56)</b>	22	<b>25</b>	28	<b>5</b>	21
Flamingo	<b>126</b>	118	<b>85</b>	84	<b>16</b>	20	<b>10</b>	17
Golden Valley	<b>174</b>	158	<b>6</b>	8	<b>23</b>	22	<b>13</b>	20
Maslow	<b>138</b>	141	<b>–</b>	–	<b>362</b>	340	<b>5</b>	9
GPI Slots	<b>791</b>	703	<b>85</b>	8	<b>92</b>	91	<b>80</b>	17
International Rebate Business	<b>10</b>	(156)	<b>–</b>	–	<b>6</b>	(9)	<b>–</b>	–
Other operating segments	<b>49</b>	51	<b>27</b>	–	<b>256</b>	40	<b>1</b>	5
Time Square	<b>2 428</b>	1 264	<b>3 313</b>	186	<b>307</b>	666	<b>1 164</b>	1 221
Management and corporate office	<b>750</b>	2 023	<b>2 413</b>	6 450	<b>950</b>	885	<b>14</b>	(13)
<b>Federal Palace</b>	<b>450</b>	542	<b>519</b>	561	<b>55</b>	59	<b>2</b>	25
<b>Latam operations</b>	<b>9 597</b>	10 861	<b>3 381</b>	3 948	<b>752</b>	804	<b>206</b>	124
<b>Total operating segments</b>	<b>22 931</b>	23 580	<b>14 517</b>	14 126	<b>4 200</b>	4 263	<b>2 218</b>	2 529
Elimination of intragroup	<b>–</b>	–	<b>–</b>	(64)	<b>(896)</b>	(933)	<b>–</b>	–
<b>Total</b>	<b>22 931</b>	23 580	<b>14 517</b>	14 062	<b>3 304</b>	3 330	<b>2 218</b>	2 529
<b>Other</b>	<b>–</b>	–	<b>–</b>	–	<b>–</b>	–	<b>–</b>	–
Tax	<b>123</b>	114	<b>–</b>	–	<b>231</b>	71	<b>–</b>	–
Deferred tax	<b>878</b>	365	<b>–</b>	–	<b>820</b>	343	<b>–</b>	–
Put option liability	<b>–</b>	–	<b>–</b>	–	<b>4 651</b>	5 252	<b>–</b>	–
Non-current assets/liabilities held for sale	<b>170</b>	169	<b>–</b>	–	<b>46</b>	48	<b>–</b>	–
	<b>24 102</b>	24 228	<b>14 517</b>	14 062	<b>9 052</b>	9 044	<b>2 218</b>	2 529

	31 December 2016 Rm	30 June 2016 Rm
<b>2. Employee costs</b>		
Salaries, wages, bonuses and other benefits	(1 355)	(2 207)
Pension costs – defined contribution plans	(95)	(190)
Other benefits – long service award	(2)	(4)
– post retirement	(6)	(12)
– farewell gifts	1	–
Employee share based payments	(17)	(51)
	<b>(1 474)</b>	<b>(2 464)</b>
<b>3. Property and equipment rentals</b>		
Property and equipment rentals expense is made up of the following operating lease charges:		
Plant, vehicles and equipment	40	57
Property lease charges	77	145
Cash charge	67	109
Straight line charge	10	36
	<b>117</b>	<b>202</b>

#### Rental commitments

The group has the following material rental agreements as at 31 December 2016:

Company	Expiration date	Option to renew to	Straight-line charge Rm	Annual rental Rm	Escalation rate
Sun International Management Limited <sup>1</sup>	July 2029	Yes	25.0	16.8	7%
Wild Coast Sun	March 2029	No	0.2	0.1	5%
Flamingo <sup>2</sup>	September 2096	No	0.2	0.2	N/A
Maslow	December 2031	No	54.8	42.1	7%
Peru <sup>3</sup>	May 2018 – December 2032	No	37.7	37.7	Various
Colombia	May 2020	Yes	19.9	19.9	Linked to CPI

<sup>1</sup> The lease rentals are payable to a company in which the group has a 50% interest. 100% of the rent payable is included in the future minimum lease payments noted below.

<sup>2</sup> In addition to the annual rental the company contributes to the upkeep of the golf course, which is included in the rental.

<sup>3</sup> There are 7 leases in Peru with differing lease expiration dates with the last lease expiring in 2032.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2016 Rm	30 June 2016 Rm
No later than 1 year	122	122
Later than 1 year and no later than 5 years	537	539
Later than 5 years	1 093	1 162
	<b>1 752</b>	<b>1 823</b>

There is a lease in Table Bay which expires in May 2022. The lease rentals are based on gross operating profit.

	31 December 2016 Rm	30 June 2016 Rm
<b>4. Operating profit is stated after charging the following:</b>		
Auditors' remuneration	(28)	(33)
Audit fees	(25)	(20)
Fees for other services	(3)	(13)
Professional fees	(37)	(96)
Net profit on disposal of property, plant and equipment	9	3
Re-insurance premium costs	(16)	(33)
<b>5. Finance income</b>		
Interest earned on cash and cash equivalents	20	31
Other	–	2
	20	33
<b>6. Finance expense</b>		
Interest paid on borrowings	(585)	(672)
Preference share dividends	(53)	(115)
Imputed interest on loans payable	(15)	(23)
Tax authorities	(2)	–
Capitalised to property, plant and equipment	113	54
	(542)	(756)
<b>7. Adjusted EBITDA reconciliation</b>		
<b>Operating profit</b>	<b>822</b>	<b>926</b>
Depreciation and amortisation	788	1 131
Net profit on disposal of property, plant and equipment	(9)	(3)
Straightline adjustment for rentals	10	27
Impairment of assets	269	–
Pre-opening expenses	4	28
Transaction costs	4	52
Time Square settlements	–	748
Profit on disposal of interests in associates and subsidiaries	–	(18)
Monticello purchase price differential	–	243
Other	(4)	12
Reversal of Dinokana and Employee Share Trusts' consolidation*	16	35
<b>EBITDA</b>	<b>1 900</b>	<b>3 181</b>

\* The consolidation of the Employee Share Trusts are reversed as the group did not receive the economic benefits of these trusts.

	31 December 2016 Rm	30 June 2016 Rm
<b>8. Tax</b>		
<b>(a) Statement of comprehensive income</b>		
<i>Attributable to continued and discontinued operations</i>		
Normal tax – South African	(131)	(451)
– Foreign	(123)	(21)
	(254)	(472)
Current tax – current year	(292)	(564)
– prior years	4	1
Deferred tax – current year	34	93
– prior years	–	(16)
– adjustment due to rate change	–	13
CGT	–	(52)
Other taxes	(2)	(9)
	(256)	(533)
Tax losses not recognised as deferred tax assets	180	162

**Reconciliation of effective tax rate**  
for the period ending 31 December 2016

	South Africa Rm	Nigeria Rm	Chile Rm	Panama Rm	Colombia Rm	Group Rm
<b>Profit/(loss) before tax</b>	455	(89)	280	(83)	(97)	466
Tax effects of amounts which are not deductible/(taxable) in calculating taxable income:						
Preference share funding	65	–	–	–	–	65
Depreciation on non-qualifying buildings	33	–	–	–	–	33
Impairment of assets	27	–	61	–	–	88
Non-deductible expenditure – interest	62	–	–	–	–	62
Non-deductible expenditure – hedges	50	–	–	–	–	50
Non-deductible expenditure – purchase price adjustment	–	–	134	–	–	134
Non-deductible expenditure – expenses incurred to produce exempt income	16	–	–	–	–	16
Other non-deductible expenditure	63	–	18	–	–	81
Exempt income – put options	(261)	–	–	–	–	(261)
Exempt income – dividend income	(20)	–	–	–	–	(20)
Exempt income – other	(4)	–	–	–	–	(4)
Tax incentives	(10)	–	–	–	–	(10)
Foreign monetary adjustments	–	–	(10)	–	–	(10)
Deductible foreign withholding taxes	(1)	–	–	–	–	(1)
Assessed losses	4	–	–	83	97	184
Pioneer status	–	87	–	–	–	87
<b>Taxable income</b>	479	(2)	483	–	–	960
	28,0%	30,0%	27,0%	25,0%	34,0%	
Tax at standard rate	134	(1)	130	–	–	263
Withholding and other taxes	3	–	–	–	–	3
Adjustments for current tax of prior periods	(3)	–	–	–	–	(3)
Rate change	–	–	(7)	–	–	(7)
	134	(1)	123	–	–	256
<b>Effective tax rate</b>	30%	1%	44%	–	–	55%

## 8. Tax continued

 (a) Statement of comprehensive income continued  
 for the financial year ending 30 June 2016

	South Africa Rm	Nigeria Rm	Chile Rm	Panama Rm	Colombia Rm	Group Rm
<b>Profit before tax</b>	665	(409)	8	(188)	(100)	(24)
Tax effects of amounts which are not deductible/ (taxable) in calculating taxable income:						
Preference share funding	107	-	-	-	-	107
Depreciation on non-qualifying buildings	75	-	-	-	-	75
Impairment of assets	76	-	-	-	-	76
Exempt income	(27)	-	-	-	-	(27)
Other non-deductible expenditure	923	-	347	-	-	1 270
Tax incentives	(11)	-	-	-	-	(11)
Foreign Monetary Adjustments	-	-	(101)	-	-	(101)
Deductible Foreign Withholding taxes	(2)	-	-	-	-	(2)
Assessed losses not recognised	7	403	-	160	-	570
<b>Taxable income</b>	1 813	(6)	254	(28)	(100)	1 933
Statutory tax rate	28.0%	30.0%	24.0%	25.0%	34.0%	
Tax at standard rate	508	(2)	61	(7)	(34)	526
Withholding taxes allowed as a tax credit	(3)	-	-	-	-	(3)
Current tax charge	505	(2)	61	(7)	(34)	523
Withholding and other taxes	7	-	-	-	-	7
Adjustments for current tax of prior periods	(1)	-	16	-	1	16
Rate change	-	-	(13)	-	-	(13)
	511	(2)	64	(7)	(33)	533
<b>Effective tax rate</b>	77%	0%	800%	4%	33%	(2 221%)

Disallowable expenses include, inter alia, depreciation on non-qualifying buildings, impairments and non-deductible investment expansionary expenditure.



	December 2016 Rm	June 2016 Rm
<b>8. Tax</b> continued		
<b>Deferred tax</b>		
<b>(b) Statement of financial position</b>		
Balance at beginning of year	(22)	61
Credited to the statement of comprehensive income	(35)	(89)
Current year credit to profit or loss	(34)	(93)
Prior year under/(over) provision	–	16
Adjustment due to rate change	–	(13)
Charged/(credited) to other comprehensive income	(1)	1
Acquisition of a subsidiary	1	7
Austral tax credit	18	–
Currency translation adjustments	(21)	(11)
Charged directly to equity	1	8
Total liability at end of year	(58)	(24)
Less: deferred tax asset included in non-current assets held for sale (refer to note 21)	–	2
Total liability at end of year from continuing operations	(58)	(22)

Deferred tax arises from the following temporary differences:

**Deferred tax liabilities**

	Accelerated asset allowances	
	December 2016	June 2016
Balance at beginning of year	704	566
(Credited)/charged to statement of comprehensive income:	(147)	31
– current year charge/(credit) to profit or loss	(147)	42
– prior year under provision	–	2
– adjustment due to rate change	–	(13)
Acquisition of subsidiary	1	80
Austral tax credit	18	–
Currency translation adjustments	(17)	27
	559	704
To be recovered after more than 12 months	543	683
To be recovered within 12 months	16	21
	559	704

## 8. Tax continued

## (b) Statement of financial position continued

## Deferred tax assets

	Assessable losses		Deferred revenue		Fair value adjustments	
	31 December 2016	30 June 2016	31 December 2016	30 June 2016	31 December 2016	30 June 2016
Balance at beginning of year	(472)	(257)	(187)	(150)	(67)	(95)
Credited/(charged) to:	29	(98)	74	(19)	10	(3)
– current year charge/(credit) to profit or loss	29	(99)	74	(19)	10	(17)
– prior year under/(over) provision	–	1	–	(1)	–	14
– charged to other comprehensive income	–	–	–	1	–	–
Acquisition of subsidiary	–	(79)	–	(17)	–	23
Currency translation adjustments	(4)	(37)	–	(1)	–	–
Reallocated to non-current assets held-for-sale	–	(1)	–	–	–	–
Charged directly to equity	–	–	–	–	–	8
	(447)	(472)	(113)	(187)	(57)	(67)
To be recovered after more than 12 months					(204)	(240)
To be recovered within 12 months					(413)	(486)
					(617)	(726)
Net deferred tax asset					(58)	(22)
<b>Aggregate assets and liabilities on subsidiary company basis:</b>						
Deferred tax assets					(878)	(365)
Deferred tax liabilities					820	343
					(58)	(22)

There has been no temporary differences associated with investment in subsidiaries or joint arrangements for which deferred tax liabilities have not been recognised.

## 9. Return to shareholders

## (a) Earnings per share (EPS)

	31 December 2016				30 June 2016			
	Gross Rm	Tax	Minorities	Net Rm	Gross Rm	Tax	Minorities	Net Rm
Profit/(loss) for the year attributable to ordinary shareholders				105				(414)
Headline earnings adjustments	260	(48)	(28)	184	(21)	57	(2)	34
Net profit/(loss) on disposal of property, plant and equipment	(9)	3	–	(6)	(3)	10	(2)	5
Profit/(loss) on disposal of shares in joint venture	–	–	–	–	(18)	47	–	29
Impairment of assets	269	(51)	(28)	190	–	–	–	–
Headline earnings				289				(380)

## 9. Return to shareholders

## (a) Earnings per share (EPS) continued

	31 December 2016		30 June 2016	
	Gross Rm	Net* Rm	Gross Rm	Net* Rm
<b>Headline earnings</b>		<b>289</b>		<b>(380)</b>
<b>Adjusted headline earnings adjustments</b>	<b>11</b>	<b>(60)</b>	1 367	1 027
Straightline adjustment for rentals	10	7	27	19
Pre-opening expenses	4	2	28	20
Time Square settlements	–	–	748	579
Transaction costs	4	4	52	51
Monticello purchase price adjustment	–	–	243	243
Amortisation of Dreams intangibles assets raised as part of PPA	104	41	18	7
Fair value adjustment on put option liabilities	(247)	(247)	–	–
Interest on Time Square Note	43	23	–	–
Discount on Tsogo settlement	20	20		
Foreign exchange losses on intercompany loans	80	45	233	94
Other	(7)	45	18	14
Reversal of Employee Share Trusts' consolidation	3	3	7	7
<b>Adjusted headline earnings</b>		<b>232</b>		<b>654</b>
<b>Number of shares for diluted EPS calculation (000's)</b>				
Weighted average number of shares in issue		97 925		98 214
Adjustment for dilutive share awards		7		–
Diluted weighted average number of shares in issue		97 932		98 214
<b>Number of shares for diluted adjusted HEPS calculation (000's)</b>				
Weighted average number of shares in issue		97 925		98 214
Weighted average movement in deemed treasury shares		1 845		1 556
Weighted average treasury shares held by Employee Share Trusts and Dinokana		4 370		4 370
Adjusted weighted average number of shares in issue		104 140		104 140
Adjustment for dilutive share awards		7		–
Diluted adjusted weighted average number of shares in issue		104 147		104 140

\* Net is after minority interest and taxation.

	31 December 2016	30 June 2016
<b>EPS/(LPS) (cents)</b>		
Basic	107	(422)
Headline	295	(387)
Adjusted headline	223	628
<b>Diluted EPS/(LPS) (cents)</b>		
Basic	107	(422)
Headline	295	(387)
Adjusted headline	223	628

9. Return to shareholders continued

(a) Earnings per share (EPS) continued

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

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

For the diluted EPS calculation the weighted average number of ordinary shares in issue is adjusted to take account of potential dilutive share awards granted to employees. The number of shares taken into account is determined by taking the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share awards. This calculation is done to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.

	31 December 2016 Rm	30 June 2016 Rm
<b>(b) Dividends declared and paid</b>		
A final dividend of 135 cents per share for the year ended 30 June 2016 was declared on 19 August 2016 and paid on 19 September 2016.	(135)	
A final dividend of 175 cents per share for the year ended 30 June 2015 was declared on 24 August 2015 and paid on 21 September 2015.		(175)
An interim dividend of 90 cents per share for the year ended 30 June 2016 was declared on 19 February 2016 and paid on 22 March 2016.		(91)
<b>Total dividends paid by the company</b>	<b>(135)</b>	<b>(266)</b>
The company has not declared a dividend for the year ended 31 December 2016.		
Dividends paid to minorities in subsidiaries	(186)	(277)
<b>Total dividends paid by the group</b>	<b>(321)</b>	<b>(543)</b>

10. Acquisition of subsidiaries

(a) Dreams acquisition

On 31 May 2016, the group merged its Latam casino and hotel businesses with those of Dreams. Dreams is a Chilean based company with a leading market position in the gaming and entertainment industry with operations in Chile and Peru. Sun Dreams is now the largest gaming company in Latin America with Sun International owning 55%.

As part of the transaction, the group obtained substantive rights which would enable the group to consolidate the Latam operations of the merged entity under IFRS. Whilst there were certain minority protection rights provided to the Dreams' shareholders, these rights were considered protective in nature. This effectively resulted in the group acquiring control over the operation of Dreams and the group would need to account for this as a business combination under IFRS. This was considered a significant judgement, the details of which have been set out in the 'Critical judgements and estimates' section.

In addition to the above, the Parties had as part of the transactions, agreed to a series of put option arrangements which regulate the potential disposal of shares by the Dreams' 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. The group is not able to control the successful IPO event and as a result a full liability was raised as such an arrangement is considered a put option held by the non-controlling interest and this is required under IFRS. Further details of the put obligation are set out in note 16. Although a liability was raised for the put obligation, the put option is exercisable at fair value and therefore the non-controlling interest was raised as well as the liability. Refer to the appendix for the group's accounting policy regarding put options on non-controlling interests.

Goodwill from the above transaction consists mainly of synergies, deferred tax and other intangibles not recognised under IFRS such as the work force.

Further details of the accounting are set out in the tables below. A provisional Purchase Price Agreement (PPA) calculation was performed in the prior financial year and was finalised in the current financial year as allowed by IFRS 3 which allows one year to finalise the PPA.

(b) GPI Slots Acquisition

The group acquired a 25.1% interest in GPI Slots effective 1 July 2014 and treated this investment as an investment in an associate. The group held certain call options to acquire the majority interest at certain intervals, which were not considered potential voting rights as these could not be exercised without obtaining several approvals such as the gaming regulators approval. The first option was exercisable on 1 July 2015 and approval was obtained in April 2016 and as a result obtained control of GPI Slots as at 1 April 2016.

**10. Acquisition of subsidiaries** continued

**(b) GPI Slots Acquisition** continued

The group now holds a controlling interest in GPI Slots and has the ability to appoint the majority of the board of directors as well as exercise its majority voting rights. The fair value of the initial 25.1% interest prior to obtaining control in April 2016 was R257 million. The loss on disposal of the associate and acquisition of the subsidiary was R4 million. The additional consideration for obtaining control in April 2016 (including pro rata shareholder loans) was R328 million.

Goodwill from the above transaction consists mainly of synergies, deferred tax and other intangibles not recognised under IFRS such as the work force.

**(c) Grand Sport Acquisition**

On 31 December 2016 GPI Slots acquired the business of Grand Sport. Grand Sport is a licensed online sport and horse racing betting company. Intangible assets were raised for the contract and technology based assets.

Further details of the accounting are set out in the tables below.

	Grand Sport 31 December 2016	Dreams 31 May 2016	GPI Slots 1 April 2016
Acquisition date			
Holding acquired (%)	100%	55%	50.1%
Revenue included from acquisition from acquisition date	–	202	237
Profit included from acquisition date	–	25	46
Acquisitions revenue for the 30 June 2016 financial year	–	2 501	935
Acquisitions profit for the 30 June 2016 financial year	–	410	109
<b>Fair value at acquisition date</b>	<b>(7)</b>	<b>4 155</b>	<b>150</b>

The result of the purchase price allocation undertaken for Grand Sport, Dreams and GPI Slots is set out below:

	Grand Sport	Dreams			GPI Slots
	Rm	Provisional PPA	Adjustments Rm	Final PPA	Rm
<b>Assets and liabilities acquired</b>					
Property, plant and equipment	–	4 056	184	4 240	207
Intangible assets	3	1 318	–	1 318	160
Current assets	1	900	–	900	127
Other assets	–	69	–	69	–
Deferred tax asset/(liability)	(1)	9	12	21	(29)
Non-current liabilities	–	(1 782)	–	(1 782)	(225)
Current liabilities	(10)	(415)	–	(415)	(90)
Goodwill recognised	7	603	(52)	551	456
Net assets	–	4 758	144	4 902	606
Minorities Interests	–	(1 881)	(70)	(1 951)	(75)
Net assets acquired	–	2 877	74	2 951	531
Acquisition settled through dilution of interests in Latam assets	–	(2 067)	(74)	(2 141)	–
Previously held associate at fair value	–	–	–	–	(257)
Consideration settled in cash	–	(810)	–	(810)	(274)
Pre acquisition dividend paid	–	261	–	261	–
Cash and cash equivalents in entity	–	474	–	474	77
Net cash outflow	–	(75)	–	(75)	(197)

**(d) Purchase of shares in subsidiaries**

The group exercised the final call option on 1 July 2016 to acquire an additional 19.9% in GPI Slots for an acquisition consideration of R262 million. Minorities' interest of R79 million was recognised.

**11. Property, plant and equipment**

	Freehold land and buildings	Leasehold land and buildings	Infra- structure	Plant, equipment and machinery	Furniture and fittings	Operating equipment	Capital work in progress	Total
Opening balance as at 1 July 2015	5 048	1 914	1 102	2 189	390	171	430	11 244
Cost	6 219	2 887	1 621	5 403	987	171	430	17 718
Accumulated depreciation	(1 171)	(973)	(519)	(3 214)	(597)	–	–	(6 474)
Reclassifications	2	126	–	210	21	(2)	(371)	(14)
Exchange rate adjustments	295	(63)	87	91	21	3	6	440
Acquisition of subsidiaries	3 635	1	234	436	42	–	98	4 446
Additions	405	206	54	581	59	79	1 068	2 452
Disposals	(50)	(11)	–	(10)	(3)	–	–	(74)
Operating equipment usage	–	–	–	–	–	(58)	–	(58)
Depreciation	(141)	(99)	(56)	(639)	(67)	–	–	(1 002)
Write down of OSC assets as part of Dreams merger	(450)	–	–	–	–	–	–	(450)
<b>Closing balance as at 30 June 2016</b>	<b>8 744</b>	<b>2 074</b>	<b>1 421</b>	<b>2 858</b>	<b>463</b>	<b>193</b>	<b>1 231</b>	<b>16 984</b>
Cost	11 150	3 118	2 146	7 568	1 255	193	1 231	26 661
Accumulated depreciation	(2 406)	(1 044)	(725)	(4 710)	(792)	–	–	(9 677)
Reclassifications	<b>191</b>	<b>119</b>	<b>(37)</b>	<b>(688)</b>	<b>(34)</b>	<b>688</b>	<b>(292)</b>	<b>(53)</b>
Exchange rate adjustments	<b>(538)</b>	<b>(63)</b>	<b>(80)</b>	<b>(77)</b>	<b>(20)</b>	<b>(27)</b>	<b>(13)</b>	<b>(818)</b>
Additions	<b>48</b>	<b>217</b>	<b>18</b>	<b>419</b>	<b>40</b>	<b>53</b>	<b>1 383</b>	<b>2 178</b>
Disposals	–	–	–	(21)	(1)	–	–	(22)
Operating equipment usage	–	–	–	–	–	(37)	–	(37)
Depreciation	<b>(111)</b>	<b>(47)</b>	<b>(39)</b>	<b>(361)</b>	<b>(40)</b>	–	–	<b>(598)</b>
Impairments	<b>(183)</b>	<b>(2)</b>	<b>(3)</b>	<b>(74)</b>	–	<b>(1)</b>	–	<b>(263)</b>
<b>Closing balance as at 31 December 2016</b>	<b>8 151</b>	<b>2 298</b>	<b>1 280</b>	<b>2 056</b>	<b>408</b>	<b>869</b>	<b>2 309</b>	<b>17 371</b>
Cost	<b>10 721</b>	<b>3 374</b>	<b>2 031</b>	<b>6 896</b>	<b>1 212</b>	<b>907</b>	<b>2 309</b>	<b>27 450</b>
Accumulated depreciation	<b>(2 570)</b>	<b>(1 076)</b>	<b>(751)</b>	<b>(4 840)</b>	<b>(804)</b>	<b>(38)</b>	–	<b>(10 079)</b>

Borrowing costs of R113 million (June 2016: R54 million) were capitalised during the year and are included in 'Additions' above. The capitalisation rate used of 11.1% (June 2016: 10.5%) is equal to the specific borrowing costs of the loans used to finance the relevant projects.

Net carrying value of property, plant and equipment held under finance leases is R38 million (June 2016: R97 million) and relates mainly to equipment.

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

**11. Property, plant and equipment** continued

**Impairments**

To determine if an impairment of the assets of cash generating units (CGU) are required a discounted cash flow valuation is carried out. Impairments charges are raised where the discounted cash flow valuation results in a negative value.

The following CGUs had indicators of impairment in the current year:

	Morula	Carousel	Dreams Latam – Colombia
Level of testing	CGU	CGU	CGU
Operating segment	South Africa	South Africa	Latin America
Impairment indicator	Approved relocation of the licence to Menlyn Maine	Approved relocation of the licence to Menlyn Maine	Continued underperformance
Key assumptions:			
– discount rate	12.28%	12.28%	9.72%
Impairment charge	R18 million	R184 million	R61 million
Carrying value	R10 million	R38 million	R111 million

The remaining carrying value of Morula and Carousel represents the value in use. The Dreams Latam-Colombia carrying value represents the recoverable amount of the assets.

There were no impairments in the prior financial year.

**Capital commitments**

	31 December 2016 Rm	30 June 2016 Rm
Contracted	2 452	2 917
Authorised by the directors but not contracted	933	1 487
	3 385	4 404
To be spent in the forthcoming financial year	2 931	2 743
To be spent thereafter	454	1 661
	3 385	4 404

Future capital expenditure will be funded by a combination of internally generated cash flows and debt facilities.

## 12. Intangible assets

	Computer software	Brands	Bid costs	Management contracts, licences and exclusivity agreements	Goodwill	Lease premiums	Vacation Club	Restraint of trade, trademarks, customer relationships and concessions	Total
Opening balance as at 1 July 2015	402	72	104	4	116	13	27	–	738
Cost	608	72	584	5	238	37	29	15	1 588
Accumulated amortisation and impairments	(206)	–	(480)	(1)	(122)	(24)	(2)	(15)	(850)
Additions	98	–	–	–	–	–	30	–	128
Disposals	(25)	–	–	–	–	–	–	–	(25)
Reclassification	12	–	–	–	–	–	–	–	12
Acquisition of subsidiaries	22	16	25	176	1 007	–	–	1 239	2 485
Goodwill realised	–	–	–	–	(68)	–	–	–	(68)
Exchange rate adjustments	–	–	(28)	–	58	–	–	80	110
Amortisation	(84)	–	(20)	(3)	–	(1)	(4)	(17)	(129)
Closing balance as at 30 June 2016	424	88	81	177	1 113	12	53	1 303	3 251
Cost	781	88	1 726	193	1 235	37	59	1 336	5 455
Accumulated amortisation and impairments	(357)	–	(1 645)	(16)	(122)	(25)	(6)	(33)	(2 204)
Additions	<b>39</b>						<b>12</b>		<b>51</b>
Disposals	<b>(3)</b>								<b>(3)</b>
Reclassification	<b>(3)</b>	<b>27</b>	–	<b>13</b>	–	–	–	–	<b>37</b>
Acquisition of subsidiaries	<b>3</b>	–	–	–	<b>7</b>	–	–	–	<b>10</b>
Exchange rate adjustments	<b>(4)</b>	<b>2</b>	<b>3</b>	<b>(5)</b>	<b>(79)</b>	–	–	<b>(108)</b>	<b>(191)</b>
Amortisation	<b>(53)</b>	–	<b>(17)</b>	<b>(12)</b>	–	–	<b>(4)</b>	<b>(104)</b>	<b>(190)</b>
Impairments	<b>(6)</b>	–	–	–	–	–	–	–	<b>(6)</b>
<b>Closing balance as at 31 December 2016</b>	<b>397</b>	<b>117</b>	<b>67</b>	<b>173</b>	<b>1 041</b>	<b>12</b>	<b>61</b>	<b>1 091</b>	<b>2 959</b>
Cost	<b>841</b>	<b>88</b>	<b>1 618</b>	<b>199</b>	<b>1 163</b>	<b>37</b>	<b>71</b>	<b>1 223</b>	<b>5 240</b>
Accumulated amortisation and impairments	<b>(444)</b>	<b>29</b>	<b>(1 551)</b>	<b>(26)</b>	<b>(122)</b>	<b>(25)</b>	<b>(10)</b>	<b>(132)</b>	<b>(2 281)</b>

Additions relating to intangible assets acquired as part of business combinations are discussed in more detail in note 10.



12. Intangible assets continued

**Impairments**

The following intangible assets were tested for impairment.

31 December 2016	Sun International Brand	Goodwill – Dreams <sup>1</sup>	Goodwill – GPI Slots <sup>1</sup>	Morula
Impairment indicator	Indefinite useful life	Indefinite useful life	Indefinite useful life	Closure of casino operation
Method of testing	Discounting five years of projected cash flows on relevant operations and management contracts	Discounting five years of projected cash flows on relevant operations	Discounting five years of projected cash flows on relevant operations and management contracts	Discounting five years of projected cash flows on relevant operations and management contracts
Key assumptions: – discount rate	9.72%	9.72%	12.28%	12.28%
– growth rate and considerations	Location of the business, including economic and political facts and circumstances	Location of the business, including economic and political facts and circumstances	Location of the business, including economic and political facts and circumstances	Change of business from a casino operation to a training facility
– after tax cost of debt	5.78%	5.78%	7.56%	7.56%
– cost of equity	11.41%	11.41%	14.30%	14.30%
– debt/equity ratio	30%/70%	30%/70%	30%/70%	30%/70%
Impairment charge	No impairment charge	No impairment charge	No impairment charge	R6 million
30 June 2016	Sun International Brand	Goodwill – Dreams <sup>1</sup>	Goodwill – GPI Slots <sup>1</sup>	
Impairment indicator	Indefinite useful life	Indefinite useful life	Indefinite useful life	
Method of testing	Discounting five years of projected cash flows on relevant operations and management contracts	Discounting five years of projected cash flows on relevant operations	Discounting five years of projected cash flows on relevant operations and management contracts	
Key assumptions: – discount rate	7% – 13%	10.00%	14.00%	
– growth rate and considerations	Location of the business, including economic and political facts and circumstances	Location of the business, including economic and political facts and circumstances	Location of the business, including economic and political facts and circumstances	
– after tax cost of debt	6.85%	5.77%	7.56%	
– cost of equity	14.46%	11.80%	16.75%	
– debt/equity ratio	30%/70%	30%/70%	30%/70%	
Impairment charge	No impairment charge	No impairment charge	No impairment charge	

<sup>1</sup> Refer to note 10 for the goodwill recognised on the acquisition of Dreams and GPI Slots.

No sensitivity has been provided for goodwill as there is sufficient headroom available.

### 13. Equity-accounted investments

#### GPI Slots

With effect from 31 December 2014 the group acquired a 25.1% interest in GPI Slots and appointed two directors to the board.

Effective 1 April 2016, the group acquired an additional 25% in GPI Slots resulting in the investment moving from being classified as an associate to a subsidiary (refer to note 10).

Equity accounted earnings from GPI Slots reflected below are up until 1 April 2016.

#### FireFly Investments

FireFly Investments owns the Sun International head office building in Sandton. The group holds a 50% shareholding in FireFly.

The following amounts represent the income, expenses, assets and liabilities of the equity-accounted investments:

	Associates		Joint ventures		Total	
	December 2016 Rm	June 2016 Rm	December 2016 Rm	June 2016 Rm	December 2016 Rm	June 2016 Rm
Non-current assets	–	–	260	252	260	252
Current assets	–	–	25	20	25	20
Total assets	–	–	285	272	285	272
Non-current liabilities	–	–	7	6	7	6
Current liabilities	–	–	216	213	216	213
Equity	–	–	62	53	62	53
	–	–	285	272	285	272
Group proportionate share of the equity	–	–	31	27	31	27
Group carrying amount of investment	–	–	16	15	16	15
Summarised statement of profit and loss:						
Revenue	–	–	16	25	16	25
Expenses	–	–	(14)	(23)	(14)	(23)
Profit before tax	–	–	2	3	2	3
Tax	–	–	–	–	–	–
Profit after tax	–	–	2	3	2	3
Total comprehensive income	–	–	2	3	2	3
Group proportionate share of comprehensive income		16	1	2	1	18

There are no contingent liabilities relating to the group's interest in the equity-accounted investment.

The financial year end for FireFly Investments is 28 February.

No dividends have been received from equity accounted investments.

	31 December 2016 Rm	30 June 2016 Rm
<b>14. Available-for-sale investment</b>		
Cape Town International Convention Centre Company Proprietary Limited (CTICC)		
Balance at beginning and end of year	48	48
Directors' valuation <sup>1</sup>	48	48
	48	48
The 8.2% (June 2016: 8.2%) investment in the unlisted CTICC was part of the group's bid commitments in the Western Cape. The investment was stated at fair value based on the latest available statutory financial statements, prepared on a going concern basis and in accordance with IFRS, of the CTICC being 30 June 2016. The group has no significant influence over the company, therefore the investment was designated as available-for-sale. This was a strategic investment and no particular price risk management is required or performed.		
<sup>1</sup> The available-for-sale asset has been classified as level 3.		
<b>15. Derivative financial instruments</b>		
<i>Assets</i>		
Foreign exchange contracts (FECs)	–	2
Transferred to current assets	–	(2)
	–	–
<i>Liabilities</i>		
Interest rate swaps	(5)	–
Forward exchange contract – Time Square	(66)	(20)
	(71)	(20)
To be settled within 12 months	(66)	–
To be settled thereafter	(5)	(20)
The interest rate swap as well as the Time Square FEC have been classified as level 2 financial instruments with certain observable data being available against which to measure the instrument. The Dollar offset method was used for the purpose of determining the fair value of the interest rate swaps at various valuation dates.		

	31 December 2016 Rm	30 June 2016 Rm
<b>16. Put option liabilities</b>		
Dreams put option (refer to note 10)	<b>3 365</b>	3 980
SunWest put option	<b>1 286</b>	1 272
	<b>4 651</b>	5 252

#### 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 2.5 years from December 2016. A liability of R3.4 billion (30 June 2016: 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 18 months (30 June 2016: 2 years) and discounted back at a discount rate of 9.7% (30 June 2016: 10%). A decline of R247 million relating to the option is reflected in the statement of comprehensive income. Sun International is actively looking to increase its shareholding in the Dreams business and believe that the put value represents a fair valuation for the business 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.

The put option liability has been classified as a level 3 financial instrument.

The merged business value was calculated using EBITDA times a multiple (market approach).

No realised gains nor losses have been recognised. Please refer to the movement of the liability in the statement of comprehensive income and the group statement of changes in equity.

The most significant unobservable inputs are the discount rate, growth rate and the EBITDA multiples. Sensitivities have been provided below.

A 1% decline in the discount rate would increase the liability by R47 million (30 June 2016: R73 million).

A 1% decline in the growth rate would decrease the liability by R48 million (30 June 2016: R76 million).

A reduction of 1 in the EBITDA multiple would result in a decrease of R565 million.

#### 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 transaction to dispose of the 20% to Tsogo which was concluded in the financial year ending 30 June 2016 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 put option liability is classified as a level 3 financial instrument. The fair value of the put option liability approximates its carrying value.

	31 December 2016 Rm	30 June 2016 Rm
<b>17. Retirement benefit information</b>		
<b>Valuation in terms of the Financial Services Board guidelines</b>		
A valuation of the defined benefit fund was carried out on 1 July 2013 by an independent firm of consulting actuaries and was approved by the FSB in August 2014. The fund was found to have a surplus of R377 million, of which R144 million has been designated as a solvency reserve by the trustees in terms of circular PF 117 issued by the Financial Services Board (FSB). Any allocation of assets to contingency reserves reduces the amount of surplus available for distribution to stakeholders. The group carries out statutory actuarial valuations every three years.		
Present value of funded obligations	(338)	(338)
Fair value of fund assets	715	715
Surplus before contingency reserve	377	377
Contingency reserve	(144)	(144)
Employer surplus account	(35)	(35)
Surplus	198	198

**IAS 19R valuation**

The surplus calculated in terms of IAS 19R: Employee Benefits is presented below. It should be noted that this valuation is performed on a different basis to the valuation in terms of the FSB guidelines.

The present value of the retirement surplus of the retirement benefit fund for the current and prior years is as follows:

	31 December 2016	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Present value of funded obligations	(425)	(452)	(409)	(391)	(317)
Fair value of plan assets	948	955	890	875	677
Surplus	523	503	481	484	360
Experience adjustment on plan obligations	(8%)	6%	4%	7%	(8%)
Experience adjustment on plan assets	(4%)	1%	(3%)	14%	15%
The present value of the post-retirement medical aid obligation for the current and prior years is as follows:					
Present value of obligation	(99)	(97)	(89)	(112)	(99)
Experience adjustment on plan obligations	(3%)	(4%)	–	1%	(22%)

The retirement benefit fund has an amount of R31 million (30 June 2016: R32 million) allocated to the employee surplus account which has been recognised as an asset of the group as it is currently being utilised towards a contribution holiday.

**17. Retirement benefit information** continued

The amount recognised in the statement of financial position is determined as follows:

	Retirement benefit obligation		Post-retirement medical aid liability <sup>1</sup>	
	31 December 2016 Rm	30 June 2016 Rm	31 December 2016 Rm	30 June 2016 Rm
Present value of funded obligations	(425)	(452)	(99)	(97)
Balance at beginning of year	(452)	(409)	(97)	(89)
Current service cost (recognised through profit or loss)	(1)	(3)	(1)	(3)
Interest cost (recognised through profit or loss)	(21)	(37)	(5)	(9)
Contributions by plan participants	–	(1)	1	–
Actuarial gain/(loss) (recognised through other comprehensive income)	34	(25)	3	4
Benefits paid	15	23	–	3
Transfer to non-current liabilities held for sale	–	–	–	(3)
Fair value of plan assets	948	955	–	–
Balance at beginning of year	955	890	–	–
Expected return on plan assets	45	81	–	–
Actuarial (loss)/gain (recognised through other comprehensive income)	(37)	6	–	–
Contributions by plan participants	–	1	–	–
Benefits paid	(15)	(23)	–	–
Present value of retirement benefit surplus	523	503	–	–
Less: application of asset ceiling	(490)	(467)	–	–
Balance at beginning of year	(467)	(445)	–	–
Interest income (recognised through profit or loss)	(23)	(41)	–	–
Adjustment to asset ceiling (recognised through other comprehensive income)	–	19	–	–
Pension fund asset	33	36	–	–

<sup>1</sup> The group has no matched asset to fund these obligations. There are no unrecognised actuarial gains or losses and no unrecognised past service costs. The expected expense to be recognised in the statement of comprehensive income for the year ending 31 December 2017 is R12 million.

## 17. Retirement benefit information continued

	Retirement benefit obligation		Post-retirement medical aid liability	
	31 December 2016 Rm	30 June 2016 Rm	31 December 2016 Rm	30 June 2016 Rm
The net amount recognised in profit or loss for the year	–	–	(6)	(12)
The amounts recognised in other comprehensive income for the year	(3)	–	3	4
The net amount recognised in other comprehensive income for the year	(3)	–	(3)	(8)
<b>Plan assets comprise:</b>				
Listed equity investments	21%	22%	–	–
Bonds and cash	46%	21%	–	–
Other*	33%	57%	–	–

\*The "other" asset class above consists of listed property, both local and international, commodities, global equity and absolute return portfolios.

Pension plan assets include the company's ordinary shares with a fair value of R1.2 million (30 June 2016: R1.1 million).

	31 December 2016 Rm	30 June 2016 Rm
<b>18. Trade and other receivables</b>		
<b>Financial instruments</b>		
Loans	33	32
Net trade receivables	245	278
Trade receivables	319	309
Less provision for doubtful debts	(74)	(31)
Net casino debtors	71	52
Casino debtors	158	138
Less provision for casino debtors	(87)	(86)
Receivable from Tsogo Sun	–	525
Other receivables	268	200
	617	1 087
<b>Non-financial instruments</b>		
Prepayments <sup>1</sup>	303	418
VAT	301	293
Current tax	123	114
	1 344	1 912
Non-current portion (relating to loans)	24	23
	1 320	1 889

<sup>1</sup> Prepayments includes upfront payments for insurance costs, software licenses and maintenance costs.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each of the financial assets above.

**Net trade receivables**

The granting of credit in relation to trade receivables is controlled by application and account limits. In addition, trade receivables consist mainly of large tour operators with reputable credit histories. The group has no significant concentrations of credit risk with respect to trade receivables due to a widely dispersed customer base.

The group monitors the aging of trade receivables and provides for doubtful debts on past due amounts after analysing the possibility of default. Once a debt is considered irrecoverable it is written off as a bad debt.

**Net casino debtors**

Casino debtors arise from the group's International Business (IB) at Sun City and from its VIP customers at the Ocean Sun Casino in Panama. The granting of credit for the IB and for VIP customers is managed in accordance with accepted industry practice. Settlement risk associated with IB and VIP customers is minimised through credit checking and a formal review and approval process.

**18. Trade and other receivables** continued

Movements in the provision for doubtful debts of trade and other receivables and casino debtors were as follows, and have been included in 'other operational costs' in the statement of comprehensive income and are summarised below:

	31 December 2016 Rm	30 June 2016 Rm
Balance at the beginning of the year	(117)	(27)
Charge for the year	(44)	(100)
Amounts written off	–	7
Unused amounts reversed	–	3
Balance at end of year	(161)	(117)

The group does not hold any collateral against the trade receivable balances.

The tables below set out fully performing, past due but not impaired and the provision against such net trade receivables and casino debtors:

	31 December 2016		30 June 2016	
	Gross Rm	Provision for doubtful debts Rm	Gross Rm	Provision for doubtful debts Rm
<b>Net trade receivables</b>				
Fully performing	208	–	163	–
Past due by 1 to 30 days	58	(21)	37	(2)
Past due by 31 to 60 days	23	(23)	19	–
Past due by 61 to 90 days	11	(11)	17	–
Past due by more than 90 days	19	(19)	73	(29)
	319	(74)	309	(31)
<b>Casino debtors</b>				
Fully performing	2	–	–	–
Past due by 1 to 30 days	15	–	7	–
Past due by 31 to 60 days	1	–	73	(55)
Past due by 61 to 90 days	11	–	2	–
Past due by more than 90 days	129	(87)	56	(31)
	158	(87)	138	(86)



	31 December 2016 Rm	30 June 2016 Rm
<b>19. Inventory</b>		
Merchandise	59	59
Consumables and hotel stocks	101	86
	<b>160</b>	145
<b>20. Cash and cash equivalents</b>		
Cash at the bank	957	1 077
Cash floats	166	224
	<b>1 123</b>	1 301
<b>Cash at the bank is held in the following currencies:</b>		
Rand	89	249
Dollar	132	385
Euro	4	6
Colombian Pesos	14	6
Chilean Peso	680	407
Naira	10	12
British Pound	1	–
Peruvian Nuevo Sol	27	12
	<b>957</b>	1 077

The exposure to credit risk with respect to cash and cash equivalents is low. The group ensures cash is placed with well regulated institutions and manages the concentration of cash placed. There is no credit risk exposure for cash floats.

## 21. Non-current assets held-for-sale and discontinued operations

During the financial year ending 30 June 2015 the group disposed of 80% of its interest in Gaborone Sun, Kalahari Sands, Lesotho Sun and Maseru Sun as well as a 50% interest in the Royal Livingstone and Zambezi Sun to Minor International Plc (Minor) (effective date of transaction 30 November 2014).

For the period 1 December 2014 to 30 June 2015 the group's remaining share of these units were equity accounted.

During the financial year ending 30 June 2016, the group entered into firm commitments to sell the remaining equity interests to Minor. Consequently, the equity accounted earnings from these companies are reflected as "Profit for the year from discontinued operations" for the financial year ending 30 June 2016. The sale of the Zambian operation was concluded in June 2016 and the remaining entities will be sold once all regulatory approvals have been obtained. The profit realised on the sale amounted to R18 million.

The group has entered into a firm commitment to also dispose of 100% of its interest in its' Swaziland operations to Minor which is unconditional but has been delayed pending final regulatory approvals. The results of the Swaziland operations have been disclosed as "Profit for the year from discontinued operations" in the Statement of comprehensive income for the current and prior year and the assets and liabilities have been disclosed in the Statement of financial position as "Non-current assets held for sale" and "Non-current liabilities held for sale".

All of the above mentioned units formed part of the segment "Other African operations". This segment was renamed in the prior year to "Federal Palace" as the Federal Palace in Nigeria is the only remaining entity in this segment.

	31 December 2016 Rm	30 June 2016 Rm
<b>Assets of the disposal group classified as held for sale:</b>		
Property, plant and equipment	54	51
Other assets	23	25
Investment in associates	93	93
<b>Total assets held for sale</b>	<b>170</b>	<b>169</b>
<b>Liabilities of disposal group classified as held for sale:</b>		
Borrowings	15	20
Other non-current liabilities	5	5
Accounts payable and accruals	26	23
<b>Total liabilities held for sale</b>	<b>46</b>	<b>48</b>
<b>Net assets held for sale</b>	<b>124</b>	<b>121</b>
<b>An analysis of the results of the discontinued operations is as follows:</b>		
Revenue	105	192
Expenses	(100)	(186)
Earnings from associates	–	31
<b>Profit before tax</b>	<b>5</b>	<b>37</b>
Tax	(1)	(1)
<b>Profit for the year from discontinued operations</b>	<b>4</b>	<b>36</b>
<b>Cash flows of the discontinued operation:</b>		
Operating cash flows	16	6
Investing cash flows	(7)	(8)
Financing cash flows	(6)	4
<b>Total cash flows</b>	<b>3</b>	<b>2</b>

	31 December 2016 Rm	30 June 2016 Rm
<b>22. Share capital and premium</b>		
<b>Authorised</b>		
200 000 000 (June 2016: 200 000 000) ordinary shares of 8 cents each	12	12
100 000 000 (June 2016: 100 000 000) variable rate cumulative redeemable preference shares of 1 cent each	1	1
<b>Issued</b>		
Share capital	8	8
Share premium	287	287
Treasury shares and share options	(604)	(598)
	<b>(309)</b>	<b>(303)</b>

All issued shares are fully paid.

10 780 000 shares (June 2016: 10 780 000) were placed under the specific control of the directors to allot and issue in accordance with the share plans.

	31 December 2016		30 June 2016	
	Number of shares	Rm	Number of shares	Rm
<b>Shares in issue</b>				
<b>Movement during the year</b>				
<b>Statutory shares in issue</b>	109 086 988	295	109 086 988	295
Balance at beginning of year	109 086 988	295	109 086 988	295
<b>Treasury shares and share options</b>	(11 184 118)	(604)	(11 109 947)	(598)
Balance at beginning of year	(11 109 947)	(598)	(10 567 730)	(542)
Deemed treasury shares purchased	(389 006)	(36)	(759 125)	(71)
Treasury shares and deemed treasury shares disposed of	–	–	30 137	4
Treasury share options purchased	–	–	–	(2)
Vested share awards	314 835	30	186 771	13
<b>Closing balance</b>	<b>97 902 870</b>	<b>(309)</b>	<b>97 977 041</b>	<b>(303)</b>
<b>Treasury shares and share options</b>				
Held by Dinokana	6 719 759	170	6 719 759	170
– 73.6% owned by Sun International	4 947 087	41	4 947 087	41
– 26.4% (June 2016: 26.8%) owned by Dinokana minorities	1 772 672	129	1 772 672	129
Held by the Sun International Employee Share Trust	2 597 419	85	2 597 419	85
Deemed treasury shares	1 866 940	349	1 792 769	343
	<b>11 184 118</b>	<b>604</b>	<b>11 109 947</b>	<b>598</b>

389 006 (June 2016: 759 125) RSP, CSP and BMSP shares were purchased during the year under review and no (June 2016: 30 137) RSP, CSP and BMSP shares were disposed of.

The Dinokana shares owned by minorities, the shares held by the Sun International Share Trust and the deemed treasury shares are not treated as treasury shares for adjusted HEPS purposes as the company has no economic benefit in these shares.

**22. Share capital and premium** continued

**(a) Share incentive schemes**

The group currently has the following share incentive schemes in place, the details of which are set out below:

**(i) Restricted share plan and Bonus share matching plan (RSP and BSMP)**

RSP and BSMP shares are group shares granted to key staff in return for continuing employment with the group. The shares will be forfeited and any dividends received on the RSP shares will be repayable should the employee leave the group prior to the expiry of the vesting period. The vesting period is either three or five years. In the case of a three-year award, 100% of the shares awarded will vest after three years and in the case of the five-year award, 50% vests after three years, 25% after four years and the remaining 25% after five years.

**(ii) Deferred bonus plan (DBP)**

DBP shares are group shares acquired by senior executives with a portion of their declared annual bonus and entitle the participant to receive a matching award (an equal number of group shares as acquired) at the end of a three-year period. The matching award is conditional on continued employment and the DBP shares being held by the participant at the end of the three-year period. The DBP is no longer being utilised.

**(iii) Equity growth plan (EGP)**

EGP rights provide senior executives with the opportunity to receive shares in the group through the grant of conditional EGP rights, which are rights to receive shares equal in value to the appreciation of the group share price between the date on which the conditional EGP rights are granted and the date on which they are exercised, subject to the fulfilment of predetermined performance conditions over a specified performance period. The performance condition applied to the grants is that the group's AHEPS should increase by 2% per annum above inflation over a three-year performance period. If the performance condition is not met at the end of three years it is retested at the end of four and five years from the date of grant. From 2011, the awards are no longer re-tested at the end of years four and five. These awards lapse after the initial three-year period.

Movement in the number of share awards is as follows:

	RSP and BSMP		DBP		EGP	
	No. Grants	Weighted average grant price (ZAR)	No. Grants	Weighted average grant price (ZAR)	No. Grants	Weighted average grant price (ZAR)
<b>Balance as at 1 July 2015</b>	918 385	102.95	46 960	85.45	2 791 553	98.85
Granted during the year	975 719	84.81	–	–	918 807	89.52
Lapsed: termination of employment	(119 192)	101.39	(178)	85.47	(173 937)	98.79
Lapsed: performance condition not met	–	–	–	–	(484 511)	94.87
Vested during the year	(130 036)	97.31	–	–	–	–
Exercised during the year	–	–	(40 554)	85.45	(47 482)	89.55
<b>Balance as at 30 June 2016</b>	1 644 876	92.77	6 228	85.47	3 004 430	96.79
Granted during the year	407 341	90.07	–	–	17 211	87.52
Lapsed: termination of employment	(47 860)	92.67	–	–	(113 550)	104.18
Vested during the year	(309 458)	95.57	–	–	–	–
Exercised during the year	–	–	(1 556)	85.47	(50 120)	88.56
<b>Balance as at 31 December 2016</b>	1 694 899	91.61	4 672	85.47	2 857 971	96.58

22. Share capital and premium continued

Share grants outstanding at the end of the year vest on the following dates subject to the fulfillment of vesting conditions:

	RSP and BSMP		DBP		EGP	
	No. Grants	Weighted average grant price (ZAR)	No. Grants	Weighted average grant price (ZAR)	No. Grants	Weighted average grant price (ZAR)
2017*	346 394	111.85	4 672	85.47	1 394 306	95.81
2018	491 227	97.86	–	–	605 347	111.21
2019	819 196	80.28	–	–	858 318	87.52
2020	19 041	70.90	–	–	–	–
2021	19 041	70.90	–	–	–	–
	1 694 899	91.61	4 672	85.47	2 857 971	96.58

\* 911 259 of the EGP grants have vested but have not been exercised by the participants.

**Valuation of share incentive grants**

The fair values of CSP and EGP awards granted during the year were estimated using the binomial asset pricing model. For the DBP, RSP and BSMP the share awards are valued based on the ruling share price on the date of the award. The table below sets out the valuation of awards granted and the assumptions used to value the awards:

	EGP	RSP/BSMP
<b>December 2016</b>		
Weighted average grant price	<b>R87.52</b>	<b>R88.16</b>
Weighted average 400-day volatility	<b>24.24%</b>	<b>n/a</b>
Weighted average long term risk rate	<b>7.00%</b>	<b>n/a</b>
Weighted average dividend yield	<b>3.38%</b>	<b>n/a</b>
Valuation	<b>R2 million</b>	<b>R37 million</b>
<b>June 2016</b>		
Weighted average grant price	R89.52	R84.81
Weighted average 400-day volatility	24.24%	n/a
Weighted average long term risk rate	7.00%	n/a
Weighted average dividend yield	3.38%	n/a
Valuation	R39 million	R82 million

The employee share based payment expense for the six months was R17 million (June 2016: R51 million).

## 23. Borrowings

All borrowings are classified as level 3.

The table below sets out the group's borrowings, measured at amortised cost, as well as the applicable interest rates and the fair value thereof where applicable:

### December 2016

	Rand		Chilean Peso (Clp49.18:R1)		US Dollar (R13.61:US\$1)		Total Rm
	Interest rate	Rm	Interest rate	Rm	Interest rate	Rm	
Non-current borrowings		7 638		3 093		–	10 731
Term facilities	9.8%	7 035	4.1%	3 093	–	–	10 128
Redeemable preference shares	7.4%	270	–	–	–	–	270
V&A loan <sup>1</sup>	12.2%	263	–	–	–	–	263
Lease liabilities	5.8%	24	–	–	–	–	24
Vacation Club members	10.9%	46	–	–	–	–	46
Current borrowings		2 979		288		519	3 786
Term facilities	9.8%	–	4.1%	288	–	–	288
Redeemable preference shares	7.4%	771	–	–	–	–	771
V&A loan	12.2%	28	–	–	–	–	28
Lease liabilities	5.8%	20	–	–	–	–	20
Minority debenture	12.1%	186	–	–	–	–	186
Minority interest loans	–	–	–	–	5.0%	519	519
Short term banking facilities	8.5%	1 974	–	–	–	–	1 974
Total borrowings		10 617		3 381		519	14 517

### June 2016

	Rand		Chilean Peso (Clp44.50:R1)		US Dollar (R14.86:US\$1)		Total Rm
	Interest rate	Rm	Interest rate	Rm	Interest rate	Rm	
Non-current borrowings		6 619		3 047		314	9 980
Term facilities	9.9%	4 730	6.6%	3 047	7.3%	314	8 091
Redeemable preference shares	7.5%	1 346	–	–	–	–	1 346
V&A loan <sup>1</sup>	12.2%	278	–	–	–	–	278
Lease liabilities	5.5%	32	–	–	–	–	32
Minority debenture	11.4%	186	–	–	–	–	186
Vacation Club members	10.9%	47	–	–	–	–	47
Current borrowings		2 934		526		622	4 082
Term facilities	9.9%	95	6.6%	521	7.3%	61	677
Redeemable preference shares	7.5%	121	–	–	–	–	121
V&A loan	12.2%	24	–	–	–	–	24
Lease liabilities	5.5%	23	–	–	–	–	23
Minority interest loans	–	–	–	–	5.0%	561	561
Short term banking facilities	8.7%	2 671	5.7%	5	–	–	2 676
Total borrowings		9 553		3 573		936	14 062

<sup>1</sup> The fair value of the borrowings approximates their carrying values except for the V&A loan which has a fair value of R317 million (June 2016: R332 million). The fair value has been determined on a discounted cash flow basis using a discount rate of 9% (June 2016: 9%).

**23. Borrowings** continued

The borrowings are repayable as follows:

	Rand		Chilean Peso		US Dollar		Total	
	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm	Dec 2016 Rm	Jun 2016 Rm
6 months or less	22	496	144	292	519	561	685	1 349
6 months – 1 year	2 956	2 743	146	296	–	–	3 102	3 039
1 – 2 years	455	1 405	370	600	–	–	825	2 005
2 – 3 years	1 172	1 266	318	853	–	–	1 490	2 119
3 – 4 years	1 262	896	319	651	–	–	1 581	1 547
4 years and onwards	4 750	2 747	2 084	1 256	–	–	6 834	4 003
	10 617	9 553	3 381	3 948	519	561	14 517	14 062
Secured							2 522	4 003
Unsecured							11 995	10 059
							14 517	14 062
Net book value of property, plant and equipment encumbered by secured loans:							811	3 985

As at 31 December 2016, interest rates on 6% (June 2016: 10.5%) of the group's borrowings were fixed. 37% (June 2016: 59%) of these fixed borrowings were for periods longer than 12 months. The interest rates other than on the V&A loan, approximate those currently available to the group in the market.

A register of non-current borrowings is available for inspection at the registered office of the company.

The group had unutilised borrowing facilities of R1 591 million (30 June 2016: R991 million) at 31 December 2016. All undrawn borrowing facilities are renewable annually and none have fixed interest rates.

**Capitalised lease liabilities**

Finance lease liabilities are primarily for slot machines and IT equipment. At the time of entering into the capital lease arrangements, the commitments are recorded at the present value using applicable interest rates. The aggregate amounts of minimum lease payments and the related imputed interest under the capitalised lease contracts payable in each of the next five financial years and thereafter are as follows:

	31 December 2016 Rm	30 June 2016 Rm
Gross minimum lease payments:		
No later than 1 year	22	26
Later than 1 year and no later than 5 years	26	40
	48	66
Imputed interest:		
No later than 1 year	(2)	(5)
Later than 1 year and no later than 5 years	(2)	(6)
	(4)	(11)
Net capital payments of finance lease liabilities	44	55
Net carrying value of assets held under finance leases	38	97

**23. Borrowings** continued

**Increase in borrowings**

With the current ongoing projects and acquisitions, in particular the merger with Dreams in the prior year and the construction of Time Square at Menlyn Maine, a significant restructure of debt took place during the prior year. The group debt is now separately raised and ring fenced to each of Latin America, South Africa and Nigeria.

Debt covenants at a Latam holding company level 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-g 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 which are subject to debt covenants based on the South African debt and EBITDA. 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.

**Cash flow interest rate risk**

The group's cash flow interest rate risk arises from cash and cash equivalents and variable rate borrowings. The group is not exposed to fair value interest rate risk as the group does not have any fixed interest bearing financial instruments carried at fair value.

*Interest rate sensitivity*

A 1% increase in interest rates at 31 December would decrease profit before tax for the following year by the amounts shown below. This analysis assumes that all other variables remain constant.

	31 December 2016 Rm	30 June 2016 Rm
Profit before tax	(106)	(126)

A 1% decrease in interest rates would have an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

**Capital risk management**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide benefits for its stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the group may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or buy back existing shares.

The board of directors monitors the level of capital, which the group defines as total share capital, share premium, treasury shares and treasury share options.

There were no changes to the group's approach to capital management during the year.

The group is not subject to externally imposed capital requirements.



	31 December 2016 Rm	30 June 2016 Rm
<b>24. Deferred income and other liabilities</b>		
<i>Non financial instruments</i>		
Straight lining of operating leases	191	178
Deferred income	551	508
Sun City Vacation Club <sup>1</sup>	419	363
DTI Grant	19	21
Discounted slot machines	22	27
Lessor contribution <sup>2</sup>	91	97
Deferred payments – Time Square settlements <sup>3</sup>	34	33
Post-retirement medical aid liability (refer to note 17)	96	97
Long service award <sup>4</sup>	32	34
Accrual for farewell gifts <sup>5</sup>	4	5
Progressive jackpots provision <sup>6</sup>	47	70
Municipal concessions <sup>7</sup>	32	19
Post employment benefit for employees in municipal casinos	36	36
Lease restoration provision	12	8
Other liabilities	–	1
	<b>1 035</b>	989
Current portion transferred to accounts payable	(23)	(10)
Current portion relating to the deferred payment	(34)	(33)
Current portion relating to the progressive jackpot provision	(47)	(70)
	<b>931</b>	876

<sup>1</sup> The Sun City Vacation Club Sales revenue is recognised over the 10 year period of the members' contracts.

<sup>2</sup> Lessor contributions were received in respect of the Maslow refurbishment. The contribution is recognised over 20 years and reduces the rental expense.

<sup>3</sup> As a consequence of Goldrush dropping their objection to the Time Square project at Menlyn Maine, Sun International agreed to pay R75 million to the Goldrush group. R40 million has been paid with the balance to be paid when Time Square opens. The above balance has been discounted to its present value.

<sup>4</sup> The group offers employees a long service award. Employees are eligible for such benefits based upon the number of completed years of service. The method of accounting and valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

<sup>5</sup> The group offers a farewell gift to employees who are retiring or resigning. Employees are eligible for such based upon the number of completed years of service. The method of accounting and valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

<sup>6</sup> This is the provision for wide area progressive jackpots.

<sup>7</sup> The Municipal concessions relate to a fixed contractual amount that is payable to the municipalities within which Dreams operates in Iquique and Puerto Varas in Chile.

#### Post retirement benefits

The present value of the post retirement benefits depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for post retirement benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of post retirement benefits.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement benefit obligations. In determining the appropriate discount rate, the group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related post-retirement benefits obligations.

24. Deferred income and other liabilities continued

Other key assumptions for pension obligations are based in part on current market conditions, as set out below.

	Pension fund liability		Post retirement medical aid liability	
	31 December 2016 %	30 June 2016 %	31 December 2016 %	30 June 2016 %
Discount rate	9.95	9.80	9.65	9.60
Inflation rate	7.00	7.30	6.75	7.00
Expected return on plan assets <sup>1</sup>	9.95	9.80	–	–
Future salary increases	7.00	8.81	–	–
Future pension increases	7.00	7.30	–	–
<sup>1</sup> The expected return on plan assets is calculated using the discount rate at the start of the period of 9.8% per annum rather than a "best estimate" return assumption based on actual assets in which the Fund invested. The expected return has been set to equal the discount rate used to value the defined benefit obligations of the Fund.				
The average life expectancy (in years) of an employee retiring at the age of 60 at the statement of financial position date, are as follows:				
Male	19.4	19.4	19.4	19.4
Female	24.2	24.2	24.2	24.2

Sensitivity

	Pension fund liability		Post retirement medical aid liability	
	31 December 2016	30 June 2016	31 December 2016	30 June 2016
Current future rate of increase of the liability	9.95%	9.80%	5.74%	5.95%
1% increase in rate	10.95%	10.80%	6.74%	6.95%
Impact on the liability	Decrease of R42.8 million or 10.1%	Decrease of R45.4 million or 10.1%	Increase of R18.1 million or 18.3%	Increase of R17.8 million or 18.3%
Impact on the service and interest costs	Decrease of R1.0 million or 2.4%	Decrease of R1.1 million or 2.4%	Increase of R2.4 million or 19.9%	Increase of R2.4 million or 19.9%
1% decrease in rate	8.95%	8.80%	4.74%	4.95%
Impact on the liability	Increase of R55.5 million or 13.1%	Increase of R59 million or 13.1%	Decrease of R14.5 million or 14.7%	Decrease of R14.2 million or 14.7%
Impact on the service and interest costs	Increase of R1.4 million or 3.3%	Increase of R1.5 million or 3.3%	Decrease of R1.9 million or 15.8%	Decrease of R1.9 million or 15.8%

	31 December 2016 Rm	30 June 2016 Rm
<b>25. Trade payables and accruals</b>		
<b>Financial instruments</b>		
Trade payables	803	491
Accrued expenses	795	901
Bonus accrual	59	158
Accrual for Ocean Sun Casino earn out payment	143	149
Interest payable	40	8
Capital creditors	52	44
Other payables	80	137
	<b>1 972</b>	<b>1 888</b>
<b>Non-financial instruments</b>		
VAT	46	132
Employee related accruals	203	311
Current tax	231	71
	<b>2 452</b>	<b>2 402</b>
The fair value of all non derivative financial instruments approximates their carrying value.		
<b>26. Cash flow information</b>		
<b>26.1 Cash generated from operations</b>		
Operating profit – continuing operations	822	926
Operating profit – discontinued operations	5	5
Adjustments for non cash transactions	953	1 318
Depreciation and amortisation (including discontinued operations)	791	1 137
Profit on disposal of joint venture	–	(18)
Impairment of assets	269	–
Foreign exchange (loss)/profit	(82)	84
Deferred Vacation Club revenue recognised	(23)	(37)
Operating equipment usage (including discontinued operations)	38	59
Derivative financial instruments	(1)	1
Employee share based payments	18	51
Deferred income recognised	(1)	(10)
Other non-cash movements	(56)	51
Adjustment for items dealt with separately	–	991
Time Square settlements	–	748
Monticello purchase price differential	–	243
Delivery of share awards	–	(4)
Working capital changes	509	18
Inventory	(21)	(20)
Accounts receivable	551	(342)
Accounts payable	(21)	380
	<b>2 289</b>	<b>3 254</b>

	31 December 2016 Rm	30 June 2015 Rm
<b>26. Cash flow information</b> continued		
<b>26.2 Tax paid</b>		
Asset/(liability) at beginning of year	43	(71)
Acquisition of subsidiaries	–	61
Current tax provided	(288)	(563)
CGT and other taxes	(2)	(61)
Liability/(asset) at end of year	108	(43)
	(139)	(677)
<b>26.3 Interest paid</b>		
Interest expense – continuing operations	(542)	(756)
Interest expense – discontinuing operations	(1)	(1)
Impacted interest on Tsogo settlement	20	–
Imputed interest on loans payable	15	23
	(508)	(734)
<b>26.4 Reconciliation of changes in liabilities arising from financing activities</b>		
Opening debt balance	14 082	8 734
Additional borrowings raised	1 467	4 996
Additional borrowings	1 482	5 019
Imputed interest	(15)	(23)
Repayment of borrowings	(473)	(2 166)
Net cash flows	994	2 830
Conversion of FEC liability to overnight loan	–	141
Acquisition of subsidiary	–	1 972
Forex movements	(544)	405
Closing debt balance	14 532	14 082
Continuing operations	14 517	14 062
Discontinued operations	15	20

**26.5 Disposal of shares in subsidiaries**

On 1 April 2016, the group disposed of 10% of its interest in SunWest and Worcester to Tsogo Sun (refer note 27 for details of the transaction).

R'000	SunWest	Worcester	Total
Carrying value of non controlling interest disposed	(18 537)	(12 654)	(31 191)
Cost of investment disposed	75 512	18 821	94 333
Profit/(loss) on disposal	543 477	(1 360)	542 117
	600 452	4 807	605 259
Additional minority shareholding in subsidiaries	18 537	12 654	31 191
Net proceeds	618 989	17 461	636 450
Proceeds still outstanding at the end of June 2016	(511 072)	(13 928)	(525 000)
	107 917	3 533	111 450

## 27. Subsidiaries with non-controlling interests

### (a) Disposals and acquisitions

#### 31 December 2016

Effective 1 July 2016 the group acquired a further 19.9% interest in GPI Slots for a cost of R262 million. This brings the total shareholding in GPI Slots to 70%.

#### 30 June 2016

The group disposed of a 10% interest in SunWest and Worcester (Western Cape Assets) for R675 million to Tsogo Sun with effect from 1 April 2016. Grand Parade Investments, Sun International's BEE partner in the Western Cape Assets, also disposed of a 10% interest to Tsogo Sun which gives Tsogo a 20% interest in these assets. Tsogo's investment in the Western Cape Assets will be limited to that of a passive investor and Tsogo will therefore have no representation on the board of directors of either SunWest or Worcester; no operational involvement nor any influence in respect of the conduct of the businesses; nor access to any information regarding the Western Cape Assets, except for information to which it has statutory rights to as a shareholder, which will include the audited financial statements. As a result the group retained control over the SunWest and Worcester operations. Following the disposal the group now holds a 61% interest in SunWest and Worcester.

### (b) Summarised financial information

The following is summarised financial information of material subsidiaries with non-controlling interests. The information is before inter-company eliminations with other companies in the group.

As from 1 June 2016 Monticello is included in Sun Dreams. (Refer to note 10).

#### 31 December 2016

Rm	Afrisun Gauteng	Afrisun KZN	Emfuleni Resorts	SunWest International	Federal Palace (Nigeria)	Sun Dreams	GPI Slots
<b>Statement of comprehensive income</b>							
Profit/(loss) after tax	54	101	(28)	248	(89)	107	56
Other comprehensive income		–	(1)	–	58	(440)	–
Total comprehensive income	54	101	(29)	248	(31)	(333)	56
<b>Non-controlling interest*</b>							
Profit/(loss) after tax	3	34	(8)	87	(45)	41	17
Total comprehensive income	3	34	(8)	87	(16)	(157)	17
<b>Statement of financial position</b>							
Current assets	71	93	52	224	87	1 031	195
Non-current assets	766	750	951	1 337	364	6 706	597
Current liabilities	(785)	(528)	(193)	(1 009)	(60)	(751)	(340)
Non-current liabilities	(25)	(43)	(527)	(356)	(798)	(2 298)	–
Net assets	27	272	283	196	(407)	4 688	452
Net assets attributable to non-controlling interests	1	92	43	68	(206)	2 110	136
<b>Dividends and statement of cash flows</b>							
Cash flows from operating activities	161	217	28	444	–	493	137
Cash flows from investing activities	(97)	(63)	(20)	(90)	(2)	(130)	(92)
Cash flows from financing activities	(38)	(83)	19	(242)	–	(311)	7
Net increase/(decrease) in cash and cash equivalents	26	71	27	112	(2)	52	52
Dividends paid to non-controlling interests	3	27	–	84	–	43	–

Dividends paid to the remaining subsidiaries with non-controlling interests amounted to R29 million.

## 27. Subsidiaries with non-controlling interests continued

30 June 2016

Rm	Afrisun Gauteng	Afrisun KZN	Emfuleni Resorts	SunWest International	San Francisco Investment Resorts SA (Monticello)	Federal Palace (Nigeria)	Sun Dreams
<b>Statement of comprehensive income</b>							
Profit/(loss) after tax	146	136	(23)	498	258	(407)	(30)
Other comprehensive income	–	–	–	–	285	127	6
Total comprehensive income	146	136	(23)	498	543	(280)	(24)
<b>Non-controlling interest (%)*</b>							
Profit/(loss) after tax	8	70	(5)	138	3	(206)	17
Total comprehensive income	8	70	(5)	138	5	(142)	17
<b>Statement of financial position</b>							
Current assets	40	23	23	104		100	1 202
Non-current assets	709	715	975	1 333		442	9 527
Current liabilities	(687)	(451)	(296)	(884)		(59)	(1 376)
Non-current liabilities	(24)	(37)	(361)	(366)		(860)	(3 595)
Net assets	38	250	341	187	–	(377)	5 758
Net assets attributable to non-controlling interests	2	85	51	65		(191)	2 591
<b>Dividends and statement of cash flows</b>							
Cash flows from operating activities	260	295	129	744		50	314
Cash flows from investing activities	(117)	(85)	(55)	(181)		(18)	(550)
Cash flows from financing activities	(146)	(219)	(75)	(590)		–	(51)
Net (decrease)/increase in cash and cash equivalents	(3)	(9)	(1)	(27)	–	32	(287)
Dividends paid to non-controlling interests	6	74	–	153	–	–	–

\* Excludes the shareholding held by the Sun International Employee Share Trust.

Dividends paid to the remaining subsidiaries with non-controlling interests amounted to R44 million.

**(c) Sun International Employee Share Trust (SIEST)**

The SIEST has been consolidated in the group's financial statements in terms of IFRS 10 – Consolidated Financial Statements. The SIEST is however controlled by its trustees. The majority of the trustees are representatives elected by and from the employees who are beneficiaries of the trust. The company has no beneficial interest in and has no control over the SIEST. The group does not share in any economic benefits of the SIEST.

The SIEST was established to enable eligible employees to share in the success of the group through share ownership. The SIEST beneficiaries excludes participants that benefit from any other group share incentive scheme. Eligible employees will benefit from income and growth distributions made by the trust.

The SIEST is funded through interest free loans from the participating companies in the group. These loans have been fair valued and imputed interest at 12% per annum is recognised over the expected loan period. Loans will be repaid through dividend flows and proceeds on the disposal of the underlying investments held by the trust.

27. Subsidiaries with non-controlling interests continued

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

	31 December 2016 %	30 June 2016 %
Afrisun Gauteng	3.5	3.5
Emfuleni Resorts	3.5	3.5
SunWest	3.3	3.3
Meropa	3.5	3.5
Teemane	3.5	3.5
Afrisun KZN	3.5	3.5
Mangaung Sun	3.5	3.5
Worcester	3.5	3.5
Sun International Limited – direct	2.4	2.4
Sun International Limited – indirect	1.2	1.2

28. Related party transactions

Key management personnel have been defined as: Sun International Limited board of directors and Sun International Management executive team with group oversight. The definition of key management includes the close members of family of key management personnel and any entity over which key management exercises control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the group. They may include the individual's domestic partner and children, the children of the individual's domestic partner and dependants of the individual or the individual's domestic partner.

(i) Key management compensation

	31 December 2016 R'000	30 June 2016 R'000
<b>Non-executive directors fees</b>		
PDS Bacon	209	512
ZBM Bassa	232	590
PL Campher	322	839
NN Gwagwa	94	374
BLM Makgabo-Fiskerstrand	153	418
IN Matthews	324	875
B Modise	–	122
LM Mojela	129	422
MV Moosa	559	1 437
GR Rosenthal	273	669
EAMMG Cibie	115	294
CM Henry	83	–
NB Morrison	69	–
	<b>2 562</b>	<b>6 552</b>

28. Related party transactions continued

Executive directors and key management remuneration

R'000	Basic remuneration	Bonuses/ performance related payments	Retirement contributions	Other benefits	Fair value of share awards expensed	Total
<b>31 December 2016</b>						
GE Stephens	3 082	1 397	422	2 984	3 678	11 563
AM Leeming	2 014	764	291	955	1 628	5 652
DR Mokhobo	1 121	392	253	105	737	2 608
R Collins	1 910	889	431	52	2 153	5 435
J Wilhelm	2 851	8 933	–	928	–	12 712
Other key management	7 257	2 149	1 183	1 520	1 967	14 076
	<b>18 235</b>	<b>14 524</b>	<b>2 580</b>	<b>6 544</b>	<b>10 163</b>	<b>52 046</b>
<b>30 June 2016</b>						
GE Stephens	5 957	5 048	811	162	8 696	20 674
AM Leeming	3 766	3 296	662	171	3 689	11 584
DR Mokhobo	2 431	1 218	309	102	1 507	5 567
R Collins	3 673	2 760	828	99	3 746	11 106
J Wilhelm (1 month)	426	426	29	134	–	1 015
Other key management	21 027	10 380	3 975	1 654	5 083	42 119
	<b>37 280</b>	<b>23 128</b>	<b>6 614</b>	<b>2 322</b>	<b>22 721</b>	<b>92 065</b>

Details of individual directors' emoluments and share options are set out in the Remuneration Report.



**28. Related party transactions** continued

Movements on share grants to executive directors and other key management are set out below:

	December 2016		June 2016	
	Executive and other management	Average grant price	Executive and other management	Average grant price
<b>EGP</b>				
Opening balance	1 807 883	98.40	1 343 528	102.32
Movement in employees	31 179	114.53	–	–
Lapsed: termination of employment	(72 837)	103.83	–	–
Lapsed: vesting condition not met	(348 693)	94.87	–	–
Granted	46 200	87.52	464 355	87.52
Closing balance	1 463 732	98.97	1 807 883	98.40
<b>CSP</b>				
Opening balance	–	–	131 529	86.55
Lapsed: vesting condition not met	–	–	(92 070)	86.55
Exercised	–	–	(39 459)	86.55
Closing balance	–	–	–	–
<b>DBP</b>				
Opening balance	–	–	27 455	85.47
Matching award	–	–	(27 455)	(85.47)
Closing balance	–	–	–	–
<b>RSP and BSMP</b>				
Opening balance	666 103	94.38	430 667	101.83
Movement in employees	21 044	86.15	–	–
Vested	(107 807)	92.90	(113 041)	96.90
Lapsed: termination of employment	(20 566)	102.52	–	–
Granted	110 853	90.86	348 477	85.99
Closing balance	669 627	93.53	666 103	94.38

**28. Related party transactions** continued

Share awards held by executive directors by scheme

	31 December 2016				30 June 2016			
	GE Stephens	AM Leeming	Dr Mokhobo	R Collins	GE Stephens	AM Leeming	Dr Mokhobo	R Collins
EGP	380 822	182 293	98 304	143 136	495 745	229 650	127 902	143 136
RSP and BSMP	139 497	70 216	21 395	102 014	155 618	65 214	21 535	86 828
	520 319	252 509	119 699	245 150	651 363	294 864	149 437	229 964

**(ii) Shareholding of key management**

	Holding by key management		Dividends received by key management	
	31 December 2016 %	30 June 2016 %	31 December 2016 R'000	30 June 2016 R'000
Sun International Limited	1.1	1.0	1 505	2 100

**(iii) Other related party relationships**

Management agreements are in place between SIML and various group companies. A management fee is charged by SIML in respect of management services rendered. SIML has provided R9 million loan to FireFly Investments.

**29. Contingent liabilities**
**Borrowings**

Group companies have guaranteed borrowing facilities of certain group subsidiaries in which the group has less than 100% shareholding. The group has therefore effectively underwritten the minorities' share of these facilities in the amount of R1.7 billion at 31 December 2016 (June 2016: R521 million).

**Monticello**

The Chilean Tax authority (IRS) has, in a notification dated 30 July 2014 disallowed complimentary expenditure provided to its customers during the 2011 to 2013 years of assessment. The IRS assertion is that expenditure can only be in the production of income if it is necessary to produce income. The IRS has interpreted the word 'necessary' to mean unavoidable and inevitable. This matter is being disputed by SFI and its legal counsel. Additional tax and penalties of CLP 6.8 billion (R 138 million) have been levied by the IRS.

Monticello is also in dispute with the IRS regarding the correct determination of the gambling tax base, Article 59, Law 19,995. Taxes amounting to CLP 2 billion (R43 million) consisting of CLP 1 billion (R21,5 million) taxes and CLP 1 billion (R21,5 million) relating to readjustments, interests and penalties are in dispute. The company has appealed this notification in Court.

Legal counsel indicated that the probability of success is considered to be favourable in both cases.

**Tourist Company of Nigeria ('TCN')**

TCN continues to experience difficulties engaging with the tax authorities to confirm any tax principles to obtain certainty, or settle outstanding matters. Legal counsel has indicated that contingent liabilities of approximately R5 million has been recognised as a result of these disputes.

### 30. Financial risk management

#### Credit risk management

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derivative financial instruments – refer to note 15

Trade and other receivables – refer to note 18

Cash and cash equivalents – refer to note 20

#### Liquidity risk management and capital risk management

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

To manage liquidity risk the group retains undrawn and available banking facilities.

	31 December 2016 Rm	30 June 2016 Rm
Banking facilities:		
Total banking facilities	13 981	3 667
Less: Drawn down portion	(12 390)	(2 676)
Total undrawn banking facilities	1 591	991
Available cash balances in Sun Dreams	767	797

As part of the group's capital structure the group has short-term banking facilities of R2.6 billion. These facilities are negotiated and rolled on an annual basis.

The group's preference share and debt funding is subject to debt covenants which are reviewed on an ongoing basis.

**30. Financial risk management** continued

The following tables compare the contractual cash flows of debt owed at 31 December and 30 June 2016, with the carrying amount in the consolidated balance sheet, in Rands. The contractual amounts reflect the differences from carrying amounts due to the effects of discounting and premiums. Interest is estimated assuming interest rates applicable to variable rate debt remain constant.

	On demand or not exceeding six months Rm	More than six months but not exceeding one year Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm	Imputed interest Rm
<b>31 December 2016</b>						
Term facilities	375	377	1 253	8 517	1 382	1 488
Minority shareholder loans	519	–	–	–	–	–
V&A loan	30	32	68	242	38	119
Redeemable preference shares	40	803	20	277	–	99
Minority debenture	11	186	–	–	–	11
Lease liabilities	11	11	19	8	–	5
Vacation Club members	3	3	5	47	–	12
Short term banking facilities*	–	1 974	–	–	–	–
Derivative financial instruments	71	4	5	–	–	–
Trade payables	803	–	–	–	–	–
Accrued expenses	795	–	–	–	–	–
Accrual for Ocean Sun earn out payment	143	–	–	–	–	–
Interest payable	40	–	–	–	–	–
Capital creditors	52	–	–	–	–	–
Other payables	80	–	–	–	–	–
	<b>2 973</b>	<b>3 390</b>	<b>1 370</b>	<b>9 091</b>	<b>1 420</b>	<b>1 734</b>
<b>30 June 2016</b>						
Term facilities	857	858	1 583	7 933	455	2 918
Minority shareholder loans	561	–	–	–	–	–
V&A loan	29	30	65	231	83	136
Redeemable preference shares	486	39	827	285	–	170
Minority debenture	23	23	186	–	–	46
Lease liabilities	14	13	24	16	–	12
Vacation Club members	–	–	–	61	–	14
Short term banking facilities*	–	2 676	–	–	–	–
Derivative financial instruments	–	20	–	–	–	–
Trade payables	491	–	–	–	–	–
Accrued expenses	901	–	–	–	–	–
Interest payable	8	–	–	–	–	–
Capital creditors	44	–	–	–	–	–
Accrual for Ocean Sun Casino earn out payment	149	–	–	–	–	–
Other payables	137	–	–	–	–	–
	<b>3 700</b>	<b>3 659</b>	<b>2 685</b>	<b>8 526</b>	<b>538</b>	<b>3 296</b>

\* These are 364 day notice facilities. As at the date of this report, no notice on any of these facilities had been received.

**30. Financial risk management** continued

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group has market risk related to variable rate instruments.

The group has taken out certain derivative instruments to manage the interest rate risk and foreign exchange risk of certain exposures.

See liquidity risk above for the expected cash flows relating to the derivative financial instruments.

**Cash flow hedge**

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income. The ineffective portion is recognised immediately in profit or loss in the respective line items. Amounts deferred to the hedging reserves are recognised through profit and loss in the same period in which the hedged item affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

At the balance sheet date, the group had an interest rate swap and a forward exchange contract (FEC), the details of which are set out below:

	31 December 2016		30 June 2016	
	Time Square FEC hedge	Sun Treasury interest rate swap	Time Square FEC hedge	Emfuleni interest rate swap
Notional amount	<b>R684 million</b>	<b>R3 billion</b>	R684 million	R81 million
Fixed exchange rate	<b>15.56*</b>		15.56*	
Fixed interest rate		<b>7.68%</b>		5.97%
Variable rate		<b>Linked to quarterly Jibar</b>		Linked to quarterly Jibar
Fair value (liability)/asset at 31 December/30 June	<b>(R66 million)</b>	<b>(R5 million)</b>	(R20 million)	R2 million
Net loss on cash flow hedges (OCI)	<b>(R66 million)</b>	<b>(R4 million)</b>	(R20 million)	–

\* Swapped Rands for US Dollars.

### 30. Financial risk management continued

A 1% increase in interest rates would decrease profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	31 December 2016 Rm	30 June 2016 Rm
Profit before tax	(106)	(126)

A 1% decrease in interest rates would have an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

#### Market risk – foreign exchange rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group operates internationally and some of its financial assets and liabilities are denominated in a currency other than the functional currency of the group (Rand).

A 10% strengthening in the functional currency against foreign currencies at 31 December 2016 would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 30 June 2016.

	31 December 2016 Rm	30 June 2016 Rm
US Dollar	(13)	(18)
Chilean Peso	(42)	(37)
Colombian Peso	1	(1)
Nigerian Naira	3	9
Peruvian Nuevo Sol	(1)	–

A 10% weakening in the Rand against these currencies would have an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

#### Market risk – price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

#### Fair value measurement

Certain financial instruments are either measured at fair value or the fair value is required to be disclosed. The fair values are set out in the individual notes to which this relates.

### 31. Prior Period Errors

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. Refer to the accounting policy on Non-controlling interests.

### 32. 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.

# Accounting policies

for the year ended 31 December 2016

The principal accounting policies adopted in preparation of these financial statements are set out below:

## Group accounting

### Subsidiaries

Subsidiaries are those entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases.

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

The group recognises any minority interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the minority's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent

consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

The company accounts for subsidiary undertakings at cost less impairments.

### Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

### Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### Equity-accounted investments

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The cost of associates or joint ventures that were former subsidiaries of the group is the fair value of the percentage investment retained on the date that control is lost. If the ownership interest in an associate or joint venture is reduced but significant influence is

retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. The group's investment in associates includes goodwill identified on acquisition.

The group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

Profits and losses resulting from upstream and downstream transactions between the group and its associate or joint venture are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

### Impairment

The group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of equity accounted investments' in the statement of comprehensive income.

### Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

### Joint arrangements

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

## Intangible assets

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is assessed for impairment on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The calculation of gains and losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

### Other intangible assets

Indefinite life intangible assets are not amortised and are assessed annually for impairment.

Expenditure on leasehold premiums anticipated, successful gaming licence bids, computer software and acquired management contracts are capitalised and amortised using the straight line method as follows:

Leasehold premiums	Lease period
Gaming licence bids	Period of the licence and/or up to a maximum of 20 years
Management contracts	Period of initial contract
Computer software	4 to 10 years
Brands	Indefinite life
Goodwill	Indefinite life

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the company and which have probable

economic benefits exceeding the costs beyond one year are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of the relevant overheads. Expenditure meeting the definition of an asset is recognised as a capital improvement and added to the original cost of the asset.

Bid costs on gaming licence bids are capitalised and subsequently amortised using the straight-line method over their useful lives, but not exceeding 20 years. Intangible assets are not revalued.

### Inventory

Inventory comprises of merchandise, consumables and food and beverage stock. Merchandise and consumables is valued at the lower of cost and net realisable value on a first-in, first-out basis or on a weighted average basis. Food and beverage stock is valued at the lower of cost and net realisable value on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less any costs necessary to make the sale.

### Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African Rands which is the group's presentation currency.

### Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Gains or losses arising on translation are credited to or charged to the statements of comprehensive income.

### Foreign entities

The financial statements of foreign entities that have a functional currency different from the presentation currency are translated into South African Rands as follows:

- Assets and liabilities, at exchange rates ruling at the last day of the reporting period.
- Income, expenditure and cash flow items at average exchange rates.

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

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

### Property, plant and equipment

Freehold land is included at cost and not depreciated.

All other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less the residual values over their useful life, using the straight-line method. The principal useful lives over which the assets are depreciated are as follows:

Freehold and leasehold buildings	10 to 50 years
Infrastructure	5 to 50 years
Plant and machinery	4 to 25 years
Furniture and fittings	5 to 10 years
Operating equipment <sup>1</sup>	Based on usage (between 1 to 3 years)
Assets held under finance leases	Shorter of the asset's useful life and the term of the lease

<sup>1</sup> Operating equipment includes uniforms, casino chips, kitchen utensils, crockery, cutlery and linen.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

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

Costs arising subsequent to the acquisition of an asset are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when



it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is then derecognised. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

General and specific borrowing costs and certain direct costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such a time as the assets are substantially ready for their intended use.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period which they are incurred.

### Impairment of non-financial assets

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

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

### Pre-opening expenditure

Pre-opening expenditure is charged directly against income and separately disclosed. These costs include all marketing, operating and training expenses incurred prior to the opening of a new hotel or casino development.

### Financial instruments

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. All purchases and sales of financial assets are recognised on the trade date, which is the date that the group commits to purchase or sell the asset.

Subsequent recognition is dependent on how financial instruments are classified on initial recognition. IAS 39 has several categories but the group only has financial instruments classified as loans and receivables, available for sale, fair value through profit and loss and financial liabilities at amortised cost. Financial instruments are only derecognised when the criteria for derecognition in IAS 39 are achieved.

### Measurement of financial instruments

#### Financial assets

The classification of financial assets depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition. The financial assets carried at statement of financial position date are classified as 'Loans and receivables' and 'Available-for-sale investments'.

All purchases and sales of financial assets are recognised on the trade date, which is the date that the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as non-current assets unless receipt is anticipated within 12 months in which case the amounts are included in current assets. The group's loans and receivables comprise 'Loans and

receivables', 'Accounts receivable' (excluding VAT and prepayments) and 'Cash and cash equivalents'.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any impairment.

#### Available-for-sale financial assets

Available-for-sale investments are financial assets specifically designated as available-for-sale or not classified in any other categories available under financial assets. These are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the statement of financial position date, in which case they are included in current assets.

Available-for-sale investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale investments are recognised in other comprehensive income in the period in which they arise. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are transferred to the statement of comprehensive income.

Subsequent to initial recognition, available-for-sale investments are carried at fair value, less any impairment.

#### Financial liabilities

The group's financial liabilities at statement of financial position date include 'Borrowings' and 'Accounts payable and accruals' (excluding VAT and employee related payables). These financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are included in current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. The group also has 'Put option liabilities' which are described below under "Forward contract over non-controlling interest".

#### Derivative financial instruments

The group uses derivative financial instruments, primarily foreign exchange contracts and interest rate cross currency swaps to hedge its risks associated with foreign currency and interest rate fluctuations relating to certain firm commitments and forecasted transactions. These derivatives are initially measured at

fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in profit or loss as it arises unless the derivative is designated and effective as a hedging instrument. The group designates certain derivatives as cash flow hedges.

#### Forward contract over non-controlling interest

A forward purchase contract is a contract that specifies that the parent will acquire the minority shareholding at a date in the future at a price with no ability for either party to avoid the transaction. The ownership risk and rewards of the shares relating to the forwards should be analysed to determine whether they remain with the minority or have transferred to the parent. The minority is recognised to the extent that the risks and rewards relating to ownership remain with them.

The terms of the forward contract should be analysed to assess whether they provide the parent with access to the economic benefits and risks associated with the actual ownership of the shares during the contract period.

The minority interest is derecognised to the extent that the risks and rewards relating to ownership no longer remain with the outside shareholders.

Irrespective of whether the minority interest is recognised, a financial liability is recorded to reflect the forward. The liability is recognised for the present value of the forward price. All subsequent changes to the liability are recognised in profit and loss.

#### Borrowings

Borrowings, net of transaction costs, are recognised initially at fair value.

Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method.

Preference shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as borrowings. The dividends on these preference shares are recognised in

the statement of comprehensive income as interest expense. Dividends are subject to a 15% withholdings tax.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

#### Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income. The ineffective portion is recognised immediately in profit or loss in the respective line items. Amounts deferred to the hedging reserves are recognised through profit and loss in the same period in which the hedged item affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

#### Impairment of financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the financial asset that can be estimated reliably. The group assesses at each reporting date whether there is objective evidence that a financial asset which is either carried at amortised cost or classified as available-for-sale is impaired.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in fair value of a financial asset below its cost is considered an indicator that the asset is impaired. If any such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is recognised in the statement of comprehensive income. Impairment losses are not reversed through the statement of comprehensive income.

#### Fair value of financial instruments:

IFRS 13 requires disclosure of the fair value measurements by level of the fair value measurements hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1).
- Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of publicly traded derivatives is based on quoted market prices at the financial reporting date. The effective value of the interest rate cross currency swaps is calculated at the present value of the estimated future cash flows. The fair value of foreign exchange contracts is determined using forward exchange market rates at the financial reporting date. Appropriate market related rates are used to fair value long term borrowings. Other techniques, such as the discounted value of estimated future cash flows, are used to determine the fair value for the remaining financial instruments.

#### Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity.

Deferred tax is provided in full, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Current tax and deferred tax are calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised in the foreseeable future.

#### Leases

Leases of assets where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at commencement and are measured at the

lower of the fair value of the leased asset and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in borrowings. The interest element of the lease payment is charged to the statement of comprehensive income over the lease period. The assets acquired under finance leasing contracts are depreciated over the shorter of the useful life of the asset, or the lease period. Where a lease has an option to be renewed, the renewal period is considered when the period over which the asset will be depreciated is determined.

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

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

## Employee benefits

### Defined benefit scheme

The group operates a closed defined benefit pension scheme. The defined benefit pension scheme is funded through payments to a trustee-administered fund, determined by reference to periodic actuarial calculations. The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability, as applicable, recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of

government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and past service costs are recognised in the statement of comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

In applying the asset ceiling the present value of the retirement benefit surplus that may be recognised as an asset is limited to the lower of the amount as determined above, or the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan plus any cumulative unrecognised net actuarial losses and past service costs.

### Defined contribution scheme

The group operates a number of defined contribution schemes. The defined contribution plans are provident funds under which the group pays fixed contributions into separate entities. The contributions are recognised as an employee benefit expense when they are due. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

### Post-retirement medical aid contributions

The group provides limited post-retirement healthcare benefits to eligible employees. The entitlement to these benefits is usually conditional upon the employee remaining in service up to retirement age and the employee must have joined the group before 30 June 2003. Employees are eligible for such benefits on retirement based upon the number of completed years of service. Employees who joined the group after 1 July 2003 are not entitled to any co-payment subsidy from the group upon retirement.

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from

experience adjustments, and changes in actuarial assumptions are recognised in the statement of comprehensive income. These obligations are valued annually by independent qualified actuaries.

### Share based payments

The group operates equity settled, share based compensation plans. The fair value of the services received in exchange for awards made is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the grants, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of awards that are expected to become exercisable. At the end of each reporting period, the group revises its estimates of the number of awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

### Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are made for wide area progressives. The full provision is expected to be utilised within the next financial year.

Restructuring provisions comprise of the employee termination benefits.

### Share capital

Ordinary shares are classified as equity. Redeemable preference shares which carry a non-discretionary dividend obligation, are classified as liabilities (see accounting policy for borrowings).

External costs directly attributable to the issue of new shares, other than in a business combination, are shown as a

deduction from the proceeds, net of income taxes, in equity.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs apart from brokerage fees (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

### Non-controlling interests

The group recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets and relates to the premium paid on purchases of minorities' interests and profits and losses on disposals of interests to minorities.

### Revenue recognition

Revenue includes net gaming win, hotel, entertainment income, other fees, rental income and goods and services (i.e. merchandise, food and beverages) sold less returns and allowances. Vacation Club income is only relevant to the Sun City operations and is included as 'Other' in the segment report. Although it is received upfront, Vacation Club income is recognised over 10 years. Value Added Tax (VAT) and other taxes levied on net gaming wins are included in revenue and treated as overhead expenses as these are borne by the group and not by its customers. VAT on all other revenue transactions is considered to be a tax collected as an agent on behalf of the revenue authorities and is excluded from revenue.

Customer loyalty points are earned on net gaming wins and are provided against when points are earned. The reward points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed.

### Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are declared.

### Segmental reporting

Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the executive management.

The group owns and operates casino, hotel and resort properties in South Africa, Nigeria and Latin America. The executive management review the operations and allocate resources at a property level.

Segment results include revenue and expenses directly attributable to a segment. Segment results are determined before any adjustment for minority interest. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment. Capital expenditure represents the total costs incurred during the period to acquire segment assets.

### Accounting policy developments

The group has evaluated the effect of all new standards, amendments and interpretations that have been issued but which are not yet effective. The expected implications of applicable standards, amendments and interpretations are dealt with below. Management is currently considering the effect of all changes.

#### Amendments to IAS 12 "Income taxes" on Recognition of deferred tax assets for unrealised losses

These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The effective date of this IFRS is 1 January 2017.

#### IFRS 15 "Revenue from contracts with customers"

The Financial Accounting Standards Board and the International Accounting

Standards Board (IASB) issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer.

The effective date of this IFRS is 1 January 2018.

#### Amendments to IFRS 2 "Share based payments", on clarifying how to account for certain types of share-based payment transactions

This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

The effective date of this IFRS is 1 January 2018.

#### IFRIC 22 "Foreign currency transactions and advance consideration"

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The effective date of this IFRS is 1 January 2018.

#### IFRS 9 "Financial Instruments" and amendments to IFRS 9

This IFRS is part of the IASB's project to replace IAS 39 "Financial Instruments Recognition and Measurement". IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current IAS 39.

Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- Their own credit risk requirements for financial liabilities.
- Classification and measurement requirements for financial assets and financial liabilities.
- The full current version of IFRS 9.

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

The effective date of this IFRS is 1 January 2018.

#### **IFRS 16 "Leases"**

This new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value (such as laptops and office furniture). A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to

make lease payments. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion.

Apart from the changes mentioned above, further implications of the new standard will be changes to key financial ratios such as performance and leverage ratios.

The effective date of this IFRS is 1 January 2019.

#### **Annual Improvements Project**

These amendments impact 2 standards:

- IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
- IFRS 7 Financial instruments: Disclosures
- IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.