Sun International

2016 INTEGRATED ANNUAL REPORT

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For more information please email us.

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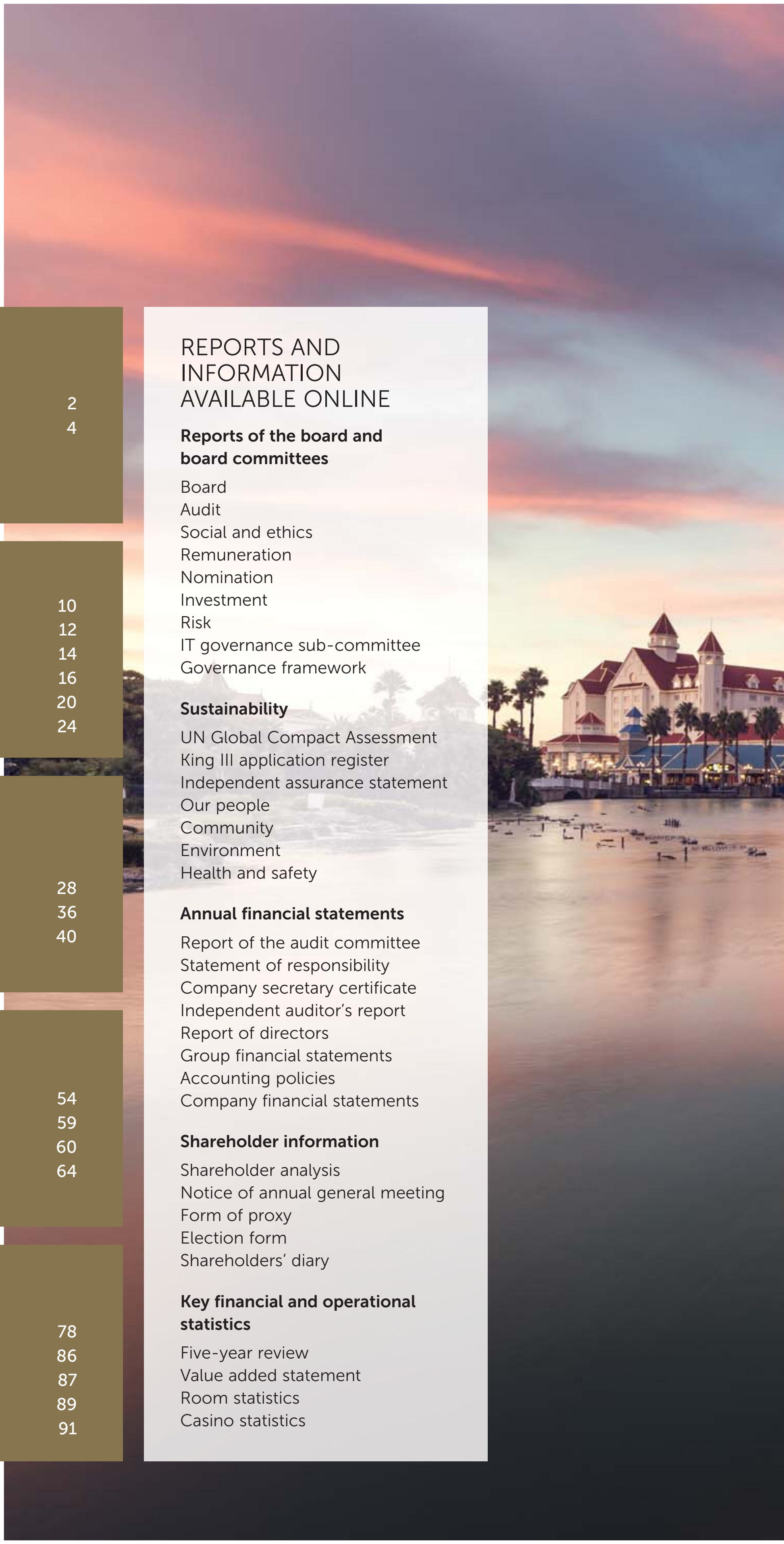

REPORTS AND INFORMATION AVAILABLE ONLINE

Our online platform which includes the Integrated Annual Report and the information indexed here can be accessed at http://ir.suninternational.com.

Highlights

DREAMS MERGER FINALISED TO FORM **THE LARGEST GAMING COMPANY IN LATIN AMERICA**

SUN CITY – LAST MAJOR UPGRADE, THE ENTERTAINMENT AND CONFERENCE CENTRE, OPENING IN NOVEMBER 2016

TIME SQUARE – SIGNIFICANT PROGRESS WITH CONSTRUCTION PHASE WITH CASINO DUE TO OPEN IN APRIL 2017

GPI SLOTS – ACQUIRED A FURTHER 25% LEADING TO A **CONTROLLING INTEREST OF**

50.1%

MINOR DISPOSAL REACHED AGREEMENT FOR DISPOSAL OF OUR NON-CORE ASSETS IN AFRICA, SAVE FOR NIGERIA

GROUP DEBT IS NOW SEPARATELY RAISED AND RING FENCED BETWEEN SOUTH AFRICA AND LATAM WITH APPROPRIATE TENOR, RATES AND CAPACITY SECURED FOR FUTURE REQUIREMENTS

Our vision

To be an internationally recognised and respected gaming and hospitality group that provides memorable experiences for our guests, offers rewarding employment for our people, delivers superior returns for our shareholders and creates genuine value for the communities in which we exist.

Our mission

To create great memories for our guests, people and stakeholders.

Our values

Our values represent an unwavering commitment to behaving in a consistent, positive manner every day, in everything we do.

Teamwork:

We treat each other with respect and work together to create great memorable experiences for all our stakeholders.

Passion:

We inspire each other with our positive attitude and energy as we strive to be the best.

Customer first:

Our customer is at the heart of all we do and we exceed their expectations every time.

Professionalism:

We use our skills and competence to provide the highest standard of work at all times.

Boardwalk, Port Elizabeth

About this report

We are pleased to present our 2016 integrated annual report.

Sun International, which is listed on the Johannesburg Stock Exchange (JSE), chooses to report in an integrated manner because we believe that doing so can help our stakeholders make better informed decisions about our business. Our aim is to provide our stakeholders with a focused and concise report. Our online platform, which can be accessed at ir.suninternational.com, contains the content of this report together with additional statutory and other reports, including our annual financial statements, governance reporting and additional sustainability content.

A list of the additional information available online is set out on page IFC.

The group's 2016 integrated annual report is primarily guided by the International Integrated Reporting Committee (IIRC) recommendations for integrated reporting (the <IR> framework guidelines). Our sustainability information contained in this report and online is guided by the Global Reporting Initiative Sustainability Reporting Guidelines. This report is also prepared in accordance with the JSE Limited Listings Requirements and the South African Companies Act, No 71 of 2008. A register of our application of the King III governance principles is available online. Our group and company annual financial statements follow International Financial Reporting Standards (IFRS).

We continue to embed management, sustainability and governance-related reporting systems and processes in our operations. The experience we gain in implementing these systems is not only applied in our new operations as we expand our operational footprint internationally, but is also contributing to the quality of our internal and external reporting.

Scope and boundary

This integrated annual report, which is our primary report to stakeholders, covers the financial period 1 July 2015 to 30 June 2016. The scope of this report includes all of Sun International's subsidiaries and operating units. The content focuses on our material issues that have occurred during the financial reporting period and in certain instances up to date of finalisation of this report. We consider material issues as those matters that could substantively influence the assessment of providers of capital and other stakeholders with regard to Sun International's ability to create value over the short, medium and long term. In order to achieve our strategic objectives and manage our risks, these material issues are continuously monitored by Sun International and its board as the governing body. Our material issues are: managing our way through tough economic conditions; exploring and delivering on growth opportunities; managing our complex regulatory environment; remaining relevant in the societies within which we operate; and managing relations with our key stakeholders.

Further detail on our material issues is set out on page 20.

Assurance

The financial information presented on pages 40 to 51 have been extracted from Sun International's audited annual financial statements, which have been prepared according to IFRS. An external assurance provider was engaged to provide an independent assurance statement on the group's sustainability reporting as advocated by King III. A copy of our independent assurance statement can be found online at http://ir.suninternational.com. In addition, Empowerdex was engaged to perform the annual Broad-Based Black Economic Empowerment (B-BBEE) verification and Marsh conducted property risk audits. Sun International's internal audit department also provides the board with assurance on the key areas of the group's internal financial controls.

Forward-looking statements

This report may contain certain forward-looking statements other than the statements of historical fact which cannot be construed as reported financial results. Investors are cautioned not to place undue reliance on any forward-looking statements contained herein, as they have not been reviewed or reported on by the group's external auditors.

Such statements may include predictions of or indicate future earnings, objectives, savings, events, trends or plans based on current expectations, forecasts and assumptions. As with any forward-looking statement, prediction or forecast, there are inherently unexpected events which could cause uncertainty and unexpected change which have not, and could not, be accounted for. Whereas the company has made every effort to accurately and reasonably ensure the accuracy and completeness of the information contained within this integrated annual report, any forward-looking statements speak only as at the date that they are made; the actual results may vary materially from those expressed or implied; and the company undertakes no obligation to publically update or alter these or to release revisions after the date of publication of this report.

Directors' approval

The board acknowledges its responsibility to ensure the integrity of information contained in the integrated annual report and has applied its collective mind in the preparation of this report. The group audit committee was instrumental in providing guidance on this process and keeping the board abreast of the reporting progress.

The board is of the opinion that this integrated annual report is presented in compliance with the <IR> framework guidelines and approved the report on 14 October 2016.

Valli Moosa
Chairman
14 October 2016

Graeme Stephens
Chief executive
14 October 2016

Stakeholder feedback

We welcome stakeholders' feedback on our reporting, which can be sent to investor.relations@suninternational.com.

Capitals

Sun International appreciates that the six capitals – financial, productive, human, intellectual, social and relationship and natural capital – are all interrelated in our business to create value. The manner in which these capitals are interrelated in our business activities are disclosed in the business model on page 14 and each capital is unpacked and discussed below.

FINANCIAL CAPITAL

Our sources of financial capital include shareholder equity, internally generated cash flows and debt. In 2016, we also generated financial capital through strategic disposals in our African portfolio and an interest in SunWest and Worcester. We use our financial capital to protect and leverage our existing asset portfolio in the form of replacement and maintenance capex for refurbishing and maintaining our properties, to cover our operating costs and to build and acquire unique casino, hotel and entertainment venues. This allows us to grow our stock of productive capital. We also invest financial capital in ensuring our employees have the skills they need to provide a memorable guest experience and to manage our properties to maximise value.

PRODUCTIVE CAPITAL

The bricks and mortar of our properties form our stock of productive capital. The uniqueness of our properties is a key differentiator for our business and we focus on protecting, leveraging and growing our asset base. In addition, our online sports betting website offers South Africans a secure and legal platform to place bets on sporting teams and individuals. We constantly review our asset base and its offerings to ensure they remain relevant and are used optimally. If required we will dispose of assets that are no longer relevant or are not core to our long-term strategy. Growing our stock of productive capital requires the investment of financial capital, whether into our existing properties, new assets or new products.

HUMAN CAPITAL

Our stock of human capital includes our peoples' skills and experience. As the primary interface with our guests our employees are the custodians of the memorable experience we strive to offer. Their motivation and competence to perform and provide a memorable guest experience are key determinants of our future success and sustainability. We invest financial capital to develop our stock of human capital. This includes training and developing our people to equip them with appropriate skills to deliver on our strategic objectives, rewarding them with appropriate remuneration and incentives and providing mechanisms to keep them safe and healthy. Our non-management employees in South Africa participate in the Sun International Employee Share Trust, which has a significant stake in both Sun International and in a number of our casino properties directly. We also actively align management performance with our strategic objectives. Our focus for 2016 was on the selection and rollout of our group values following the chief executive roadshows.

INTELLECTUAL CAPITAL

Our intellectual capital includes our brand, our know-how, our ability to ensure our properties are all aligned with our strategic objectives and can meet set standards and targets, our investment in governance structures that ensure we remain at the forefront of best practice corporate governance, and our IT systems.

As a gaming, leisure and entertainment group our stock of intellectual capital is realised in the form of our gaming licences, which are the single most critical enablers of our ability to operate. Our brand is also one of our most valuable assets and we rely on our people to protect and appropriately represent our brand. Our stock of intellectual capital, represented by our wealth of management expertise, and our management team's ability to establish successful relationships, is the foundation of our entry into new jurisdictions.

SOCIAL AND RELATIONSHIP CAPITAL

We actively manage the stakeholder relationships on which our business depends, including those with communities, our business partners, governments and regulators.

Our guests are key stakeholders in our business. We strive not just to meet their expectations but to exceed them. Our gaming licences, which are essentially our regulated licences to operate, are critical to our business and require that we comply with various licensing conditions. Stakeholder engagement plays a key role in our compliance with these licences. Our track record of being an ethical operator and responsible corporate citizen is based on the belief that doing good is more than a business requirement, it is about creating shared value. This approach supports the growth of our business into new markets. We are acutely aware of the negative impact that gambling can have in communities and we actively partner with responsible gambling initiatives to help reduce the incidence of problem gambling.

NATURAL CAPITAL

We are a medium impact user of natural resources. Our business activities depend on natural capital inputs and in particular water and energy. Many of our properties are located in pristine environments rich in biodiversity, which are a key aspect of their appeal to our guests and hence we strive to protect our environments. We aim to reduce our impact on the environment, continue to measure our carbon footprint and plans are in place to increase waste recycling partnerships.

Chairman's review

Valli Moosa
Chairman

Three years ago, the board ushered in a new management team to develop and implement a strategy that would constitute a step change. I am pleased to report that we are now well on our way into the execution of the final lap of the strategy, which we believe will bring about meaningful growth.

Over the past two years the group has worked diligently to build efficiencies and grow the business – but there is little we can do about the global economic decline and its impact on the group's operations and guests, particularly in South Africa where the effects of the weak rand and prolonged drought have pushed up prices of goods and services. All these factors have both a positive and negative impact on Sun International. In South Africa, the weak rand is positive for the tourism industry, making it more affordable for international guests to travel; however, with disposable income under pressure we are experiencing limited growth in casino revenue while certain costs are increasing. Good growth from Monticello and the relatively stronger Chilean economy has partially offset the lacklustre South African results.

Furthermore, the tougher economic operating environment is also clouded with uncertainty in respect of political and social challenges. It's at times like this that a company's values are truly tested and at Sun International we pride ourselves with the fact that our business practices remain underpinned by high ethical principles that are embraced by the board, practiced by the leadership team and cascaded down to our employees groupwide – we are unwavering in our position of practicing zero tolerance to corruption at every level in the organisation. In addition, we remain committed to the highest standards of corporate governance and compliance, not only with the letter of the law but also the spirit of the law. This enables the group to continue creating stakeholder value and to consistently provide our stakeholders with transparent information through various mediums, including group results presentations and integrated reporting.

Our employees are also vital in ensuring that we live the group's vision and values. It was encouraging to note the positive feedback received following the chief executive's values roadshows and to get the feedback from the employee engagement surveys carried out, which enable management to tap into employee concerns and ideas.

These surveys provide key insights on where we as an organisation can further improve and build on our successes. Going forward, the board will be kept abreast of progress in addressing employee feedback through the social and ethics committee.

Interacting with our many stakeholders remains important in achieving the

The Table Bay, Cape Town

group's strategic objectives. Widespread management engagement took place during the year with key stakeholders such as investors, shareholders, regulators and government to keep them informed of the developments within the group. Following the submission of our 2015 remuneration policy for shareholder endorsement where we received a vote of only 69% in favour, the remuneration committee and management engaged extensively with shareholders to understand and address aspects of the policy that concerned them and this has resulted in certain changes to the group's remuneration policy as set out in this report on page 64.

A significant highlight during this financial year was the successful merger of our Latin American portfolio with the assets of Dreams SA, which culminated in the creation of the largest gaming company in Latin America. This merger will create opportunities for further growth in South

"A significant highlight during this financial year was the successful merger of our Latin American portfolio with the assets of Dreams SA, which culminated in the largest gaming company in Latin America."

America, and the ability to take on larger projects, which bodes well for the sustainability of our business into the future. The board will oversee the successful integration of the merger, from a governance, operational and cultural perspective. Other highlights include good progress on key projects such as the construction of Time Square, which is the most important initiative currently being undertaken by the group. The project remains on track to open in 2017 and should not only better balance our South African portfolio but should ensure meaningful growth for the next few years. The ongoing substantial makeover of Sun City is almost complete and the revitalised property will once again establish Sun City as the premier conferencing destination in South Africa, which should drive repeat visitations and encourage new guests to visit our most iconic property. Additional organisational changes include the disposal of our non-core assets in Africa. In the case of Nigeria we have decided to exit the country due to the unfriendly climate for business – the process to exit has been initiated but may take some time as we seek to get a reasonable value for the investment that we have made.

The group secured funding for all the projects in progress and it has refinanced all debt facilities in both South Africa and Latin America. The group is currently operating well within its debt covenants.

Further detail on this debt restructure is available in the chief financial officer's review on page 48.

Being financially sustainable enables us as a group to promote social responsibility by giving back to society and the environment. Through Sun International's creating shared value strategy the group supported certain educational, arts and cultural and heritage initiatives – including A Day in the Life of a Chef, the Inspired Stages mentorship programmes and our support of the global Stop Hunger Now movement. The 2016 CEO SleepOut was another highlight in our calendar, providing an opportunity for chief executive officers throughout South Africa to raise awareness of the poorest in society and raise funds for education, which is essential in the fight against poverty alleviation. The environmental strategy also continued to make good progress, including the measuring and reducing of our carbon footprint. We remain committed to procuring marine life that is SASSI approved.

Further detail on the group's social responsibility progress can be accessed on our website at http://ir.suninternational.com.

As a board we are confident in our ability to provide direction to the group going forward given the wide array of skills, knowledge and experience. The annual board evaluation confirmed that the board is functioning effectively. Notwithstanding this confirmation, we further boosted the independent non-executive board's skills by appointing Mr Nigel Morisson, an internationally experienced gaming director with extensive knowledge in international VIP gaming and Ms Caroline Henry who has over 20 years of experience in the finance sector. We also welcomed our new executive director of special projects, Mr Khati Mokhobo, who has been instrumental in overseeing the Time Square project development. These directors' skills and experience will add significant value to the group.

On behalf of the board, I extend my thanks to Ms Louisa Mojela who, having served on the Sun International board for more than 12 years, will retire at the forthcoming annual general meeting by way of rotation in terms of the company's Memorandum of Incorporation. Ms Mojela has indicated that she is unavailable for re-election and accordingly will retire at the 2016 annual general meeting. We extend our appreciation to Ms Mojela for her many years of dedicated tenure and valuable contributions.

Ms Chantel Reddiar has resigned as company secretary of Sun International, with effect from 5 September 2016 and the board thanks her for her commitment and dedicated service, not only as company secretary, but in other roles within the company.

Mr Anthony Leeming, the chief financial officer of Sun International will act in the capacity of interim company secretary from 5 September 2016 to 15 November 2016. Mr Andrew Johnston has been appointed as the group company secretary of Sun International with effect from 16 November 2016.

Mr Johnston is a qualified and admitted attorney having served as a senior executive and group company secretary of several large public listed companies in South Africa over the past 25 years. He holds the BA, LLB, FCIS and Postgraduate Diploma in Environmental Law qualifications and was a member of the Accounting and Auditing Task Force of The King Committee responsible for implementing the third King Report on Corporate Governance for South Africa. In addition to the aforegoing Mr Johnston serves as a member of the CRISA Committee, is chairman of the JSE Company Secretary Forum and is a member of The International Corporate Governance Network (ICGN) Remuneration Committee.

I would like to thank the board, management and our employees for their continued passion and commitment in the achievement of our strategic objectives. I appreciate that we face challenging economic environments both in South Africa and Latin America, but I believe in the group's ability to continue growing and innovating, thereby creating stakeholder value.

Valli Moosa
Chairman

14 October 2016

Carnival City, Brakpan

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BUSINESS OVERVIEW

TEAMWORK

We treat each other with respect and work together to create great memorable experiences for all our stakeholders.

BUSINESS OVERVIEW

Group structure

Sun International owns and operates casino, hotel and resort properties in South Africa, other African countries and Latin America. Our casino operations contribute the largest share of group revenue.

LATIN AMERICA

533 Rooms

6 996 Slots

313 Tables

4 062 Employees

13 Gaming licences

GROUP TOTAL

4 147 Rooms

17 466 Slots

665 Tables

382 Vacation club units

13 114 Employees

2016 GROUP CONTRIBUTION (%)

2016		2015
67	South Africa	69
32	Latin America	29
1	Other African businesses	2

2016		2015
68	South Africa	73
32	Latin America	26
–	Other African businesses	1

The percentages are proforma assuming that the Dreams and GPI Slots transactions were effective 1 July 2014.

Further detail on the breakdown of revenue and EBITDA by unit is on pages 45 and 46.

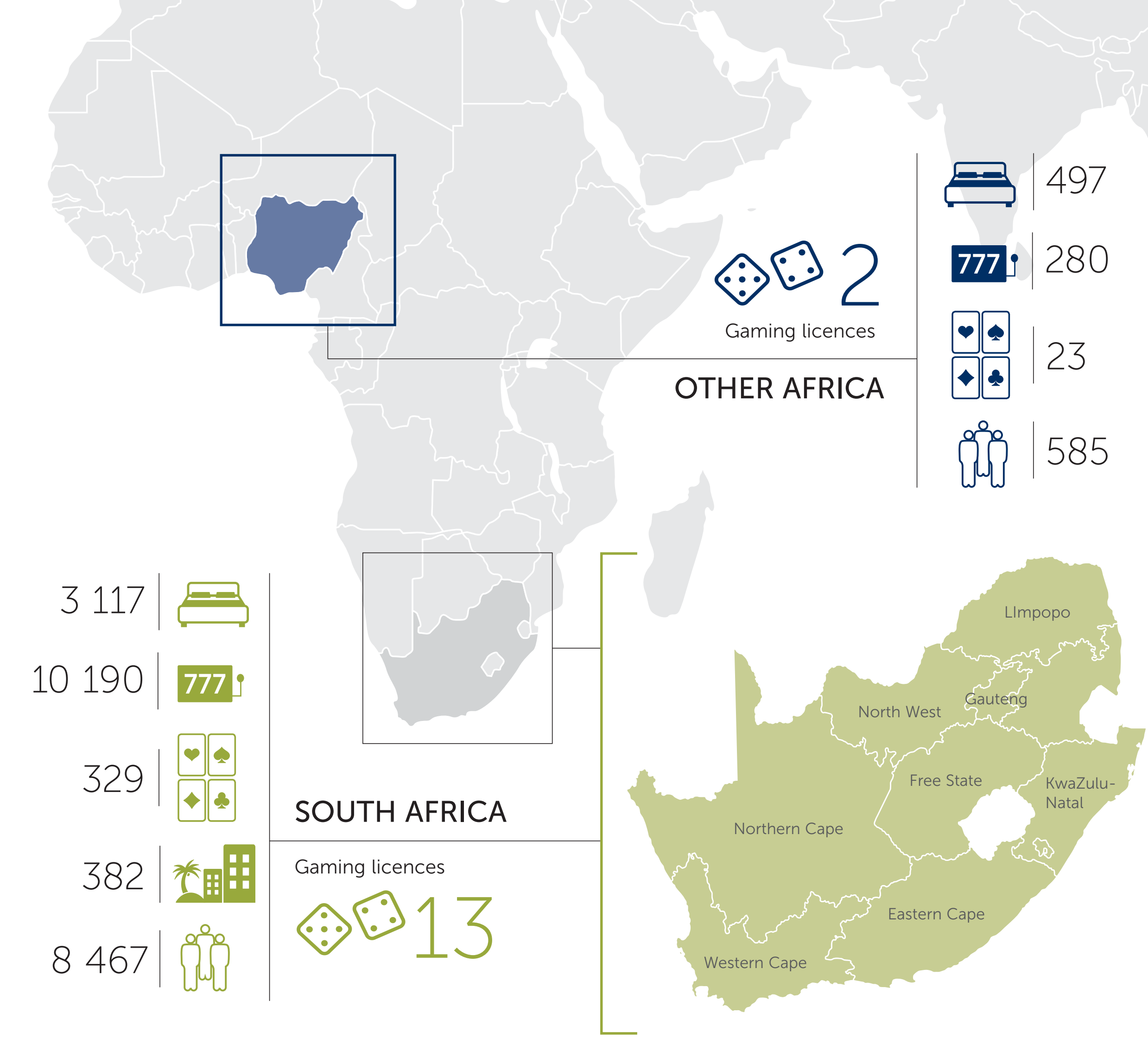
Latin America (Latam)

	Economic interest (%)	Slots	Tables	Rooms
Monticello, Chile	55	2 164	81	155
Ocean Sun Casino, Panama	55	600	38	–
Sun Nao, Colombia	55	220	16	–
Iquique, Chile	55	693	22	–
Temuco, Chile	55	694	36	96
Valdivia, Chile	55	405	22	104
Puerto Varas, Chile	55	499	36	50
Coyhaique, Chile	55	168	11	40
Punta Arenas, Chile	55	488	20	88
New York, Peru	55	444	17	–
Eden, Peru	55	206	–	–
Kingdom, Peru	55	161	6	–
Pachanga, Peru	55	254	8	–

Other Africa

	Economic interest (%)	Slots	Tables	Rooms
Nigeria	49	107	10	146
Swaziland[1]	51	173	13	351

[1] We have reached an agreement for the disposal of Swaziland.



South Africa

	Economic interest (%)	Slots	Tables	Rooms
Gauteng				
Carnival City	91	1 753	53	105
Morula	100	477	10	73
Maslow	100	–		281
Western Cape				
GrandWest	61	2 562	59	39
Table Bay	61	–	–	329
Worcester	61	220	16	98
Sunbet	100	–	–	–
KwaZulu-Natal				
Sibaya	63	1 210	48	154
Limpopo				
Meropa	68	417	17	–
North West				
Sun City	100	645	36	1 296
Carousel	100	700	25	94

	Economic interest (%)	Slots	Tables	Rooms
Northern Cape				
Flamingo	71	290	12	–
Eastern Cape				
Boardwalk	82	921	25	140
Fish River	82	–	–	82
Wild Coast Sun	70	471	18	396
Free State				
Windmill	70	366	20	–
Naledi Sun	100	158	–	30
Management activities				
Sun International Management	100	–	–	–

Sun International journey

1966
Royal Swazi,
Ezulweni
Swaziland

1970
Lugogo Sun,
Ezulweni
Swaziland

1969
Maseru Sun,
Maseru
Lesotho

1974
Ezulweni Sun,
Ezulweni
Swaziland

1979
Sun City,
North West
Province

1981
Wild Coast Sun,
Port Edward
Eastern Cape

1983
Sun International
listed on the JSE

1984
Cascades Hotel,
Sun City
North West
Province

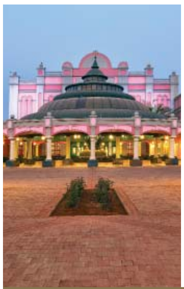
Lesotho Sun,
Maseru
Lesotho

Gaborone Sun,
Gaborone
Botswana

1989
Morula,
Mabopane
Gauteng

Fish River Sun,
Port Alfred
Eastern Cape

Naledi Sun,
Thaba 'Nchu
Free State



1990
Kalahari Sands Hotel,
Windhoek
Namibia

1991
Carousel,
Hammanskraal
North West
Province

1992
Sun Vacation
Club, Sun City
North West
Province

1994
The Palace of
the Lost City,
Sun City
North West
Province

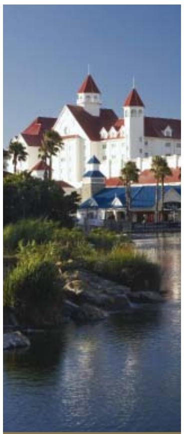
1997
The Table Bay,
Cape Town
Western Cape

1999
Carnival City,
Brakpan
Gauteng

2000

GrandWest, Cape Town Western Cape

Boardwalk, Port Elizabeth Eastern Cape



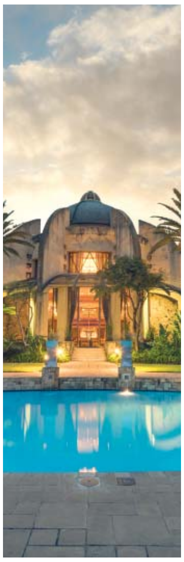
2001

Zambezi Sun and Royal Livingstone, Victoria Falls Zambia

2002

Meropa, Polokwane Limpopo

Flamingo, Kimberley Northern Cape



2004

Sibaya, Umhlanga KwaZulu-Natal

2005

Sun Vacation Club phase two, Sun City North West Province

2006

Golden Valley, Worcester Western Cape

2008

Monticello Casino, Mostazal Chile

2009

Federal Palace, Lagos Nigeria

2012

Boardwalk extension, Port Elizabeth Eastern Cape

2013

Maslow, Sandton Gauteng

Launched application to build Time Square, Tswane South Africa

2014

Acquired Sunbet, South Africa

Bought out minorities in Monticello

2015

Ocean Sun Casino, Panama opened

Disposal of majority shareholdings in non-core Africa assets (Gaborone Sun, Lesotho Sun, Maseru Sun, Kalahari sands, Zambezi Sun and Royal Livingstone)

Purchased 25.1% of GPI Slots

Granted approval to build Time Square

Sun Nao Casino, Colombia opened

Broke ground at Time Square

2016

Increased interest in GPI Slots to 50.1%

Merged out Latam businesses with Dreams

Reached agreement for disposal of remaining interests in non-core Africa assets, save for Nigeria

Business model

Inputs

We use each of the six capitals and appreciate that there are trade-offs between them. These trade-offs are taken into account to preserve shareholder value.

Financial capital

- Internally generated cash flows **R2 023 million**
- Debt **R14 062 million**

Productive capital

- Bricks and mortar of our **32 properties**
- **17 466** slot machines and **665** gaming tables

Human capital

- People's skills and experience **13 114 employees**

Intellectual capital

- Brand
- **28** gaming licences
- **6 000** LPM licences
- Ability to ensure our properties are all aligned with our strategic objectives and can meet set standards and targets
- Investment in governance structures
- IT systems
- Wealth of management expertise

Social and relationship capital

- Stakeholder relationships – guests, regulators and communities
- Responsible gambling

Natural capital

- Physical locations
- Energy consumption
- Water consumption
- Biodiversity

BUSINESS ACTIVITIES

We offer gaming, hospitality and entertainment to our guests through our casino, hotel and resort properties. We are leveraging our core existing business and using our track record and management skills to take advantage of growth opportunities in emerging markets. We are invested in alternate gaming such as the Limited Payout Machine (LPM) industry and online sports betting.

Gaming

Our gaming licences are the **single most critical enabler of our ability to operate.** Gaming contributes **77% of group revenue.** We continuously evaluate our licences to ensure they remain relevant and are used optimally.

Number of slot machines	Number of gaming tables	Alternative gaming in South Africa
South African operations 10 190	South African operations 329	LPM operations
Other African operations 280	Other African operations 23	6 000 machine licences with 3 333 machines currently deployed
Latam operations 6 996	Latam operations 313	One online sports betting licence

Hotels and resorts/hospitality

The **uniqueness of our properties and customer service skills of our people** are our key differentiators to **offering an unforgettable experience** for our guests, which keeps them choosing Sun International as a destination of choice. Our hotel operations also service our casino guests, in particular those situated at our casino properties.

Number of hotel rooms	Number of properties
South African operations 3 117	South African operations 17
Other African operations 497	Other African operations 2
Latam operations 533	Latam operations 13

Stakeholder engagement with shareholders, investors, employees, unions, gambling boards, government regulators and communities to actively manage relations.

Governance and sustainability principles underpin our business model and provide the foundation on which we continue to build and grow our business.

Corporate social investment to uplift socioeconomic development.

External environment

Regulation | Economy | Industry

Outputs

Delivering a memorable guest experience that aligns with our vision of being an internationally recognised and respected gaming and hospitality group.

Financial capital

Revenues generated	**R12 186 million**
Internally generated cash flows	**R2 023 million**
Dividends paid to minority and company shareholders	**R543 million**
Interest payments to debt funders	**R734 million**
Expansionary capex	**R1 540 million**
Replacement and maintenance capex	**R921 million**
Government taxes	**R3 295 million**

Productive capital

Time Square development (budget R4.1 million)	**R1 221 million**
Sun City upgrade developments	**R406 million**
Other South African ongoing asset replacement	**R686 million**
Latam ongoing asset replacement	**R89 million**

Human capital

Employee development spend	**R82 million**
Employee remuneration	**R2 466 million**
Employee Share Trust distributions since inception in 2003	**R298 million**

Intellectual capital

10 New casinos in Latam

18 Gaming licences retained

Social and relationship capital

Socioeconomic development	**R17.5 million**

Natural capital

Energy consumption	**281 317 877 kWh**
Water consumption	**5 036 538 kl**
Carbon emissions	**319 684 CO_2e**

Outcomes

Through using our capital inputs and business activities, Sun International's outcomes have a far reaching impact on the economy and society as a whole.

- Supporting the local and international economies where we operate through the taxes paid and jobs created
- Creating shareholder value through growth opportunities and increased market share
- Providing entertainment opportunities for guests through our casinos and hotel resorts, while ensuring we support guests through our responsible gambling programme
- Improving our guest experience through continuously maintaining and refurbishing our properties
- Improving customer service by developing and upskilling our employees
- Uplifting communities through targeted socioeconomic development initiatives
- Supporting South Africa's transformation goals
- Supporting role players who protect the natural environments where we operate, such as game reserves and natural heritage organisations
- Creating opportunities for enterprise development through our supply chain

Sun International strives to continuously create stakeholder value through conducting its business in an ethical manner that is guided by the board and executive management through its strategic objectives.

- Improve our existing operations and guest experience
- Protect and leverage our existing asset portfolio
- Grow our business into new areas and products
- Our people
- Governance and sustainability

Government | Technology | Society | Natural environment

Operating environment

Sun International has grown, not only in the number of its properties but also geographically as it has expanded outside of the African continent into Latin America – firstly with Chile in 2008, then Panama in 2014, Colombia in 2015 and the Dreams merger in 2016.

With the conclusion of the Dreams merger in 2016, the group extended its representation in Chile and is now also represented in Peru. Its focus has also shifted from countries in Africa where it has sold all its interests outside of South Africa save for Nigeria, which it is actively looking to exit. The revenue contributions in the 2016 financial year have also shifted significantly, with South Africa's revenue contribution amounting to 78% (2015: 81%) and Latam's revenue contribution amounting to 20% (2015: 17%). If the Dreams' properties were included for the full 2016 financial year Latam's contribution to revenue and EBITDA would have been 32%. As a result, the group has diversified its country risk and created opportunities to further grow its business in Latam.

Although the group remains largely dependent on the South African economy, its geographical expansion into Latam provides opportunities to enhance its shareholder value, as economic growth in Chile, Colombia, Peru and Panama is more favourable than the stagnant economic environment in South Africa. Despite increasing its geographic diversification, the group remains impacted by the global economy and growth forecasts have weakened throughout the world, with emerging markets and developing economies facing stronger headwinds, including weaker growth among advanced economies and low commodity prices.

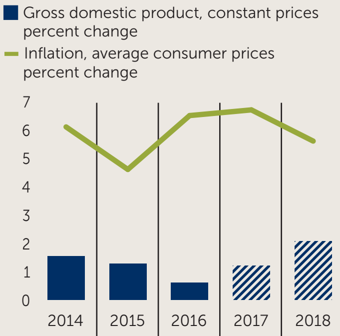
Over the past year the rand experienced significant depreciation of 21% against the US dollar, largely due to political uncertainty, a weakened economy and the possibility of a further credit rating downgrade towards the end of 2016.

Regulatory environment

South Africa has a complex regulatory environment and each industry has various oversight bodies to ensure compliance with regulation. Gaming legislation – namely the National Gambling Act No 7 of 2004 is Sun International's primary compliance focus.

The South African economy has experienced lacklustre growth over the past few years. According to economists, the GDP growth rate in South Africa is expected to be under 1% by the end of 2016 and looking forward, economists estimate a GDP growth rate in South Africa to be just over 1% in 2017. In the long term, the GDP growth rate is projected to trend around 2% in 2018.

SOUTH AFRICA

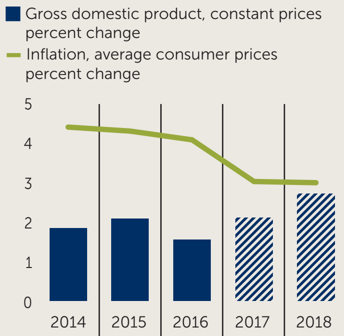


	2014	2015	2016	2017	2018
GDP	1.55	1.28	0.61	1.21	2.06
Inflation	6.10	4.60	6.50	6.70	5.60

Source: IMF 2016
• Forecast

Chile has been one of Latam's fastest-growing economies over the past decade. In recent years it has reduced poverty rates but the country still faces challenges. With a significant reliance on copper and the recent weakening in demand and the price of copper, the currency has weakened and growth rates have slowed however growth is expected to increase to over 2% in 2017 and 2018.

CHILE GDP AND INFLATION

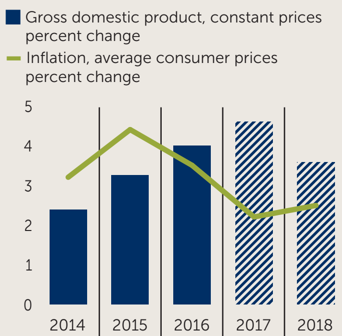


	2014	2015	2016	2017	2018
GDP	1.83	2.07	1.54	2.10	2.70
Inflation	4.40	4.30	4.08	3.03	3.00

Source: IMF 2016
• Forecast

Peru has been one of the region's fastest-growing economies, with an average growth rate of 5.9% in a context of low inflation, averaging 2.9%. A favourable external environment, prudent macroeconomic policies and structural reforms in different areas combined to create a scenario of high growth and low inflation. Over the next two to three years, large-scale mining projects are expected to begin production and increased private and public investment in infrastructure projects will support growth.

PERU GDP AND INFLATION



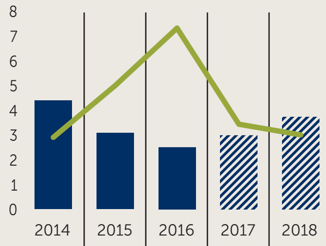
	2014	2015	2016	2017	2018
GDP	2.39	3.26	4.00	4.60	3.58
Inflation	3.20	4.40	3.50	2.20	2.49

Source: IMF 2016
• Forecast

Colombia remained among the fastest-growing economies in the region in 2015, largely due to effective macroeconomic and fiscal management. However, the country was significantly affected by the global economic slowdown and lower oil prices – economic growth slowed from 4.6% in 2014 to 3.1% in 2015. Growth is expected to moderate further to 2.7%, before beginning to recover in 2017.

COLOMBIA GDP AND INFLATION

■ Gross domestic product, constant prices percent change
— Inflation, average consumer prices percent change



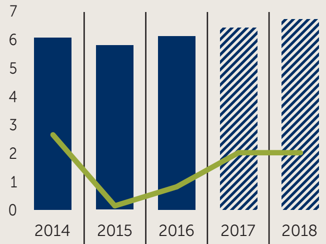
	2014	2015	2016	2017	2018
■	4.39	3.08	2.50	2.97	3.72
—	2.90	4.99	7.31	3.43	3.00

Source: IMF 2016
• Forecast

Panama has been one of the fastest-growing economies worldwide, with an average annual growth of 7.2% between 2001 and 2013. Economic growth was 6.2% and 5.8% in 2014 and 2015 respectively, with a forecasted growth of 5.9% in 2016. In the medium term growth is likely to remain between 6% and 6.5%. Public and private investments should remain high, with the recently opened Canal.

PANAMA GDP AND INFLATION

■ Gross domestic product, constant prices percent change
— Inflation, average consumer prices percent change



	2014	2015	2016	2017	2018
■	6.05	5.78	6.10	6.40	6.70
—	2.63	0.13	0.80	2.00	2.00

Source: IMF 2016
• Forecast

The National Gambling Board is responsible for overseeing the regulation in the gambling industry in South Africa. In addition, each province has their own gaming legislation. There are 40 authorised gaming licences in South Africa and 38 have been issued. Sun International has 13 of these licences in the eight provinces where it operates.

See page 10 for the group structure.

The Casino Association of South Africa (CASA) represents the interests of the country's legal casino gaming industry. Sun International and other casinos are all members of CASA and adhere to its code of conduct.

The primary recent regulatory amendments in South Africa include the amended B-BBEE Codes of Good Practice, the proposed amendments to the smoking legislation, the National Liquor Act, the Financial Intelligence Centre Act and the Tourism Code, which Sun International will be measured against from 2016.

In Chile the Superintendence of Casinos (SCJ), an autonomous body representing the state, regulates the casino industry under the law No 19 995. The SCJ overseas 16 authorised casinos in 10 regions of the country. In addition to the SCJ regulated casinos, there are another seven casinos operating under concession granted by certain municipalities. In terms of a new casino law, the licence for these casinos will expire in December 2017 and a bidding process will be undertaken. The new licences will fall under the regulations of the SCJ.

Regulation across Latam is overseen by our experienced team in Latam, where each country has its own regulatory body as shown below. The group has 13 gaming licences in Latam.

OTHER LATAM REGULATORY BODIES WHERE SUN INTERNATIONAL HAS REPRESENTATION

Peru: The General Direction of Casino Games and Slot Machines, under the Deputy Ministry of Tourism is the regulatory authority for the gaming operations of casinos and slot machines.

Colombia: Coljuegos is the industrial and commercial company of the state that manages and issues rules of the games of chance and gambling monopoly.

Panama: The Gaming Control Board is a state institution established by Law No 19 of 8 May 1947 that assumes regulatory control of the games of chance and wagering activities. It operates under the auspices of the Minister of Economy and Finance.

Gaming and hospitality industry

Gaming

The casino industry in South Africa has come under pressure over the last few years with the introduction of alternate forms of gambling and the weak local economy. Alternate forms of gaming which include limited payout machines (LPMs) and Electronic Bingo Terminals (EBTs), in essence mini casinos, continue to impact the casino market in South Africa. While the national gambling board is against the rollout of EBTs, certain provinces continue to issue licences or are looking to do so. While the group is not against EBTs we do object to having them licenced in the catchment areas of casinos where significant investments have been made in return for the casino licence.

Online sports betting although still small has reflected strong growth and is expected to continue to grow. Online gaming is currently prohibited in South Africa. The Remote Gambling Bill aims to legalise remote or internet gambling. The Bill is currently serving before Parliament but faces significant resistance.

The casino industry in Latam showed an upward trend in 2015, despite the economic slowdown, the uncertain regulatory landscape and the recovery resulting from the application of regulatory changes, where smoking indoors in public places was banned in 2013. In particular, casinos in Peru and Chile experienced increased revenues of 32% and 11% respectively. The ban of smoking in public areas impacted Chile's footfall at casinos from 2013 to 2014 (a decline of 8.4%). However, the casino industry in Chile has shown a positive trend in terms of their gross income between 2013 to 2015, as well as total machine bets over the same period.

Online gambling is currently prohibited in Chile while it is opening up in other countries in the region.

Hospitality

Rooms' revenue makes up only 9% of Sun International's revenue with the majority of the group's hotels primarily focussed on serving our gaming customers. In South Africa only Sun City, the Table Bay and the Maslow are focussed on local and international business and leisure travellers. In Chile the group has a number of hotels at its casino properties which serve both local travellers and VIP gaming customers.

Food and beverage which is an important component of our offering has increased its contribution to group revenue (9% of revenue) with the insourcing of a number of food and beverage outlets. The decision to insource was in order to ensure our guests receive a quality, consistent and appropriately priced offering at our properties.

Technology

Technology is inherent in Sun International's business of gaming and hospitality. In gaming todays slot machines are in essence computers and the wealth of statistical information from the group's loyalty program assists the group to better understand its business and its customers. In this regard we have invested heavily over the past few years in our Enterprise Gaming System (EGS) developed by Bally and in our business information system Bally BI. These are leading systems in the gaming industry.

Over the past year we have also invested heavily in our website which is based on the adobe platform and allows us to interact directly with our customers and for businesses to interact directly with us.

The roll out of IFS, our back office ERP platform, was completed in the past year. The system has replaced and consolidated a number of our legacy systems to enable a more integrated and holistic approach to our back office.

Society

Our portfolio of casino properties, which to a large extent have exclusivity in the areas where they operate, have a significant impact on the communities surrounding our properties. Not only do our customers come from these communities but also a large number of our employees. We therefore play a meaningful role in these communities through various enterprise and supplier development initiatives. Being a responsible corporate citizen is part of the group's DNA and it fully supports responsible gambling through the South African Responsible Gambling Foundation, the entity which supervises the National Responsible Gambling Programme (NRGP) in co-operation with the gambling industry operators and governmental regulators. The NGRP integrates education, research and treatment into one programme.

Although the group remains largely dependent on the South African economy, its geographic expansion into Latam provides opportunities to enhance its shareholder value.

Ocean Sun Casino, Panama

Material issues and risk management

We consider material issues as matters that could substantively influence the assessment of providers of capital and other stakeholders with regard to Sun International's ability to create value over the short, medium and long term. In order to achieve our strategic objectives and manage our risks, these material issues are continuously monitored by Sun International and the board as its governing body.

Materiality determination process

Consultation with our stakeholders is key to our materiality determination process. We use the feedback obtained from interactions with our investors, which includes our annual general meeting, investor presentations, face-to-face meetings, email and telephone calls. Through interacting with our providers of debt our financial team was able to establish what issues were material to them in terms of Sun International.

We also use the feedback from government, regulators and industry bodies, as well as the communities in which we operate to determine material issues in terms of Sun International. In addition, Integrated Report Assurance Services undertook an internal materiality scan of our board and committee minutes in an attempt to determine the issues that should be deemed most material to Sun International for the purpose of defining the scope of this integrated annual report.

Based on these engagements and taking into account the group's top risks from which both risks and opportunities could flow, our material issues are determined and discussed at the relevant governance committees, such as exco, board, social and ethics, audit and risk. Our material issues, tabled alongside, are addressed through our strategic priorities, which are discussed in the chief executive's strategic review on pages 28 to 35 and throughout our integrated annual report.

Material issue	Why this is considered material	Reference to discussion in report
Managing our way through tough economic conditions	Our business depends on consumers spending disposable income at our various properties. The current tough global economic environment continues to place strain on consumers, which in turn negatively impacts our profitability. The challenging political and social environment in South Africa is of significant concern to our South African operations.	16
Exploring and delivering on growth opportunities	With the tough global economic environment, it is critical for us to look for opportunities in markets with higher growth potential, and to be innovative when providing products and services.	5 30
Managing our complex regulatory environment	We operate in a highly regulated and complex environment, particularly in South Africa, and it is critical for us to focus on compliance, to ensure we maintain our licence to operate and embrace the transformation agenda of the South African economy. We have an experienced team in Latam that deals with the regulatory environment in these foreign jurisdictions.	16
Remaining relevant in the societies within which we operate	As most of our casino licences provide for exclusivity it is therefore important for us to be mindful of the various communities within which we operate to continuously provide services and products that remain relevant.	35 63
Managing relations with our key stakeholders	Proactive stakeholder engagement is imperative to ensure that we understand stakeholders' needs in order to achieve our strategic objectives.	24

Risk management approach

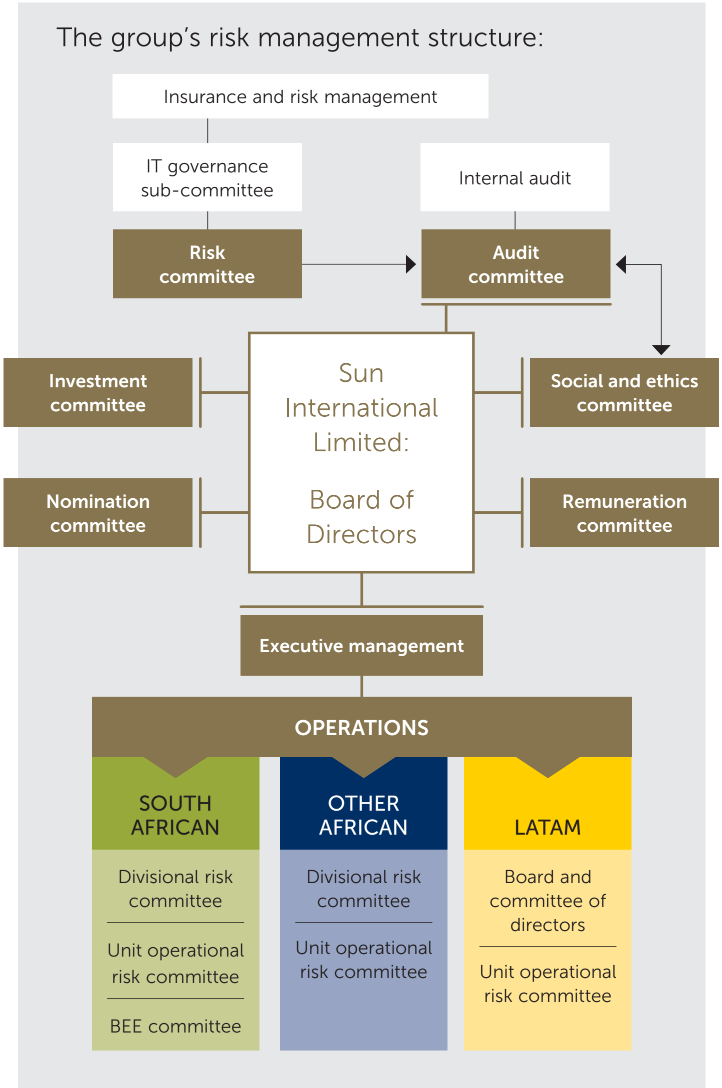
The Sun International board annually approves strategic plans for the group, which it adjusts as and when necessary. It is also responsible for the development of Sun International's risk appetite and the setting and monitoring of risk tolerance. While it is imperative that the group practices effective and sound risk management, it operates in a dynamic and challenging environment that includes pursuing new business opportunities both locally and internationally, which has resulted in a slightly increased level of risk appetite and tolerance for the group. The group's risk management structure is set out alongside.

The risk committee is tasked with assessing the risks related to any new business opportunities against the group's risk framework and its risk appetite and risk tolerance. In this regard, the committee reviews the specific risks associated with transactional opportunities. These are firstly reviewed by the investment committee and then approved by the board in order to monitor risks identified during the initial due diligence phase all the way through to implementation. The board, through the audit and risk committees considers the risks and opportunities the company may face and assesses each issue in terms of the following:

- possible economic impact on our business;
- degree to which it affects us and our stakeholders;
- extent to which it is likely to grow in significance and impact our business in the future;
- business opportunities it presents;
- level of risk it presents;
- strength and effectiveness of mitigating controls in place; and
- whether the residual risk is within the group's tolerance levels.

This strong risk management culture has been developed for the South African business and we will be overseeing the introduction of this risk management culture and philosophy into the Sun Dreams business. While our operations in Latin America have adopted the Sun International risk framework and have been managing and reporting against the risk framework, most of the methodology will be new for the Dreams operations.

Dreams have had risk management in place on a smaller scale and the management team has already embraced the concepts given the value enhancement that can be realised from a more defined and robust process.



The group Internal Audit (GIA) department, reviews the effectiveness of the group's risk management processes. Its annual internal audit plan includes a review of the effectiveness of risk controls both at the group and at individual properties. GIA's overall mandate includes the evaluation of risk exposures and the:

- reliability and integrity of information;
- effectiveness of operating processes;
- safeguarding of assets; and
- compliance with laws, regulations and controls.

The group's management team is tasked with identifying the risks the group faces and presenting its report, which takes the form of a group risk register, to the risk committee at each meeting. The risk register includes the nature of the risk, the mitigating controls, the possible impact of the risk, the likelihood of the risk, the nature of the inherent risk and the residual risk.

The group considers its risks in terms of their impact and the likelihood of a risk materialising, together with the strength and effectiveness of the mitigating controls in place. A residual risk rating is allocated to each risk as per the table on page 22.

The risk committee reviews the key risks facing the group and interrogates the controls and mitigating actions to ensure management is taking appropriate mitigating action. During the year under review, each of the 35 strategic risks identified by the group were reviewed with the assistance of the relevant business owners. The risks are also linked to each of the group's strategic pillars in order to understand the likelihood of the group achieving its long-term strategy. New risks were introduced and certain risks were no longer considered as relevant.

Key risks

Based on the risk management process and management's view of the business and the risk committee's latest review, the following have been identified as some of the key risks facing the business, together with the mitigating controls in place and the links to our strategic objectives, material issues and stakeholders.

Residual

High	Medium	Low
Management action Immediate: Management must immediately escalate to exco and board and immediate remediation plans must be instituted.	**Management action** Moderate: Management must implement action to reduce further exposure.	**Management action** Tolerant: Management will monitor exposure levels, but risk falls within acceptable limits.

Risk	Mitigating controls	Link to strategic objectives	Link to material issue	Link to stakeholders
Cost of doing business in South Africa, including new B-BBEE targets introduced, change in licensing conditions and increase in gaming taxes	• Pursuing expansion and diversification strategy into other geographic regions with stronger growth prospects • Pursuing new revenue sources and new product offerings such as LPMs, online sports betting and international VIP business • Refreshing MVG offerings and customer management strategy • Cost containment • Monitoring by B-BBEE central committee and proactively identifying and addressing business processes • B-BBEE targets established with focus on priority pillars • External assurance of B-BBEE scorecard • Moving beyond compliance towards corporate responsibility • Proactively engaging with gaming boards on casino licence conditions • Increased monitoring by social and ethics committee	• Protect and leverage our existing asset portfolio	• Exploring and delivering on growth opportunities • Managing our complex regulatory environment	• Shareholders and potential investors • Gaming boards • Regulators • Suppliers
Global economic conditions exacerbated by local/South African political, economic and social challenges	• Pursuing expansion and diversification strategy into other geographic regions with stronger growth prospects • Pursuing new revenue sources and new product offerings such as LPMs, online sports betting and international VIP • Cost containment	• Protect and leverage our existing asset portfolio	• Managing our way through tough economic conditions	• Shareholders and potential investors • Employees
Loss of casino licences/ exclusivity	**GrandWest licence exclusivity** • Increased focus on compliance and interaction with the Western Cape Gambling and Racing Board • Cultivating positive relationships with key stakeholders • Rebalancing the portfolio through Time Square development **Chilean municipal licence renewals** • Detailed planning for Chilean municipal bidding process underway • Opportunity to acquire other municipal licences	• Protect and leverage our existing asset portfolio • Grow our business into new areas and products	• Managing relations with our key stakeholders • Managing our complex regulatory environment	• Gambling boards • Provincial government • Chilean municipalities

Risk	Mitigating controls	Link to strategic objectives	Link to material issue	Link to stakeholders
Impending smoking legislation in South Africa	• Legislative developments monitored by Sun International's legal department • Operational plans developed • Motivating that legislators look at exempting casinos • Reviewing legislation dealing with working in smoking areas	• Protect and leverage our existing asset portfolio • Improve our existing operations and our guest experience • Our people	• Managing our complex regulatory environment	• Employees • Customers • Health authorities
Failure to successfully implement and operate Time Square	• Management focus on delivering project timeously, on budget and thereafter EBITDA achievement • Continued engagement with regulators • Monthly management forum setup with relevant representatives to ensure successful delivery	• Grow our business into new areas and products • Our people	• Exploring and delivering on growth opportunities • Managing relations with our key stakeholders	• Shareholders and potential investors • Employees • Suppliers • Regulators
Unsuccessful integration of Sun Dreams	• Dreams merger substantially settled – final regulatory approvals received in May 2016 • Experienced Latam management team in place • Sun International Dreams integration committee constituted to address integration issues	• Grow our business into new areas and products • Protect and leverage our existing asset portfolio	• Exploring and delivering on growth opportunities	• Shareholders and potential investors • Foreign Embassies • Employees • Customers
Unsuccessful regeneration of Sun City	• Sun City is one of the group's key priorities with a clear strategy being implemented to improve financial performance • Critical development projects are currently underway • Appointed a new head of operations • Leveraging new investments to achieve targeted EBITDA • Ongoing engagements with unions by all levels of management • Deep dive project to improve efficiencies and reduce costs	• Improve our existing operations and our guest experience	• Managing relations with our key stakeholders • Remaining relevant in the societies within which we operate	• Unions • Employees • Customers • Regulators
Change in consumer in the South African market – maturity	• Focusing on improving efficiencies and cost reductions • Focusing on marketing and sales strategy, restructuring the business, including the insourcing of food and beverage, customer management and alternative forms of gaming • International expansion strategy in place in emerging higher growth markets • VIP strategy implemented • Significant focus on implementing and embedding operational changes • Sunbet online sports betting as entry into online space • Developing online gaming strategy	• Improve our existing operations and our guest experience	• Remaining relevant in the societies within which we operate • Exploring and delivering on growth opportunities	• Shareholders and potential investors • Employees • Customers • Suppliers
Cybercrime	• Protection of Personal Information (PoPI) mechanisms in place • Data security embedded • Key cybersecurity initiatives already implemented and continuously monitored	• Governance and sustainability	• Managing our complex regulatory environment	• Customers • Regulators • Employees
Rollout of EBTS and LPMS	• Lobbying through CASA • Exploring new digital offerings • Monitoring and commenting on all draft provincial regulations • Looking at opportunities outside the catchment areas of casinos	• Protect and leverage our existing asset portfolio	• Exploring and delivering on growth opportunities • Managing our way through tough economic conditions	• Shareholders and potential investors • Gambling boards • Customers

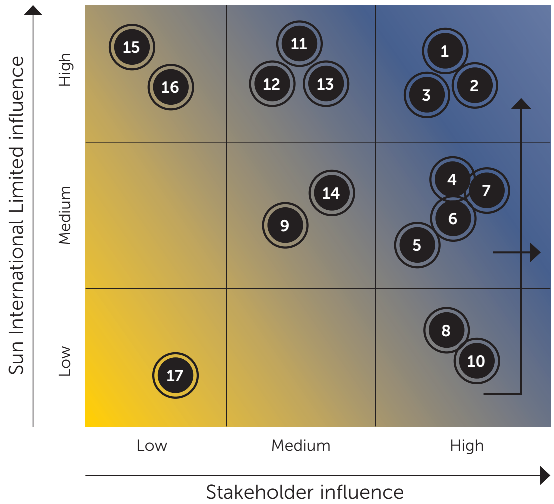
BUSINESS OVERVIEW

Stakeholder relations

We value constructive engagement and encourage the voicing of legitimate concerns and comments through the various communication channels that we make available.

All our stakeholder relationships impact directly and indirectly on our business and its reputation. Every aspect of our business interacts with stakeholders. Our reputation or relationship capital has a direct impact on our financial capital, as it influences whether consumers decide to become our guests; whether suppliers want to be vendors; and whether government believes that we are complying with regulations, willing to give back to the community and driving economic development. Achieving our five strategic priorities depends on our ability to engage with and respond to our stakeholders. Our various methods of engagement include face-to-face formal and informal meetings, results presentations and our annual general meetings. We also engage through our marketing efforts, advertising and communication through electronic media, newsletters and roadshows. We survey our guests and our employees with the aim of obtaining their feedback and responding to it. Further detail on our stakeholder engagement with the top five stakeholders is tabled below and on page 25.

The group has a formalised stakeholder engagement process in place and has identified stakeholders that have a material impact on the group and those on which the group may have a material impact. The group's stakeholder impact matrix is depicted alongside.



1 Customers
2 Equity partners
3 Employees
4 Gambling boards
5 Other regulators
6 Media
7 Banks
8 Provincial government
9 Unions: The South African Commercial, Catering and Allied Workers Union (SACCAWU)/Congress of South African Trade Unions (COSATU)/ South African Transport and Allied Workers Union (SATAWU)
10 National governments
11 Service providers
12 Investors
13 Suppliers
14 Local government structure, e.g. Police
15 Casino Association of South Africa (CASA)
16 South African Responsible Gambling Trust
17 Local and foreign embassies

We annually assess our stakeholder universe based on their influence on the group and the group's influence on a particular stakeholder grouping. We determine any material issues that may exist and purposefully engage in order to resolve such issues or to build a better understanding of our stakeholders.

The risk and social and ethics committees provide oversight of the group's stakeholder engagement and are responsible for keeping the board abreast on material matters arising.

Sun International brand differentiators

- A strong brand with a proud legacy
- The pioneers of gaming in South Africa
- Industry leaders in the field of big events
- Constantly demonstrating innovation in gaming
- An international business
- Significant contributors to the South African economy and communities throughout the country
- A company with many iconic properties

Stakeholder engagement

Stakeholder	Method of engagement	Key stakeholder issues	Actions to address stakeholder issues	Link to material issue	Link to strategic objective
Customers	• Sun MVG programme • International VIP gaming • Interactions at properties • Brand campaigns • Direct marketing • Guest feedback and experience measures • Customer management strategy	• Customer segmentation • Customer service • Perception of value • Discretionary spending under pressure	• Enhanced business analytics to improve customer segmentation • International Business (IB) launched in the North West and Panama • Ongoing learning and development programmes for employees to improve skills and customer service • Refreshed MVG offering • Ongoing customer surveys	• Remaining relevant in the societies within which we operate • Managing relations with our key stakeholders • Exploring and delivering on growth opportunities	• Improve our existing operations and guest experience • Grow our business into new areas and products

Stakeholder	Method of engagement	Key stakeholder issues	Actions to address stakeholder issues	Link to material issue	Link to strategic objective
Equity partners	• Analyst presentations • Shareholder meetings (annual general meeting) • Direct engagement with executives • Annual and interim reporting • Investor relations • Announcements • Investor relations website	• Dreams merger • Debt funding • Time Square feasibility	• Dreams merger finalised in 2016 • Funding secured for Dreams merger and Time Square • Group debt restructured in 2016 • Debt strategy communicated in investor presentation • Time Square six months ahead of original timeline with feasibility anticipating good returns on investment	• Exploring and delivering on growth opportunities	• Grow our business into new areas and products
Employees	• Roadshows • Employee engagement surveys • Online communication • Quarterly One Sun magazine • Performance reviews • Employee inductions	• Build morale following the section 189 process launched in 2014 • Fair remuneration • Learning and development • Succession planning • Talent management • Transformation • Performance management • Onboarding food and beverage; GPI Slots and Sun Dreams employees	• Launched new values through chief executive roadshows to integrate organisation and improve culture • Reviewing remuneration processes, procedures and structures to ensure alignment with industry best practice • Ongoing learning and development initiatives • Finalised talent management strategy • Embedded transformation key performance indicators (KPIs) in employee performance contracts • Action plans to be implemented addressing employee concerns raised in employee surveys	• Managing relations with our key stakeholders	• Our people • Improve our existing operations and guest experience
Gambling boards, government and other regulators	• Direct engagement • Lobbying through industry body CASA • Workshops • Submissions and applications • Onsite inspections	• Electronic Bingo Terminals (EBTs) licensing • Ongoing engagement, which included: — Time Square — Morula Gaming and Hospitality school — LPM licence applications • Compliance with relevant legislation, i.e. gaming, B-BBEE and licence conditions	• Executives, together with group compliance continue to build relationships with all provincial gaming boards through regular interaction • Gaming boards were invited to the head office gaming lab for demonstrations during the financial year • Engagements with the Financial Intelligence Centre which included representations made to Parliament • Site visits to key properties	• Managing relations with our key stakeholders • Remaining relevant in the societies within which we operate	• Protect and leverage our existing asset portfolio • Governance and sustainability
Unions	• Direct engagement • Workshops	• Fair remuneration	• Our chief executive and management continue to meet regularly with the leaders of SACCAWU, our official union, to keep them updated on the business	• Managing relations with our key stakeholders • Remaining relevant in the societies within which we operate	• Our people • Improve our existing operations and guest experience

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STRATEGIC PERFORMANCE OVERVIEW AND OUTLOOK

PASSION

We inspire each other with our positive attitude and energy as we strive to be the best.

STRATEGIC PERFORMANCE OVERVIEW AND OUTLOOK

Chief executive's strategic review

Graeme Stephens
Chief executive

Achievements in the year under review

EXISTING OPERATIONS AND GUEST EXPERIENCE

- Concluded food and beverage insourcing, bringing on board over 3 000 people and >60 outlets
- Initiated the International VIP gaming business at Sun City
- Implemented new information technology systems to better understand customer playing patterns and enhance marketing efforts and focus
- Implemented new ERP system, which will enable efficiencies in how we operate

EXISTING ASSET PORTFOLIO

- Refurbished Sun City: completed Valley of the Waves, introduced a Sun Park multipurpose conferencing facility and the entertainment centre is near completion
- Significant progress with Time Square's construction phase with casino due to open in April 2017
- Finalised the disposal of non-core assets in southern Africa
- Introduced Tsogo Sun as a 20% minority shareholder in our Western Cape assets

NEW AREAS AND PRODUCTS

- Finalised the merger of our Latin American operations with Dreams SA to form the largest gaming company in Latam, in which we own 55%
- Finalised the acquisition of a further 25% in GPI Slots leading to a controlling interest of 50.1%

OUR PEOPLE

- Launched our new values and conducted employee surveys across our South African operations and Sun Monticello in Chile
- Launched existing new talent management, learning and leadership development initiatives

Sun City Valley of the Waves

GOVERNANCE AND SUSTAINABILITY

- Provided over two million meals for children in South Africa as part of our Follow the Sun campaign in partnership with international non-profit organisation Stop Hunger
- Raised significant money for charity in the 2016 Sun International CEO SleepOut challenge
- Awarded Empowerdex rating "Top Ten most empowered companies on JSE"

"A key achievement during the year under review was the refinancing of all South African debt, including the raising of significant additional debt to fund the development of Time Square and related settlement payments."

Overview

We have come to the end of another eventful financial year, where significant effort went into concluding a number of key strategic deliverables. Many of these have been in progress for some years and through hard work, patience and focus I am very pleased that we have successfully strategically repositioned the group and are on track to achieve the remaining key initiatives well within the five-year time frame that we set in 2013. Our operations now employ state-of-the-art technology and the cost base has been restructured to ensure we are efficient. Our marketing efforts and new brand have gained traction and we have granular insight into our database of customers, which is essential in the prevailing tough economic environment. We are well advanced with improving the quality of our South African portfolio, in particular the makeover of Sun City and the construction of Time Square, which will open in 2017 as the largest casino in Gauteng. We have essentially exited our African portfolio outside of South Africa (with Nigeria now being the last remaining asset to dispose of) and we have significantly increased our presence in Latin America, which positions us perfectly to capitalise on the many growth opportunities in that region. We have also added new lines of business to boost revenues from our core casino business, including a large food and beverage division and alternate gaming businesses such as the fast-growing LPM business and online sports betting.

A key achievement during the year under review was the restructuring of the group debt effectively into two balance sheets that do not have recourse to each other: the Latam business (denominated in pesos) and the South African business (denominated in rands). In South Africa, we raised significant additional debt from a consortium of the major local banks to fund the development of Time Square and related settlement payments, with reasonable covenants to cater for the build and operational ramp up. The debt on each of the balance sheets has an appropriate mix of short- to long-term tenure and a rate hedging policy has been implemented. We also raised non-recourse funding (in local currency) from a consortium of Chilean banks to conclude the Dreams merger and to provide that region with sufficient unutilised debt capacity for future expansion.

Despite good progress with our strategic initiatives, we continue to deal with the challenges of an economic slowdown in South Africa and Latin America. In South Africa, economic growth forecasts have been revised downward to below 1%, which has in turn increased concerns of a further ratings downgrade at the end of 2016. In the tough current economic environment, purse strings are being tightened around the world and our business has not escaped the negative impact this is having on gaming spend. We therefore need to work even harder to attract customers to our properties and to ensure that we deliver on our vision of providing them with a memorable experience so that they return.

Financial performance

Group revenue grew by 15% to R12.2 billion, boosted by a decent performance from Chile, the addition of new properties, new lines of business and in particular the insourcing of food and beverage. The new businesses are, however, yet to contribute meaningfully to profit and the core South African gaming business can only achieve very low revenue growth (0.8%) in the prevailing economic climate compared to the much higher general escalation in costs. We are seeing a trend that those customers with whom we directly engage with (the higher end of our database) are less vulnerable to the economic downturn and we are able to grow our business from this segment. The primary fall off in visitation and spend is arising from the lower end of our customer database, where people are clearly more economically constrained.

Fortunately, over the past few years we anticipated the long-term nature of the

economic downturn in South Africa and have already taken significant steps to mitigate its negative impact. The group has invested significantly in its operations by implementing new systems and analytics that are helping to achieve some growth in gaming revenue. Through restructuring our cost base in gaming structures and closing down offshore sales and marketing offices we have also achieved significant savings. These activities have positioned the group for the leaner times that we are now experiencing but with the low revenue growth outlook in South Africa, the group will need to continue focusing on cost containment in an environment that has only a few opportunities left for further cost cuts.

At a trading level we managed to achieve growth in profit (EBITDA up 4%) but high interest (due to financing the various strategic initiatives with debt) and a higher effective tax rate resulted in adjusted earnings per share falling by 21% in comparison to the prior year. The dividend payout ratio has been maintained in line with prior years.

Sun International's financial performance is discussed in detail in the chief financial officer's review on page 40.

Strategy

To ensure our strategy is still appropriate and continues to address our material issues, opportunities, risks and stakeholder concerns, we continually evaluate our objectives and make adjustments accordingly. We are confident that our current strategic objectives remain relevant, without the need for significant change and we maintain our strong focus on implementation.

Refer to the strategic scorecard set out on page 36.

Improving our existing operations and guest experience

Good progress was made against this strategic objective during the year under review following three years of significant operational change. One of our main objectives is to offer a great customer experience from their initial awareness stage, through the engagement process to the post-experience phase. This ensures we place our customers first and at the core of the business. It was pleasing to note that our customer satisfaction scores increased by 3% in the past year, with an average score of 89.3%. This affirmation is testament to various initiatives to improve existing operations and new offerings introduced during the year under review.

We have finalised the organisational structures and labour aspects of insourcing our food and beverage business and completed the takeover, refurbishment and opening of a number of outlets. We are now focusing on realising savings through bulk procurement and pre-negotiated trading terms with nationally approved suppliers. We are now able to dovetail our food and beverage offering with the marketing initiatives of the gaming division and we have implemented a food and beverage promotional calendar to drive footfall and maintain relevance with our patrons.

We opened the first Sun Park multipurpose conferencing facility at Sun City, which has been well received and provides us with another platform to drive incremental room nights, gaming, banqueting, and other revenues. Sun Parks will be extended to other properties during the next financial year.

A refreshed four-tier loyalty programme – "Sun MVG" – has been developed for rollout by the end of the 2016 calendar year. This programme will focus on all Sun International customers, not just gaming, and will introduce initiatives to encourage active participation and ultimately grow revenues across all aspects of our business.

Our International VIP gaming initiative at Sun City got underway properly this year and we hosted a number of groups from Asia. We are encouraged by the very positive reaction of the players to the property and are increasing our efforts in this space. In the year under review, we achieved good revenue but have fully provided for certain debts not collected at year end and this has reduced the EBITDA to slightly above breakeven. Our focus in the year ahead is to increase the volume of play, reduce volatility and improve collection.

From an information technology perspective, great strides have been made in understanding customers' needs and designing operations to meet these better. The Bally Business Intelligence system, a data analytics system developed specifically for the gaming industry and rolled out to all properties, has greatly improved our direct marketing initiatives to targeted customers. IFS Applications, an enterprise resource planning system, was implemented across the group and enables us to streamline and simplify the group's administration.

Protecting and leveraging our existing asset portfolio

The group has a diverse portfolio of assets, including world-class five-star hotels, modern and well located casinos, and premier resorts. It is essential that we harvest the full potential of our existing portfolio and continually review our offerings to identify properties that need reinvestment and upgrading and those that may no longer be core to our strategy.

The big initiative in this space has been the relocation of our Morula casino licence to anchor the new Time Square casino and entertainment centre at Menlyn Maine in Tshwane. We have worked on this for some years and progress is now well advanced. The new project will include an 8 000-seater indoor arena, a 2 000-slot machine and 60-table casino, a 245-room hotel, many restaurants and bars and a conference centre. We increased the scope and layout of the project such that we will now open in phases and this has enabled construction of the casino to be fast-tracked for an opening in April 2017, six months ahead of the previous schedule. The anticipated returns on the project remain well above the group's cost of capital.

The refurbishment of Sun City, arguably the most iconic property in our portfolio, is now almost complete, with the Cabanas Hotel and the Valley of the Waves extension and upgrades having been reopened in 2015, together with a number of new restaurants and fast food outlets. We have also added many new attractions and entertainment venues for both children and adults. The last major component of the makeover has been the extensive refurbishment of the conferencing facilities, which has been undertaken during 2016 and is on track to be completed by November 2016. The new convention facilities will position Sun City once again as the premier convention destination in the country and it should resurrect midweek visitation to the resort.

The disposal of our African portfolio to the Minor Hotel group, with the exception of our Nigerian operations, was finalised during the year under review. These assets were deemed non-core some years ago and their disposal to Minor has been implemented in two phases – the first in 2014 and the final in April 2016. There are certain conditions precedent to the implementation of the sale of each property and when these conditions are met, the sale of our remaining shareholdings in the properties will be effected. Regarding Nigeria, as a consequence of the poor environment in that country and other issues facing the company and its shareholders, the board has taken the decision to exit our investment in Nigeria. We expect that this may still take some time as we intend to maximise the value that we can obtain from our shareholding. The group's investment (shareholding and loans) in Nigeria, has a book value of R177 million.

In April 2016, we concluded the disposal of a 10% interest in SunWest and Worcester Casino to Tsogo Sun. Our partner GPI likewise disposed of a 10% interest, which gives Tsogo a 20% interest in these assets. The Sun International disposal consideration was R675 million, which will be paid over a period of 18 months, with the first payment having been received in April 2016. The transaction allows us to realise a portion of our investment in the Western Cape assets at market value without compromising our control or management of the assets.

In 2013, we opened the new R1 billion extension to the Boardwalk casino in Port Elizabeth – an extension that was constructed in return for the Eastern Cape Gambling Board (ECGB) extending the exclusivity of the casino licence until September 2025. Since then, the ECGB licensed "Electronic Bingo Terminals (EBTs)", which have morphed into small casinos directly in the Boardwalk's awarded area of exclusivity. The three EBT operations licensed within the Boardwalk catchment area can operate 900 machines between them, which is the same size as the Boardwalk casino itself. These "EBT" operations have had a significantly negative impact on the casino at the Boardwalk. Earlier this year, we applied to the ECGB to further develop the property with the addition of a large high-end shopping mall to drive footfall and we also requested a 20-year extension of our casino licence, a period over which we hoped to get a return on our total investment to date. Following public hearings in March 2016, the ECGB approved the shopping mall but did not grant the 20-year extension to the casino licence. As a result, we will not proceed with the mall development at this stage.

The Boardwalk has now commenced a process of litigation against the ECGB on the basis that the granting of licences to competing casinos in the catchment area of the Boardwalk is in breach of the exclusivity that the Boardwalk should have received in return for its bid commitment spend of R1 billion at the Boardwalk complex.

Growing our business into new areas and products

We believe it is imperative to continue looking for opportunities that either grow our core casino business or offer new related products. During the financial year under review, we finalised two significant deals that will stand the group in good stead going forward.

The merger between our Latin American portfolio and the assets of Dreams SA was finalised in May 2016 to create the largest gaming company in Latam. This deal has been years in the making and is a milestone in the history of Sun International, as it provides significant opportunities to achieve scale and reach outside Africa and to diversify earnings and risk. In total, the merged entity has 13 casinos in four Latin American countries, which amounts to about 7 000 slot machines and 300 tables. This merger includes Sun International's Monticello in Chile along with a further six Chilean casinos (Coyhaique, Iquique, Puerto Varas, Punta Arenas, Temuco and Valdivia), the Sun Nao Casino in Colombia, the Ocean Club Casino in Panama and four casinos in Lima, Peru. Sun International controls the merged group through a 55% shareholding and the local executive management team has significant operational experience in the region.

We are confident that Latin America holds tremendous potential, and plans are well advanced to expand further. Despite the current economic downturn, the seven casinos in Chile are achieving good growth. Two of the licences in the portfolio come up for renewal in 2017, and in addition to bidding to renew these existing municipal licences, there will be further opportunities to bid for additional new licences. This process is a priority in the year ahead. We have plans for expansion in Peru and in the medium term there will exciting opportunities in Brazil, which is developing regulations to allow gambling. The debt in the Latin American business has intentionally been kept low, which means the business has sufficient capacity to fund its expansion plans.

In South Africa, the acquisition of a further 25.0% interest in GPI Slots was concluded on 5 April 2016 and consequently, Sun International now has a controlling interest in GPI Slots, with a 50.1% shareholding, meaning that we now consolidate the investment. GPI Slots has been growing fast over the past few years and still has capacity for growth in excess of our core casino business. The business has around 3 500 slots in operation and so collectively it is significant in relation to our stand-alone casinos. Subsequent to year end, we exercised our option to acquire a further 19.9% interest, which will cost approximately R250 million and will take our shareholding to 70%. The acquisition of this additional stake is still subject to certain gaming board approvals, which are expected by the end of the 2016 calendar year.

In December 2015, the Competition Commission prohibited the proposed acquisition of Peermont Global. The transaction ultimately lapsed on 31 March 2016 and this triggered an obligation for Sun International to pay Peermont a settlement relating to the transfer of the Morula casino licence to create Time Square at Menlyn, Tshwane. The settlement, which compensated Peermont for dropping its legal objection to the relocation, was agreed at R675 million and paid on 30 April 2016.

> One of my standout experiences during the financial year was the opportunity to engage with all of our employees at a unit level during the "chief executive roadshow". These presentations, held at all our units, gave me valuable first-hand insight into the issues that employees face daily.

Our people

We continued to invest in our employees' learning and development with the aim of building casino and hospitality functional knowledge and skills. During the financial year, we finalised the group talent management strategy and launched various talent initiatives to further empower employees.

One of my standout experiences during the financial year was the opportunity to engage with all of our employees at a unit level during the "chief executive roadshow". These presentations, held at all our units, gave me valuable first-hand insight into the issues that employees face daily. We also used the roadshow as the platform to come up with our new vision, mission and values, which all employees helped to determine. With the launch of our refreshed values it is important that we drive behaviours that demonstrate we are living these values as a team, to ensure that they have a direct impact on service excellence and create lasting, powerful memories for our guests. Further engagement activities carried out included employee engagement surveys in South Africa and Chile's Sun Monticello, which provided an opportunity to better understand our staff's working environment, address challenges and reinforce the positives going forward. In response to a demand for better communication, we have now launched an initiative called SunConnect, which is an internal TV broadcast to enhance employee communication.

During the year under review, a relationship building workshop was held between Sun International and SACCAWU, to further strengthen union relations. The focus of the workshop was the new job evaluation process underway within the organisation. I also continue to actively engage with SACCAWU at both national and shop-steward level.

Talent management is important in developing leadership talent across the group and allows us to acknowledge internal high-achievers, build a strong leadership pipeline and offer opportunities for people to grow within Sun International. Some exciting initiatives rolled out during the year under review included our talent mobility programme, which provides talented employees the opportunity to be based in various Sun International properties where we have representation, both locally and internationally. Management succession planning sessions take place regularly to ensure that we maintain a talent pipeline groupwide, and leadership assessments were conducted to assist in leaders achieving their individual development plans. The opening of Time Square is a massive project that will employ over 2 000 people and our focus is on promoting from within the organisation which will create new opportunities for people around the group. Various learning and development initiatives were either developed, implemented or piloted during the year to ensure our employees are equipped with the necessary skills to meet the needs of our customers – in this regard the insourcing of food and beverage in particular has demanded that we train people in this discipline. In the medium term, once the Morula casino licence has relocated to Time Square we are converting Morula into a hospitality and gaming academy (run by the International Hotel School) and this will offer courses to external students, as well as our internal learning and development.

In this tough economic climate, we are cognisant of employees' financial challenges but unfortunately, given the low growth in gaming revenue in South Africa, we have been unable to justify reasonable salary increases. At a non-bargaining unit level increases for the financial period commencing 1 July 2016 were capped at 4%, which is well below inflation. We have completed a significant exercise to evaluate current remuneration processes, procedures and structures and ensure alignment with industry practices. Where appropriate, adjustments will be made to bring employees in line with both peer group and the industry.

The group made good progress with its transformation goals and following an external verification by Empowerdex, we achieved a level two status according to the generic tourism sector code. Good progress was made in the areas of skills development and enterprise and supplier development in particular. Going forward, management are in the process of revising the group's transformation strategy to further improve the group's progress.

Further detail on our transformation progress is included in our transformation progress report on our website at http://ir.suninternational.com.

Further detail on our employees is available online at http://ir.suninternational.com.

Governance and sustainability

As part of the Dreams merger process, a great deal of board and executive management time was invested in understanding the Dreams business practices and risks from a governance, legal and compliance perspective. Following the finalisation of the merger in May 2016, the group is in the process of revising its corporate governance structures to incorporate the Dreams' entities. The Sun Dreams board is autonomous and the directors have separate fiduciary duties. Sun International will have a majority of directors appointed to the Sun Dreams' board, which will ensure that matters of material relevance

Sun City Casino, Rustenburg

are brought to the attention of the Sun International board and that it receives the necessary assurances in terms of material matters and governance.

From a sustainability perspective, we made good progress in a number of our focus areas, including developing a group health and safety policy and finalising our climate change strategy. Our socioeconomic development initiatives continued to gain traction as we provided opportunities for chefs and aspiring young artists. We also partnered with the international non-profit organisation, Stop Hunger, on a Follow the Sun campaign, which provided 10 million meals for children around the world and perhaps more importantly in our lives, over two million meals to underprivileged South African children, who now have a nutritious meal every school day of the year.

The 2016 Sun International CEO SleepOut challenge sponsored by the group aimed to raise funds for education as a way to eradicate homelessness in South Africa. Based on a "pay it forward" principle, and with the support of many captains of industry, a significant amount of funding was raised once again. This year we made two additions to the SleepOut challenge. Firstly, we broadened the concept to encourage Sun International employees and customers to join in staff sympathy SleepOuts, which were held at our units across South Africa. Secondly, each CEO participating in the SleepOut challenge was asked to invite an exceptional colleague, outstanding student and inspirational matric learner, all with strong leadership qualities, to join the SleepOut on the Nelson Mandela Bridge in Johannesburg.

We remain committed as a business to give back to communities and to be socially responsible.

Further detail on our governance and sustainability is available on page 60.

Outlook

A large number of our strategic initiatives have now been implemented, which not only reduces uncertainty around them but also means that the anticipated benefits will start to reflect in full in the next financial period. The group is now essentially focused on two geographic areas (South Africa and Latam) and we are evaluating more appropriate group structures to reflect the independent ownership and management of these two regions.

Despite a slowdown in the Chilean economy, we expect continued growth from our portfolio of properties in that country. With the new Latam management team in place we also expect that the recent restructuring of Panama and Colombia should deliver improved performance from those properties. Integrating the Dreams merger in Latin America and successfully bidding for new municipal casino licences in Chile is critical to keep momentum going in our strategy to grow in that region. We have an opportunity to increase our shareholding in the Latam business from 55% to 75% through the acquisition of an exiting minority shareholding and we are very focused on trying to structure and fund this as it will give group shareholders greater exposure to the performance of that region.

Although Latam offers many opportunities for growth, South Africa will continue to be the dominant contributor to the group for some years. The acquisition of an additional 20% in GPI Slots will increase the proportion of the consolidated results that flow to shareholders and the opening of the new conferencing facilities at Sun City is expected to improve the resort's performance from January 2017. The major remaining large project currently in progress is Time Square at Menlyn Maine. Delivery of the project, on time and on budget and generating the anticipated revenue, is the major focus of the next year. As the Time Square project opens in phases, commencing with the casino in April 2017 and culminating with the hotel in March 2018, it will still be some time before we have two financial periods that are directly comparable.

Looking ahead to the medium term, our strategy in South Africa will include:

- Negotiating and implementing a solution to the Western Cape casino landscape;
- Negotiating and implementing a solution to create a sustainable future for the Boardwalk complex;
- Determining the most appropriate development plans for the unutilised land at Carnival and Sibaya, as well as other land banks within the group;
- Advancing our efforts to ensure we are appropriately positioned in the online casino space; and
- Addressing smaller non-core assets to ensure that the portfolio ultimately comprises quality properties that make a meaningful contribution.

Most of the above initiatives are within our control and can be driven to a conclusion but the operating environment, in particular in South Africa, remains a serious concern. Poor economic conditions exacerbated by local political, social and regulatory challenges are making it hard to grow our business in South Africa – and the cost of doing business in South Africa is now the number one risk on the company risk register. We do not anticipate any meaningful growth in gaming revenue until there is a recovery in the economy and renewed consumer confidence. Rooms and food and beverage are expected to achieve growth but these are relatively small components of the overall business. We continue to focus on cost control and in this way we hope to at least maintain EBITDA despite low anticipated gaming revenue growth. We anticipate a slight improvement in performance from the existing business during the current six-month period, due to extracting efficiencies, but with the opening of the Time Square casino in April 2017 we anticipate a period of meaningful growth in revenue and EBITDA while the property ramps up and stabilises.

Appreciation

I would like to sincerely thank the board for their ongoing support and wise counsel during this eventful year. To my management team and all our employees I fully appreciate that you are all working harder than ever, in uncertain times, and that in the prevailing economic environment we may not always be able to truly reward your efforts. I thank you for your contribution and I look forward to seeing everyone on the Sun team working together to live our values, deliver outstanding service and create lasting memories for our customers.

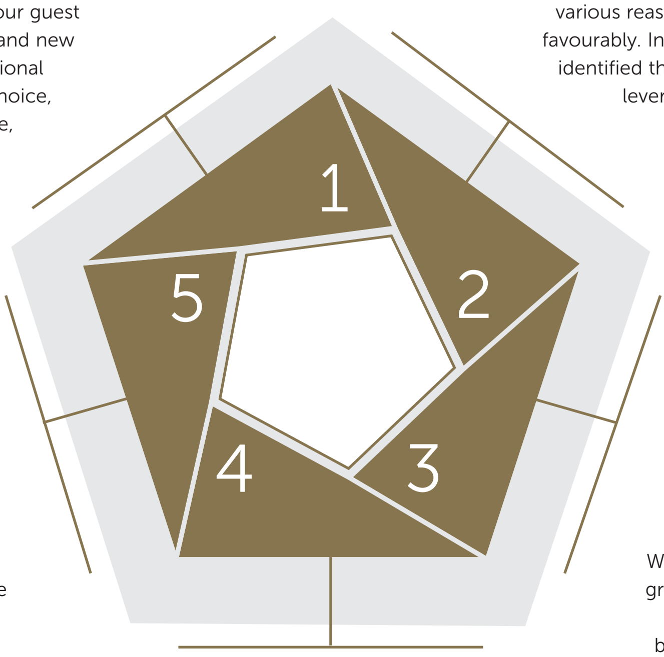
Graeme Stephens
Chief executive

14 October 2016

Strategic scorecard

Strategic performance overview

To achieve our strategy, we have set ourselves short- and medium-term objectives and initiatives, which are reviewed and updated as and when required. These initiatives and objectives address our material issues, opportunities and risks that the group faces as well as key stakeholder concerns and our strategic growth aspirations.



IMPROVE OUR EXISTING OPERATIONS AND OUR GUEST EXPERIENCE

In challenging the assumption that the markets in which we operate are relatively mature, we are actively relooking at how our business is structured and how we operate to maximise the value we can create and improve our guest experience. Ensuring that existing and new guests keep choosing Sun International properties as their destination of choice, through offering a great experience, is core to this focus area.

PROTECT AND LEVERAGE OUR EXISTING ASSET PORTFOLIO

We have a diverse portfolio of assets including world class five star hotels, modern and well located casinos, some of the world's premier resorts and some older legacy assets that for various reasons may no longer be positioned favourably. In evaluating our portfolio we have identified those properties that can be better leveraged, those that need protection and those that may no longer be core to our strategy.

GROW OUR BUSINESS INTO NEW AREAS AND PRODUCTS

While we believe there is still latent growth to be had from our existing assets, to effectively grow our business we are considering other geographic areas that offer attractive opportunities for casinos. In particular, we are focusing on Latin America. We are also looking at the alternative gaming market which continues to experience strong growth.

OUR PEOPLE

Our people are the enabler of the group's ability to achieve its strategic objectives. Given the highly regulated and service-oriented industry we operate in, our people's motivation and competence to perform and provide a memorable guest experience are key determinants of the group's ongoing success and sustainability.

GOVERNANCE AND SUSTAINABILITY

As a responsible corporate citizen, the group has developed a credible track record that underpins our corporate reputation. Governance and sustainability are fundamental to Sun International's operations and are interwoven into our strategy and decision-making process, from board and management level to our operations.

Strategic scorecard

The table below shows how Sun International has progressed against its strategic objectives during the current year under review and should be read in conjunction with the chief executive's review which provides more detail on progress against specific objectives.

- ✔ Achieved
- ⇄ In progress
- ✖ Not achieved

STRATEGIC OBJECTIVE:
Improving our existing operations and guest experience

High-level overview of progress in FY2016	
• Improve marketing and sales capability by driving brand awareness and footfall through the delivery of events, activations and opening the Sun Park at Sun City	✔
• Improve our website and launch a customer online self-service portal	✔
• Improve marketing execution and effectiveness, e.g. new loyalty programme to be launched in calendar year 2016	⇄
• Review our business process to achieve efficiencies through centralisation of functions, systems rollout and negotiating outsourced contracts	⇄
• Implement our food and beverage strategy by taking over restaurants and bars	✔
• Implement our International VIP Gaming Business (IB)	✔
• Focus on improving sales channels and enhancing our digital platform	✔
• Commence an operational review of Sun City to improve efficiencies and contain costs	⇄
• Recruit online gaming expertise/management	⇄
• Implement sports betting at GrandWest and Golden Valley to improve the Sunbet brand	⇄
• Optimise the gaming product mix to ensure efficiency and pricing for slots and tables	✔
• Implement a system to optimise staffing per demand on tables	✔
• Achieve revenue and EBITDA targets	✖
• Ensure appropriate debt funding for the group	✔
• Mange debt covenants and capacity across the group	✔
• Implement hedging committee and strategy relating to cost of debt	✔

STRATEGIC OBJECTIVE:
Protecting and leveraging our existing asset portfolio

High-level overview of progress in FY2016

Financial goals

• Advance construction of the new casino and entertainment centre at Menlyn Maine	✓
• Complete Sun City refurbishments – completed Valley of Waves, introduced a Sun Park and the entertainment centre is near completion	✓
• Finalise the disposal of our non-core assets in southern Africa	✓
• Explore new transaction with Tsogo/GPI/WP	✓
• Apply to the Eastern Cape Gaming and Betting Board to further develop land at the Boardwalk, with the addition of a large high-end shopping complex	✗
• Continue engagement to pursue the roll up of minority BEE shareholders	⇄
• Finalise the Wild Coast land settlement	⇄
• Complete the rollout of all new retail leases, introduce new brands and improve the retail and tenant mix of South African properties	⇄

STRATEGIC OBJECTIVE:
Grow our business

• Finalise the Sun Dreams merger and secure funding on favourable terms	✓
• Finalise the acquisition of a further 25% interest of GPI Slots leading to a controlling interest (50.1%) in GPI Slots	✓
• Evolve online gaming strategy	⇄

STRATEGIC OBJECTIVE:
Our people

High-level overview of progress in FY2016

• Improve organisational culture through the launch of refreshed values during chief executive roadshows throughout South African operations	✓
• Conduct employee surveys across our South African and Monticello operations	✓
• Maintain positive engagement with the union and increase union engagement by chief executive	✓
• Obtain approval of employment equity plan from the Department of Labour	✓
• Establish new employment equity targets at property level in our South African operations, as opposed to centralised targets	✓
• Improve the representation of people with disabilities and the spread of black representation at middle and senior management levels	⇄
• Review remuneration and grading	⇄

STRATEGIC OBJECTIVE: Governance and sustainability	
• Simplify group corporate structure	⇄
• Continue to build relationships with the gaming boards	⇄
• Improve IT governance	✓
• Embed group compliance with specific focus on gaming compliance	⇄
• Implement an automated compliance portal across the group, which facilitates the ease of compliance across all jurisdictions and all applicable requirements	✓
• Maintain inclusion on FTSE/JSE Responsible Investment Index	✓
• Develop group health and safety strategy	⇄
• Finalise carbon footprint strategy	⇄

Puerto Varas, Chile

Chief financial officer's review

Anthony Leeming
Chief financial officer

Highlights

REVENUE UP 15% TO
R12.2bn

EBITDAR UP 6% TO
R3.4bn

EBITDA UP 4% TO
R3.2bn

Group debt is now separately raised and ring fenced between South Africa and Latam with appropriate tenor, rates and capacity secured for future requirements

SECURED
R10.6bn
FUNDING FACILITIES
from a consortium of South African funders to refinance existing South African bank debt and to complete the Sun City and Time Square developments

Challenges

- Weakened South African economy impacted local casino revenue growth
- Cost of doing business in South Africa
- Potential risk of a South African credit downgrade

GrandWest, Cape Town

As highlighted in the chief executive's report, the group has made significant progress in terms of its stated strategic objectives. Not only has this brought about meaningful change to the group but it has laid the foundation for future growth. In addition, this has required us to relook at how the group is operated, structured and funded. In this regard we have restructured our debt funding and secured funding for the various developments and acquisitions that have taken place or are due to take place. Some of the transactions concluded have resulted in complex accounting treatment, which have had a significant impact on the group's balance sheet and moving forward will have a significant impact on the group's disclosed earnings. The accounting treatment is discussed on page 51 (put options) and page 50 (purchase price allocation (PPA) undertaken for Dreams and GPI Slots).

On the operational side we successfully implemented IFS (our new back office ERP platform) in all our South African properties, which has significantly reduced the number of legacy systems operated previously. In the year ahead we will be leveraging IFS to help improve processes, controls and efficiencies, which should lead to cost reduction and improved control in the medium term.

"The group continues to achieve strong revenue growth, but this is primarily as a consequence of revenue generated by new businesses."

Review of the year

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

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

The income statement below includes adjusted headline earnings adjustments.

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

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

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

Revenue by nature and geographical region

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

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

We have historically reported EBITDA prior to rental payments (i.e. equivalent to EBITDAR in the table on page 42). The EBITDA line above is reported after rentals and is now consistent with the convention adopted by other companies in the sector. We have achieved 6% growth in EBITDAR for the year, with a growth of 13% in the second six months offsetting the 1% decline reported at the half year. After rentals, at an EBITDA level, we have managed to achieve 4% growth for the year (9.6% second-half growth offsetting a decline of 1.5% at the half year).

The increased depreciation from new businesses and refurbishments has led to operating profit remaining almost flat year-on-year. However, significantly increased interest costs and certain tax adjustments have led to a fall in adjusted headline earnings. Interest costs at R709 million were 35% up on last year due to the conversion of debt from US dollar to rand, higher rand-based interest rates and the fact that we have debt funded all the investment activity that has taken place over the last two years on the various projects and acquisitions. The group tax charge in the current year of 34% is also disproportionately high with the increased effective tax attributed to certain tax adjustments, no tax relief raised with respect to the Ocean Sun Casino and Federal Palace losses in the current year, as well as an increase in the tax rate in Chile. Discontinued operations and associates include the group's share of the earnings from the African units disposed of (and to be disposed of) to Minor.

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

Adjusted headline earnings adjustments

The group has incurred a number of once-off or abnormal items that have been adjusted for in adjusted headline earnings. The most significant of these include:

- The Time Square settlements (a total of R748 million) in relation to the objections raised to the Morula casino licence relocation by Peermont and Goldrush. The interest cost associated with these payments has been accounted for in the income statement and not adjusted;
- The earn-out payment of R243 million, due to the minority shareholders of Monticello bought out by the group, as a result of Monticello achieving the earnings targets set in the transaction agreements;
- An unrealised foreign exchange loss of R207 million (R102 million attributed to Sun International) incurred on the group's Nigerian subsidiary's US dollar denominated shareholder loans; and
- Transactional costs of R52 million.

The table below sets out the consolidated revenue, EBITDA and operating profit by geographical region and the reconciliation between operating profits as reflected in the income statement on page 42, which includes headline and adjusted headline earnings adjustments:

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

Segmental review

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

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

	South Africa			Latam			Nigeria			Total		
R million	2016	Var	2015	2016	Var	2015	2016	Var	2015	2016	Var	2015
Revenue	**10 223**	8.8%	9 396	**4 991**	10.2%	4 527	**214**	0.9%	212	**15 428**	9.1%	14 135
EBITDAR	**2 916**	(2.3%)	2 985	**1 353**	15.8%	1 168	**15**	(54.5%)	33	**4 284**	2.3%	4 186
EBITDA	**2 765**	(3.8%)	2 874	**1 315**	15.5%	1 139	**15**	(53.1%)	32	**4 095**	1.2%	4 045
Operating profit	**1 918**	(6.4%)	2 050	**821**	29.1%	636	**(26)**	(>200%)	(1)	**2 713**	1.0%	2 685
PPA adjustment				**(11)**	–	(11)	**(6)**	–	(6)	**(17)**	–	(17)
Operating profit after PPA	**1 918**	(6.4%)	2 050	**810**	29.6%	625	**(32)**	(>200%)	(7)	**2 696**	1.0%	2 668

STRATEGIC PERFORMANCE OVERVIEW AND OUTLOOK

Boardwalk, Eastern Cape

South Africa

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

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

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

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

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

South African unit segmental review

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

GrandWest revenue was 1.2% ahead of last year at R2 178 million. Excluding the insourcing of the food and beverage operations, revenue was down 0.8%. Casino revenue has been under significant pressure, declining by 0.8% due to the slowdown in the economy. Costs were well managed with the drop in EBITDA contained to 2.5%. Gaming taxes as a percentage of revenue increased 0.3% to 27.7% as a result of the Gauteng province not allowing freeplay to be deducted in the levy calculation (R6.4 million impact on EBITDA). GrandWest's EBITDA margin was down 2.0% to 40.4%.

Sun City revenue (which includes IB revenue) was up 17% compared to last year. Excluding IB and food and beverage revenue, Sun City revenue was only up 1%. Casino revenue excluding IB revenue was actually down 6.9% at R513 million. Table revenue at R81 million was down 36% with a drop down of 2.5% and the hold of 13.9% well below last year. Rooms revenue up 6.7% at R418 million benefited from a significant increase in international room revenue (up 30% at R145 million). IB revenue of R154 million was achieved compared to revenue of R21 million in the month of June 2015 when the business commenced. Despite the impressive IB revenue, the business ended the year reporting EBITDA of only R2 million (2015: R15 million) as a result of overdue debts at year end of R68 million, which have been fully provided for. We continue to pursue recoveries of these debts and any successful collection will be reflected as revenue once banked. The group is gaining good traction in this initiative and believes that, although potentially volatile, the IB business offers good growth potential.

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

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

Sibaya revenue was up 3% to R1 178 million with casino revenue up 0.6% at R1 108 million. EBITDA was impacted by cost escalations higher than the rate of revenue growth and higher property costs attributed to repairs and maintenance and the purchasing of ported water, due to significant disruptions to the municipal water supply, as a result of the drought in KwaZulu-Natal. A number of property improvements will take place in the 2017 financial year, including new restaurants, the addition of a Sun Park and an expansion to the gaming area, which now includes the new Sun Lounge. Further plans are being developed to upgrade and add new features to the property in order to ensure that it remains relevant to its market.

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

The Casino Association of South Africa (CASA), through its legal representatives, is challenging the legal basis of a proposed gaming tax increase in Gauteng, from the current flat rate of 9% to a sliding scale structure. The proposed increase would result in a significant increase in gaming taxes in Gauteng. CASA has submitted its comments to the Gauteng Gambling Board (GGB) on the Draft Regulations.

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

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

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

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

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

Operations under review

With the opening of Time Square at Menlyn in April 2017, Morula casino will be closed and Carousel will be severely impacted. Plans are well advanced to open an independent hotel and gaming school at Morula and in this regard the group has partnered with the International Hotel School. All options, including disposal, are being considered for the Carousel, which will need to be downscaled when Time Square opens.

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

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

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

Latam

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

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

Coyhaique, Chile

Chile

The group's Chilean properties have now fully recovered from the smoking ban implemented in 2013 and consequently, revenue growth, although still good, is not as strong as in recent years. The Chilean economy has also come under pressure with the weakening copper price and currency, but is holding up well with inflation at around 4% and GDP growth of 2%. Overall, the Chilean operations achieved revenue growth of 6.6% and EBITDA growth of 15%. The strong growth in EBITDA is partly due to Monticello not paying any management fees in 2016 whereas R83 million was paid in the 2015 financial year.

The Dreams Purchase Price Allocation (PPA) resulted in buildings and intangibles being valued above their book value and consequently a depreciation and amortisation charge of R212 million for the year (R17 million per month) has been included above.

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

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

Ocean Sun Casino revenue at USD19.6 million is up 60% on the prior year, which included 9.5 months' trading compared to a full year in 2016. EBITDA for the period was a loss of USD1.7 million compared to last year's loss of USD3.8 million. In the current year we have deemed it necessary to increase our provision for bad debts, a common feature of international business, with USD0.7 million raised relating to 2015 debtors. At 30 June 2016 our debtors' book net of provisions was USD2.8 million. We implemented a restructuring of the business with a number of positions removed in order to flatten the structures and operating hours have been reduced in the tables operations to match business levels.

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

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

Nigerian property

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

Associates, joint ventures and discontinued operations

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

Group borrowings

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

To fund the Dreams merger the group raised (at a Latam holding company level) Clp45 billion (R1 billion) five-year amortising term funding from a consortium of Chilean banks. The funding has no recourse to the South African balance sheet and covenants are based on the merged Sun Dreams debt and EBITDA. The Sun Dreams Latam balance sheet is not only ringfenced but is deliberately under-geared in relation to its EBITDA in order to allow for sufficient future borrowings to fund the bidding for municipal licences, as well as a number of new projects/acquisitions that have been identified. Based on the current pipeline of opportunities there is no foreseeable need for further funding from the group/South African balance sheet.

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

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

The group's borrowings at 30 June 2016 amounted to R14.1 billion, which is R5.3 billion above 30 June 2015. The increase in borrowings is largely due to:

- Expenditure on Time Square (R1.5 billion), which includes unrecovered VAT;
- Sun City projects (R406 million);
- Peermont and Goldrush settlements of legal objections amounting to R748 million;
- Debt from the consolidation of Dreams (R1.6 billion) and GPI Slots (R229 million);
- Debt raised for the Dreams merger in the group's Latam holding company (R1 billion) and the GPI Slots acquisition (R275 million); and
- An increase in Monticello and Nigeria's debt on translation of their balance sheets due to the weak rand (R389 million).

		Share of debt	
R million	Total debt	Minorities	Sun International
South Africa			
Subsidiaries	**5 422**	1 572	3 850
Afrisun Gauteng	**599**	53	546
Afrisun KZN	**360**	134	226
Emfuleni	**566**	189	377
GPI Slots	**229**	114	115
Meropa	**111**	36	75
SunWest	**966**	371	595
Teemane	**84**	24	60
Wild Coast Sun	**339**	102	237
Windmill	**120**	36	84
Worcester	**8**	3	5
Time Square	**2 040**	510	1 530
Central Office	**4 131**	–	4 131
	9 553	1 572	7 981
Nigeria			
Shareholder loans	**863**	437	426
Sun International intercompany	**(302)**	(153)	(149)
	561	284	277
Latam			
Subsidiaries	**2 922**	1 315	1 607
Central office	**1 026**	–	1 026
	3 948	1 315	2 633
30 June 2016	**14 062**	3 171	10 891
30 June 2015	**8 718**	1 119	7 599

Debt covenants

The groups' debt to EBITDA ratios and debt covenants are set out in the table below:

Debt to EBITDA (times)	Proforma*	Covenant	For debt covenants
Debt to EBITDA (times)			
South Africa	3.5	4	3.3
South Africa (excluding Time Square)	2.6		
Latam	2.5	4.75	1.7
Group	3.4		
Group (excluding Time Square, Nigeria and net of Latam cash)	2.7		
Interest to EBITDA		2.5	6.9

* The proforma ratios are based on a full year's EBITDA for Dreams and GPI Slots.

Capital expenditure incurred during the year

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

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

Project capital expenditure

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

	Project budget	Spend to date	2017	2018
Time Square	**4 122**	**1 261**	2 538	503
Sun City	**785**	**411**	348	28
Cabanas	**130**	**133**	–	–
Entertainment Centre	**370**	**132**	238	–
Valley of the Waves	**85**	**90**	–	–
Restaurants	**41**	**35**	–	–
Sun Park	**21**	**21**	–	–
Other projects	**88**	**–**	85	3
Vacation Club Phase 2	**50**	**–**	25	25
Meropa Hotel	**74**	**–**	37	37
Enterprise Resource Planning System	**162**	**169**	–	–
Sun Nao Casino, Colombia	**331**	**235**	–	–
	5 474	**2 076**	2 743	569

Dreams and GPI Slots acquisitions and purchase price allocation (PPA)

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

R million		GPI Slots		Dreams
Property, plant and equipment		207		4 056
Intangible assets		160		1 318
Current assets		127		900
Other assets		–		69
Deferred tax		(29)		9
Non current liabilities		(225)		(1 782)
Current liabilities		(90)		(415)
Net assets		150		4 155
Minorities' interests	49,9%	(75)	45,0%	(1 881)
Acquisition settled through dilution of interests in Latam assets		456		603
Net assets acquired		531		2 877
Consideration settled through the merger		–		(2 067)
Previously held associate at fair value		(257)		–
Consideration settled in cash		(274)		(810)
Pre acquisition dividend paid		–		261
Cash and cash equivalents in entity		77		474
Net cash outflow		(197)		(75)

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

Put options

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

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

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

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

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

Dreams shareholders put option

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

Tsogo put option

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

The Dreams shareholders and Tsogo put liabilities of R5.3 billion are reflected as put option liabilities with the related charge debited to a reserve for put options (equity).

Outlook

Going forward, we anticipate an improvement in our financial performance as we realise meaningful growth from the various strategic initiatives implemented over the past few years. We remain cognisant that the economic outlook in South Africa remains subdued and we will therefore continue to focus on cost controls, as well as extracting further efficiencies where plausible.

Change of year end

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

Anthony Leeming
Chief financial officer

14 October 2016

52

TRANSPARENCY AND ACCOUNTABILITY

CUSTOMER FIRST

Our customer is at the heart of all we do and we exceed their expectations every time.

TRANSPARENCY AND ACCOUNTABILITY

Board of directors

MV (Valli) Moosa (59)

Chairman

BSc (Mathematics, Physics)

N
RM
I
S

N (Nigel) Matthews (71)

Lead independent director

MA (Oxon), MBA

RM
I
N
R

GE (Graeme) Stephens (53)

Chief executive

BCom, HDip Acc, CA(SA)

R

Non-executive

Valli was appointed to the board in 2005 and as board chairman on 1 July 2009. He served as Minister of Constitutional Development from 1996 to 1999 and as Minister of Environmental Affairs and Tourism from 1999 to 2004. Valli previously served as chairman of the United Nations Commission on Sustainable Development, chairman of Eskom Holdings, as a national executive committee member of the African National Congress and as president of the International Union for the Conservation of Nature. Valli currently holds directorships, among others, in Anglo Platinum (non-executive chairman), Imperial Holdings, Sanlam and Sappi. He is also the chairman of the environmental organisation WWF (SA).

Nigel was appointed to the board in 1996 and as the lead independent director with effect from 1 July 2009. Nigel holds a number of non-executive directorships, including Metrofile Holdings Limited, Lion Sands Private Game Reserve (Pty) Limited, Tsebo Outsourcing Group (Pty) Limited and is also chairman of the Sun International Employee Share Trust. Nigel was previously chairman of Sentry Group Limited and Lenco Holdings Limited and managing director of Holiday Inn Limited.

Executive

Graeme joined Sun International on 1 October 2011 as new business development director. He has spent 15 years as a financial services adviser focused in particular on the tourism and leisure industry and was with Kerzner International Limited for seven years as the senior vice president of project development. Graeme was appointed as chief executive and to the company's board with effect from 1 February 2013.

AM (Anthony) Leeming (46)

Chief financial officer

BCom, BAcc, CA(SA)

IT

R

DR (Khati) Mokhobo (51)

BCom, BAcc, ACMA(UK), CA(SA)

PDS (Peter) Bacon (70)

FIH, National Diploma in Hotel Keeping and Catering, Stanford Executive Programme.

A

R

Executive

Non-executive

Anthony was appointed as the chief financial officer and an executive director of the board with effect from 1 March 2013. Anthony is a director of various group companies and has over 17 years' experience in the hotels, resorts and gaming industries, having joined the group in 1999 as the group financial manager. In addition to the overall group financial responsibilities, Anthony is also responsible for the group's IT and procurement functions and is integrally involved with the group's corporate finance activities.

Anthony was appointed as the interim group company secretary with effect from 5 September 2016.

Khati joined Sun International in 2005 as the director of new business development to oversee the group's expansion in new casino licences and other properties outside of South Africa. He was one of the founding members of the auditing and forensic services firm, Gobodo Incorporated, a role in which he consulted extensively over a seven-year period with the various gambling boards, including a period during which he served as acting chief executive of the Gauteng Gambling Board. In 2013, Khati was appointed as director of special projects and he was appointed to the board on 19 February 2016.

Peter was appointed independent non-executive director of the company with effect from 1 February 2013. Peter has over 36 years' experience in the hospitality, resorts and gaming industry. He previously served as managing director of Sun International (South Africa) Limited from 1994 and as the group's chief executive from 2003 until his retirement in June 2006. Peter serves as a director of Woolworths Holdings Limited, Elgin Wine Company (Pty) Limited, Standard Inn Holdings and Atlantic Leaf Properties Limited. In addition, he serves as chairman of the National Sea Rescue Institute and previously served as chairman of Cape Town Routes Unlimited and chairman of the Tourism Grading Council Awards Committee.

Committees

S	Social and ethics	R	Risk	N	Nomination	A	Audit
I	Investment	IT	IT governance	RM	Remuneration	○	Chairman

ZBM (Zarina) Bassa (52)

BAcc, Dip Acc, CA(SA)

A
I
RM

PL (Leon) Campher (68)

BEcon

I
A
N
RM
S

E (Enrique) Cibie (63)

BA, CA (Stanford), MBA (Pontificia Universidad Católica de Chile, Santiago)

Non-executive

Zarina was appointed to the board in 2010. Zarina serves as a non-executive director of Kumba Iron Ore Limited, Vodacom South Africa, Woolworths Holdings Limited, the Financial Services Board, Investec and Investec Plc and is also the chairperson of Yebo Yethu Limited. She was previously an executive director of ABSA Bank. She has also previously chaired the Public Accountants' and Auditors' Board and the Auditing Standards Board and has been a member of the Accounting Standards Board, the JSE's GAAP Monitoring Panel, the board of the SA Institute of Chartered Accountants and vice president of ABASA. Zarina was named top women in business and government in 2007 and top business personality in financial services: banking in 2008.

Leon was appointed to the board in 2002. Leon has extensive experience in investment management with Old Mutual, Syfrets Managed Assets, Coronation and African Harvest. He is the CEO of the Savings and Investment Association of South Africa, director of the International Investment Funds Association, a director of STRATE Limited, Brimstone Investment Corp Limited and Safex Clearing Company (Pty) Limited (this is now JSE Clear) and chairman of Equites Property Fund Limited.

Enrique was appointed to the board with effect from 22 August 2014. Enrique is a Chilean national and currently serves as a non-executive director on various boards in Chile, having previously served as the chief executive of various multi-national and Chilean companies. Enrique is also a director of the Sun Dreams board in Chile.

Dr NN (Lulu) Gwagwa (57)

BA, MTRP, MSc, PhD (London)

R

CM (Caroline) Henry (49)

CA(SA)

BLM (Tumi) Makgabo-Fiskerstrand (42)

S

Non-executive

Lulu was appointed to the board in 2005. Lulu served as a deputy director general in the National Department of Public Works and served a five-year term as CEO of the Independent Development Trust. She currently also holds directorships, among others, in FirstRand, Massmart and Tsebo Outsourcing and was previously on the board of ACSA. Lulu is the CEO of Lereko Investments.

Caroline was appointed as independent non-executive director of the board with effect from 3 October 2016. Caroline has over 20 years of experience in the finance sector. Since 2005, she headed Eskom's treasury function gaining invaluable experience in debt capital markets and treasury. In 2013 she served as acting chief financial officer taking responsibility for financial reporting, treasury, shared services, insurance, and oversight of the Eskom pension and provident fund. Caroline contributed in various capacities (member & executive) to Eskom's Investment and Finance Committee, the New Build Oversight Committee, Audit and Risk Committee, the Executive Committee, Nuclear Management Committee and the Eskom Pension & Provident Fund (EPPF) Investment Committee.

Tumi was appointed to the board in 2010. Tumi is the founder and executive director of Africa Worldwide Media, a Johannesburg-based production company, and founder of Tumi Makgabo Enterprises, focused on identifying investment opportunities throughout the African continent. Tumi also worked for CNN International and the FIFA 2010 World Cup Organising Committee South Africa, and serves on the boards of South African Tourism and the Foschini Group. She is also a member of the World Economic Forum of Young Global Leaders.

Committees

S	Social and ethics	R	Risk	N	Nomination	A	Audit
I	Investment	IT	IT governance	RM	Remuneration		Chairman

LM (Louisa) Mojela (60)

BCom

I
N

GR (Graham) Rosenthal (72)

CA(SA)

A
R
S

NB (Nigel) Morrison (58)

BCom, FCA

Non-executive

Louisa was appointed to the board in 2004. Louisa is group CEO of WIPHOLD of which she is a founder member, and holds non-executive directorships in, among others, Adcorp Holdings, Distell Group, Life Health Care Group Holdings Limited and USB-ED Limited. Louisa previously held positions at Lesotho National Development Corporation, DBSA and SCMB.

Graham was appointed to the board in 2002. Graham is a non-executive director of three listed companies, including Investec Property Fund Limited, and chairs their audit committees. He serves on credit committees and is a trustee of the staff share schemes of Investec Bank. He retired in 2000 from Arthur Andersen after being in charge of their South African audit and business advisory practice. He served as chairman of the Investigations Committee of the South African Institute of Chartered Accountants.

Nigel was appointed to the board in 2016. Nigel has extensive international gaming experience, including international VIP gaming, particularly in Australasia. Nigel served as the chief executive and managing director of SKYCITY Entertainment Group, a New Zealand-based public company listed on both the New Zealand and Australian stock exchanges. Prior to this, Nigel held leadership positions in various gaming, tourism and hospitality industries, as well as financial, information systems and technology, legal, company secretarial and investor and public relations positions. Nigel is also an Associate of the Institute of Chartered Accountants in Australia and an Associate of the Securities Institute of Australia.

Committees

S – Social and ethics	R – Risk	N – Nomination	A – Audit
I – Investment	IT – IT governance	RM – Remuneration	◯ – Chairman

Executive leadership

Graeme Stephens (53)
Chief executive

Anthony Leeming (46)
Chief financial officer

Andrew Johnston* (50)
Director: Legal, Compliance and Corporate Services

GROUP

* Appointed effective 16 November 2016.

Rob Collins (55)
Chief operations officer

Zaine Miller (51)
Chief information officer

Khati Mokhobo (51)
Director: Special projects

SOUTH AFRICA

Sean Montgomery (54)
Director: Development

Thabo Mosololi (47)
Director: Operations

Verna Robson (45)
Director: Group human resources

SOUTH AFRICA

Jaime Wilhelm (50)
Chief executive

Claudio Tessada (46)
Chief financial officer

LATIN AMERICA

Governance and sustainability

Our commitment to good governance remains underpinned by the pillars of responsibility, fairness, transparency and accountability to all stakeholders. These pillars preserve the group's long-term sustainability, thereby delivering value to all stakeholders. The board will continue to oversee that management abide by these pillars in their dealings to ensure value creation is sustained.

Governance and sustainability principles underpin our business model and provide the foundation on which we continue to build and grow our business. It has always been one of the group's strategic priorities and hence has fostered the desired ethical culture throughout the group.

Highlights

- Implemented an automated compliance portal across the group that facilitates the ease of compliance with applicable requirements
- Included on the FTSE/JSE Responsible Investment Index
- Improved IT governance within our South African operations
- Made good progress in simplifying the group corporate structure
- Continued to create shared value through our social economic development strategy
- Developed a group health and safety policy to ensure alignment with management objectives
- Finalised our climate change strategy, setting the path towards seeking carbon neutrality by 2020

Challenges

- Integrating the group's governance and compliance structures into new acquisitions without unnecessarily encumbering these acquisitions

Our approach

To ensure our activities have positive economic, environmental and social impacts, we need a robust governance structure that not only helps us track our progress, but which is also integrated into our strategy and decision-making processes. Our governance framework provides clear accountability, promotes best practice and supports our vision of being an internationally recognised and respected gaming and hospitality group.

Details of our governance framework are available at http://ir.suninternational.com.

To ensure we consistently practise effective corporate governance throughout the Sun International group, our board applies the principles of King III.

For details of our application of King III see http://ir.suninternational.com.

The board is in the process of reviewing the draft King IV principles and will be adopting these principles as appropriate for the group.

In terms of the governance principles, our board considers the concerns and priorities of its wider stakeholder environment in its strategic guidance and decision-making processes. We also incorporate the principles of the United Nations Global Compact (UNGC) in our board's decision-making processes and report on these practices online.

Sun International's efforts towards sustainable and transparent business practices are reflected in our inclusion as a constituent of the JSE Socially Responsible Investment (SRI) Index for the past number of years, and our inclusion in the FTSE/JSE Responsible Index which has recently been launched. The group remains committed to following the principles laid down for the reporting of key governance measures. Furthermore, the group continues to use the Global Reporting Initiative (GRI) framework as the basis for its integrated sustainability reporting. The board has again engaged the services of an external assurance provider to provide an independent assurance statement on the group's sustainability reporting as advocated by King III.

A copy of our independent assurance statement can be found online at http://ir.suninternational.com.

Ethical leadership, culture and practices

The development, operation and management of our gaming operations, hotels and resorts can have ethical, environmental and social impacts on the communities in which we operate. We have integrated our approach to corporate governance and sustainability in our corporate governance and sustainability strategy, which is based on our commitment to the following key principles:

- Maintaining an ethical climate throughout our operations
- Engaging with and responding to all our stakeholders
- Creating shared value for both our business and the communities in which we operate
- Implementing environmental management systems that are aligned with international best practice
- Behaving in a socially and environmentally responsible manner
- Actively encouraging behaviour that is both ethically and environmentally responsible among our guests, employees, suppliers, contractors and concessionaires
- Applying social and environmental criteria to our sourcing of goods and services, whenever practical
- Practising good corporate governance

Details of our sustainability information regarding community, environment and our people can be found online at http://ir.suninternational.com.

The board is responsible for overall focus of the group's sustainability and success by determining its strategy, overseeing the appointment of executive management, ensuring sound corporate governance and reporting to all stakeholders on the proper conduct of the business.

Matters reserved for the board

Sun International's strategy, major capital investments and divestment, annual budget and operating plans.

Our legal licence to operate is affected by our social licence, which in turn depends on our level of acceptance or approval of the communities in which we operate. We recognise that not only do we have a social responsibility towards the communities in which we operate, but also that our corporate behaviour within these communities creates perceptions that can positively or negatively impact our reputation.

A full set of reports from the board and the various committees can be found online at http://ir.suninternational.com and detail our approach to governance at board level.

10/15 DIRECTORS ARE INDEPENDENT NON-EXECUTIVE DIRECTORS	67%
5/15 DIRECTORS ARE FEMALE	33%
11/13 NON-EXECUTIVE DIRECTORS ARE INDEPENDENT	85%
6/15 DIRECTORS ARE HISTORICALLY DISADVANTAGED SOUTH AFRICANS	40%

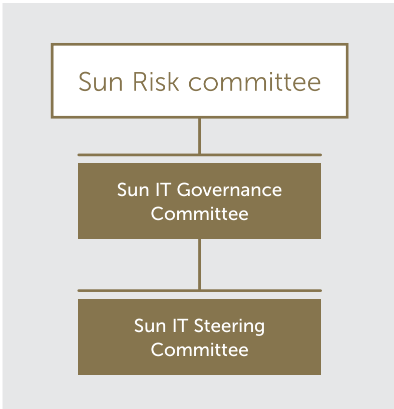
IT governance

The board is responsible for oversight of IT governance within Sun International, which operates within its IT mandate that takes into account King III's IT governance requirements. Various IT management committees, as depicted in the IT governance framework alongside, have been established to assist the board in discharging its duties. Sun International's chief information officer reports directly to the chief financial officer and is responsible for IT operations within the group. Sun International's IT strategy is based on four key principles that are aligned with the group's strategic objectives. The IT strategic principles are shown alongside.

Sun International is committed to ensuring the continuity of its business operations and has a Business Continuity Management (BCM) Programme that is aligned to ISO 22301 and ISO 27031 standards.

The components of the programme include a BCM policy, impact assessment, continuity plan, testing and a disaster recovery plan.

IT governance framework



IT STRATEGIC PRINCIPLES

Operational excellence: achieved by providing cost-effective reliable and available services.

Manage out complexity: achieved by having a technology architecture with an overarching goal of simplification.

Partner with the business: to enable and empower the business to focus on its customers and their needs.

Value management: building processes to ensure visibility on IT spend and the return on investment within IT.

The acts, regulations, framework and listings requirements that apply to Sun International

Sun International conducts its business within a highly regulated industry. We have identified our legal and regulatory universe, which we continuously monitor, given the increased changes in law and the varied jurisdictions within which we operate. Being a sound legal citizen is imperative for maintaining our casino licences and we provide a snapshot of our legal and regulatory universe below.

What we comply with	
JSE Listings Requirements	Sun International is a public company listed on the Johannesburg Stock Exchange and accordingly complies with all applicable JSE Listings Requirements. **www.jse.co.za**
King III	The King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively King III) are applied throughout the group. With the release of the draft King IV, Sun International has been proactive in reviewing the proposed principles and keeping the board appraised of the upcoming changes. We are also confident that when King IV is published towards the end of 2016, the implementation process across the group will not be very onerous, as we already comply with some of the proposed amendments, such as proactive shareholder engagement in respect of remuneration – see page 24 for detail of our extensive engagement with key shareholders. **www.iodsa.co.za**
Local and international legislation	Sun International is committed to complying with all relevant legislation, regulations and best practices in the jurisdictions within which it operates. The group has identified the main areas of legislation that materially affect its operations and regularly engages with its key regulators to make public comments and submissions on proposed new industry and other relevant legislation.
Licence conditions issued by gaming boards	The gaming industry in which the group operates is highly regulated and is subject to significant probity and external regulatory monitoring both locally and internationally. In addition, the casino licence conditions contain their own requirements which must be adhered to.
What we choose to apply	
International <IR> Framework	The International Integrated Reporting Framework which was finalised in December 2013.
United Nations Global Compact Principles	10 principles set out in the United Nations Global Compact (UNGC) Principles. An analysis of the group's standing with reference to the UNGC Principles has been provided for stakeholders who wish to review the group's standing in further detail.
Organisation for Economic Co-operation and Development	Guidelines for multinational enterprises 2011 regarding anti-corruption.

SUPPORTING EDUCATION

In line with the group's creating shared value (CSV) strategy, Sun International has **renovated and equipped hospitality- and tourism-related classrooms** in a total of 19 schools around our properties, helping prepare learners for careers in the hospitality industry.

On completion, the Department of Basic Education ensures that staff requirements are met for the examinable and accredited curriculum delivery. One best performing learner qualifies for a Sun International bursary for tertiary education, followed by a place in our Internship Programme, ultimately securing themselves employment with Sun International.

A Day in the Life of a Chef Programme provides an opportunity for learners from the Sun International supported schools project to have access to Sun International executive chefs.

In addition, the **Teacher Assists** Programme provide in-depth workshops and on the job experience at our units to better equip teachers with what the business requirements are.

A Day in the Life of a Chef

TRANSPARENCY AND ACCOUNTABILITY

Remuneration

Dear stakeholders

I am pleased to present the report of the Sun International remuneration committee (the committee) for the financial year ended 30 June 2016. The past financial year was yet another challenging one on the economic front, both locally and internationally.

Despite the tough economic environment Sun International produced a sound set of results as set out in the chief financial officer's review on page 40. It is against this backdrop that we consider remuneration as an important factor in ensuring that we motivate and retain talent within the group in a fair and equitable manner, while at the same time taking the interests of shareholders into account. Sun International's remuneration philosophy enables us to achieve this balance.

The Sun Dreams merger and integration, as described in the chief executive's report, was a significant highlight during the year and is a focus area for the committee from the perspective of aligning remuneration practices, policies and procedures for both the South African and Latin American groups, to the extent necessary. The committee is investigating the different remuneration implications in terms of incentivising employees across multiple jurisdictions in instances where the majority of employees will impact businesses in a single jurisdiction (although we need to encourage group behaviour).

In addition, the group has changed its financial year from June to December in order to align with the statutory company year-end requirements in Latin America. This has posed several implications on the realignment of the timing of performance contracting and reviews, bonuses, salary increments and share awards. We are working through these administrative issues and after the first year of realignment, these matters will no doubt become routine.

Sun International's pay for performance methodology remains integral to the group's remuneration principles, as this ensures alignment between meeting strategic objectives and shareholder interests. Our executives are rewarded for their contribution toward our strategic and financial performance, which in turn requires that our remuneration is conducive to retaining top talent. The overall increase in executive remuneration and non-executive directors' fees was 4%. This was lower than the blended increase of 7% given to bargaining level employees with the lower paid food and beverage staff receiving an increase above the 7% while gaming and other higher paid staff received less than the 7%. We also managed to achieve a 20 month deal with an inflationary increase to be given to all unionised staff on 1 July 2017 until 28 February 2018. The 20 month period is in order to align with our new increase date of 1 March. The management team continue to work towards a resolution for the benefit of all employees. Management have also worked towards seeking benefits for employees that are in addition to a salary increment – for example, the group has underwritten a loan scheme to allow for debt-entrapped employees to settle any existing microloans by refinancing such loans through Nedbank at a reduced total cost of borrowing. In addition to existing bursary schemes, management are also investigating rolling out clinics and crèche facilities to its employees – initiatives targeted at improving the overall lives of the group's employees.

Listening to and engaging with our shareholders on remuneration remains an important part of the group's approach. We submitted our remuneration policy for shareholder approval and together with management, the committee engaged extensively with shareholders following a vote of 69% being received in favour of our policy and 31% against. The committee considered the outcome of the non-binding advisory vote as a concern and we appreciate that remuneration disclosure is often viewed as a complex and sensitive topic. In order to further improve on our disclosure and reassess our long-term remuneration plans, PricewaterhouseCoopers (PwC) was engaged to conduct a review of our remuneration policy and related disclosures to ensure that the group remuneration is market aligned. It was pleasing to note that PwC's findings were that Sun International's combined use of performance and retention awards is aligned with the market. Taking PwC's recommendations into account, a significant change adopted by the committee was a change to the conditions of the EGP plan as fully described in the following report. The committee also considered a recommendation to incorporate a minimum shareholding requirement for executives. However, as management are already holding (and acquiring through their personal funds) shareholdings in the group, we elected not to make this mandatory given the voluntary behaviour of the group's executive directors.

As in previous years, this report is structured in two parts – part one sets out Sun International's remuneration philosophy and policy, relating to executive remuneration in particular, which provides stakeholders with an understanding of the group's remuneration components. Part two explains how the remuneration has been implemented in the FY2016 and contains key remuneration tables. We have also included scenario charts on page 71 that show our executive directors' remuneration based on under performance, on-target performance and stretch performance.

This report has been approved by the board on the recommendation of the remuneration committee. Stakeholders are invited to submit comments on the group's remuneration policy by emailing investor.relations@za.suninternational.com.

IN Matthews
Chairman of the remuneration committee

14 October 2016

PART ONE

Remuneration committee and governance

The remuneration committee is instrumental in providing guidance and direction in determining the group's remuneration philosophy and application and we start off by introducing the committee and a high-level overview of their governance role.

Composition and attendance for the financial period 1 July 2015 to 30 June 2016

Member	Meeting attendance
IN (Nigel) Matthews	3/3
ZBM (Zarina) Bassa	3/3
PL (Leon) Campher	3/3
MV (Valli) Moosa	3/3

The committee has four non-executive directors as members, three of whom are considered independent. We have met on three occasions during the year under review, and we consider the frequency of meetings sufficient to cover all matters that have arisen during the year. The committee's terms of reference prescribe that the effectiveness of the committee, its chairman and members should be assessed annually. This year the committee's evaluation assessment was conducted using the BoardPractice software following the external evaluation conducted in the prior year. The results of the external assessment reflected that the committee was performing its functions effectively and there were limited areas for improvement.

The remuneration committee's mandate and terms of reference, which are available on our corporate website, are reviewed annually. Some of the key focus areas for the committee over this financial year are tabled alongside.

Focus areas during FY2016
Review of the group's share plans and performance conditions
Determining cross-border incentives
Reviewing the performance of executives and the corresponding bonus awards
Overseeing a regrading exercise of employees and realignment of salaries where required
Overseeing the group's progress on attaining employment equity targets
Monitoring the group's executive and key critical roles succession plan

The committee is tasked with overseeing the implementation of the group's remuneration principles. Its members are sufficiently skilled and able to ensure the robust application of these principles:

The group's remuneration policy

In order to align employee behaviour with the group's strategic objectives, the group is guided by the following key remuneration principles

- to provide competitive and equitable rewards to attract, motivate and retain high-calibre talent while aligning our employees' remuneration with shareholder interests;
- to attain a high-performance culture, with our pay for performance methodology, to facilitate execution of the group's strategic priorities;
- to encourage collaborative business behaviour between and among different units by inculcating a culture focused on rewarding achievement of group, unit and individual performance targets;
- to promote and ensure compliance with the evolving remuneration governance framework for both local and international businesses;
- to promote the implementation of leading remuneration practices and attract global expertise to the group as we continue to expand offshore; and
- to ensure that the group's remuneration policy withstands scrutiny by the group's various stakeholders.

These principles inform a holistic view in setting the group's remuneration policy, which is underpinned by leading remuneration and governance practices.

Remuneration structure

The group's remuneration principles are attained through the appropriate mix of guaranteed fixed remuneration and variable performance-related remuneration. At management level, this further comprises of a short-term incentive (over a one-year performance period) and long-term incentives (over a minimum three-year performance period).

Summary of executive remuneration structure

Component	Type	Strategic intention
Guaranteed package (GP) • Base pay • Retirement benefits • Medical aid • Insured benefits • Travel allowance	**Fixed and paid monthly**	To recruit and retain high calibre management Reflects scope and nature of the role, expertise required and market value
Short-term incentive (STI)	**Variable and paid annually if performance hurdles are achieved**	Linked to attainment of both financial and non-financial targets against the group's strategic priorities Motivates and rewards accomplishment of annual performance objectives that align the interests of the group; the individual unit; and personal performance
Long-term incentives (LTI)	**Variable and awarded annually**	Stimulates achievement of long-term business targets to align with shareholder interests Stimulates achievement of long-term business targets to align with shareholder interests

Remuneration components

Guaranteed package

Our remuneration policy seeks to remunerate all employees with a guaranteed package that is anchored at the median market position. Performance remains one of the most important factors in determining total guaranteed pay and therefore the group differentiates between average and outstanding performance and remunerates individuals based on their contribution to the group's strategic objectives.

Short-term incentive

Executive and senior management employees (approximately 250 managers) participate in an annual short-term incentive plan, otherwise referred to as the executive bonus scheme (EBS). The EBS is structured to reward accomplishment of annual financial and non-financial performance targets that are aligned to the delivery of group and unit performance, together with individual performance against agreed strategic priorities. These strategic priorities are determined by the board each year before the commencement of the new financial year.

Business performance remains the most weighted driver in calculating EBS, contributing two-thirds to the total EBS amount, with individual performance weighted at one-third of the formulae. In terms of the cross-jurisdiction incentives, the EBS group percentage will be based on the group performance of either South Africa or Latin America dependent on where the employee resides. Certain designated roles which fulfill a global oversight function will share in the performance of the combined businesses.

EBS is calculated as a percentage (target incentive percentage) of an employee's qualifying guaranteed package. EBS participating employees need to achieve both their group and unit business performance targets, as well as their individual performance over the most recent financial year, as follows:

EBS PAID
=
Qualifying package
X
target incentive %
X
(unit factor/3 + group factor/3 + individual performance/3)

EBS – business performance

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is the financial performance metric for both unit and group performance. For employees based at units, EBITDA performance is equally weighted between the group and the applicable unit. For group employees, EBITDA performance is based on the group result. Linear interpolation is used to determine the unit or group factor between threshold, target and stretch performance. In the event that the EBITDA targets are not met for the group factor and/or the unit factor at threshold, these portions of the EBS payment fall away.

EBS – individual performance

The personal factor, which comprises one-third of the EBS, ranges between 0 – 200% and depends on the employee's performance rating results for the relevant financial year. If an employee is rated as a full performer, they will receive 100% of this EBS component with star performers being able to attain up to 200% of this component if they achieve an exceptional performer rating. No EBS will be payable to an employee who is rated as a weak performer in terms of their most recent performance assessment.

The group's performance contracting and reviews continue to mature. Employee ratings are initially done by the employee, assessed by the manager and then subject to calibration by teams of managers.

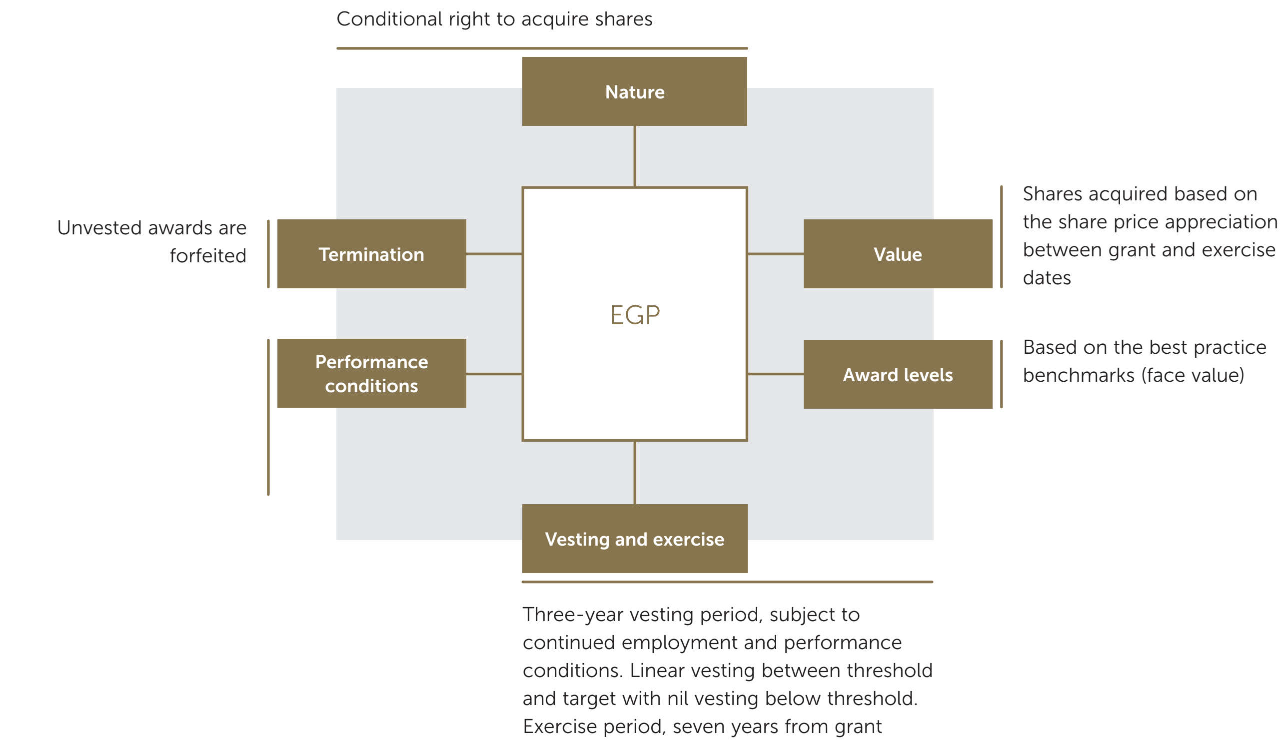
Calibration of performance rating results

To ensure effective integration of the performance ratings with unit and group performance, the group applies calibration of performance ratings results across the group. This includes assessing the individual performance ratings at unit level against the actual unit business performance results and against the envisaged on-target bonus to be paid in accordance with the rating provided. Executive leadership, functional heads and unit general managers are all involved in open and honest discussions regarding their performance rating to ensure that a common performance benchmark is applied across the group.

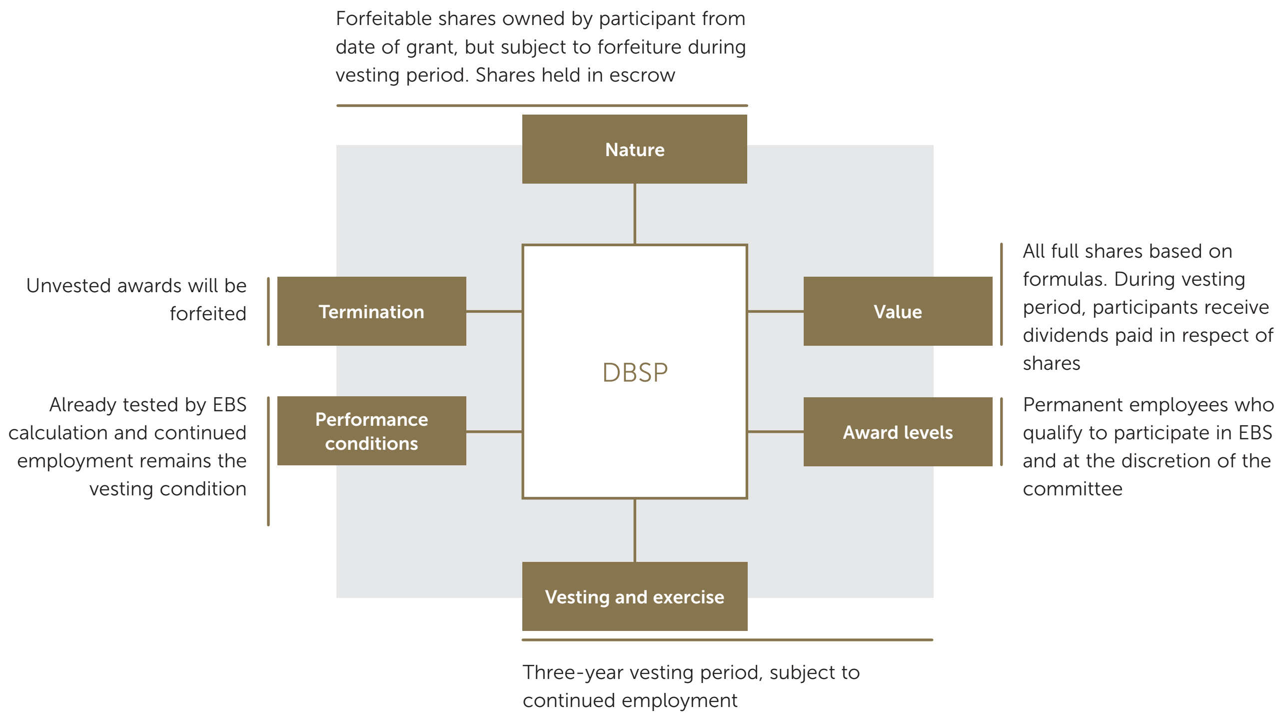
Long-term incentive plans

The main objective of the group's long-term incentive plans is to motivate and retain management on a long-term basis while promoting long-term wealth creation for both executives and shareholders. The group operates two long-term incentive plans with annual allocations – the Equity Growth Plan (EGP) and the Deferred Bonus Share Plan (DBSP) which is a deferred bonus granted through shares.

The EGP operates as follows:



The DBSP operates as depicted below:



In addition to the annual awards illustrated above, the group also uses the DBSP as a retention mechanism in certain instances by permitting the remuneration committee to approve retention or attraction awards for employees. These awards have a vesting period of either three or five years, depending on the quantum of the award (which is determined by a formulae). If an employee receives such an award but leaves the employment of the group before the vesting period, they forfeit the award and repay the dividends received as a result of the award.

Remuneration benchmarking

The remuneration committee reviews the total remuneration mix of executives annually. This review includes an analysis of the combination and proportion of the total remuneration paid as part of the guaranteed package against both the short-term and long-term incentives. The appropriate mix and combination of each of these remuneration components at executive level is imperative as each component is linked to promote the creation of shareholder value.

To retain a competitive edge in the industry and ensure we remain an employer of choice, our remuneration philosophy is to remunerate our executives equitably, competitively and in line with shareholder expectations and leading remuneration practices. In light of this, we use niche market industry and country benchmarks to keep us constantly informed of market trends. In an effort to be certain our employees are paid equitably, irrespective of their gender, the group also analyses pay at various levels of management and addresses these as may be appropriate.

Consideration of our JSE-listed peers and comparator market salary data of organisations of similar market capitalisation and revenue is taken into account in making executive remuneration decisions.

Executive remuneration is further informed by utilising an integrated view of executive remuneration, talent and performance management. This provides detailed and consolidated information for each executive in the group with regard to:

REMUNERATION

- Total cost of employment (GP) versus market
- Potential total earnings (GP + STI + LTI)
- Potential total earnings versus market
- Three-year annual salary increment history
- Proposed salary increment

TALENT MANAGEMENT FACTORS

- Flight risk
- Organisational impact
- Succession depth

PERFORMANCE MANAGEMENT RATINGS

- Current performance ratings
- Current top-performing executives

Service contracts

The group does not have any service contracts in place for any executive employees.

Payment for loss of office – executives

	Good leaver	Voluntary resignation	Bad leaver
Notice periods	Notice periods do not exceed six months		
Circumstances for departure	Death, retirement, retrenchment, ill health		Termination for cause
Salary and benefits for notice period	Paid until date of termination, including notice period		Immediate termination of salary and benefits
Bonus accrued prior to termination	Accrued bonus is payable on a pro-rata basis	Accrued bonus is payable on pro-rata basis	No accrued bonus is payable

Conclusion

This concludes the summary of the group's remuneration policy and practices. The principle of pay for performance will further evolve as the group continues to embed a high-performance culture with long-term strategic objectives as the driving factor behind rewards and incentives.

The Sun Dreams merger and integration as described in the chief executive's report was a significant highlight and is a focus area for the committee from the perspective of aligning remuneration policies and practices for the Latin America group where necessary.

The group's remuneration policy, as outlined above, will be submitted to shareholders for a non-binding vote at the annual general meeting to be held on Monday, 21 November 2016.

PART TWO

Disclosure of 2016 remuneration

Based on the remuneration policy and principles summarised above, the group discloses the actual remuneration paid to executives and prescribed officers as well as details regarding their long-term incentive awards for the year under review. Having considered the matter, the group is of the opinion that in addition to its executive directors, both the chief operating officer of the South African business, Mr RA Collins, and the chief executive officer of Sun Dreams, Mr J Wilhelm, are prescribed officers and their disclosures are incorporated below.

Executive directors and prescribed officers

	Salary Rand	Gross EBS Rand	Retirement contributions Rand	Other benefits Rand	Total Rand
2016					
GE Stephens	**5 956 904**	**5 047 619**	**810 731**	**161 694**	**11 976 949**
AM Leeming	**3 766 204**	**3 296 173**	**662 400**	**171 396**	**7 896 173**
DR Mokhobo[3]	**2 431 190**	**1 217 879**	**308 624**	**102 405**	**4 060 098**
RA Collins	**3 672 604**	**2 759 512**	**828 000**	**99 396**	**7 359 512**
J Wilhelm[1]	**425 960**	**425 960**	**29 168**	**134 353**	**1 015 442**
TOTAL	**16 252 863**	**12 747 145**	**2 638 923**	**669 244**	**32 308 178**
2015					
GE Stephens	5 610 027	8 043 039	753 228	147 786	14 554 080
AM Leeming	3 501 792	3 512 467	608 400	168 096	7 790 755
KH Mazwai[2]	2 206 622	1 680 703	480 655	313 464	4 681 444
TOTAL	11 318 441	13 236 209	1 842 283	629 346	27 026 279

[1] 1 June 2016 only.
[2] Resigned from the board on 31 January 2015 and from the company on 31 July 2015.
[3] Appointed on 19 February 2016.

Short-term incentive (STI)

For the year under review, the STI earned in the form of EBS for executive directors and prescribed officers are disclosed below.

2015/2016 STI

	STI payment FY 2016 Rand	On-target STI Rand	% of on-target achieved	Maximum potential STI Rand	Maximum potential STI %
GE Stephens	5 047 620	5 889 931	85.7	11 779 861	200
AM Leeming	3 296 174	3 220 000	102.4	6 440 000	200
DR Mokhobo	1 217 879	1 421 110	85.7	2 842 219	200
RA Collins	2 759 512	3 220 000	85.7	6 440 000	200
J Wilhelm	425 961	298 172	142.9	596 345	200

The STI achieved is comprised of the percentage of the three EBS components as achieved and for the aforementioned executive directors and the chief operating officer of South Africa as follows:

Individual %	1/3 unit performance	1/3 group performance	1/3 personal performance
GE Stephens	58.5%	48.6%	150.0%
AM Leeming	58.5%	48.6%	200.0%
DR Mokhobo	58.5%	48.6%	150.0%
RA Collins	58.5%	48.6%	150.0%
J Wilhelm*	–	–	–

* The chief executive of Sun Dreams received a bonus in the year that was determined by Dream S.A. shareholders prior to the merger as the merger was only consummated at the end of May 2016.

The table above reflects the units' and group's overall financial performance, which was below the board approved budgeted EBITDA. Individual performance is based on the committee's performance assessment of the executives against their predetermined key performance indicators set at the commencement of the 2016 financial year.

Following the executive's performance assessments, the committee is of the opinion that the aforesaid executives have not only met but exceeded certain key performance indicators under each of the five strategic pillars through their individual contributions and performance. Despite the challenging operating environment and a year of acquisitions, disposals and integration of businesses, the management team has achieved good progress against the strategic objectives in the year under review and they have been rewarded accordingly. The group's performance against these strategic objectives is reported as part of the group's results presentations and throughout the integrated annual report.

Remuneration scenarios

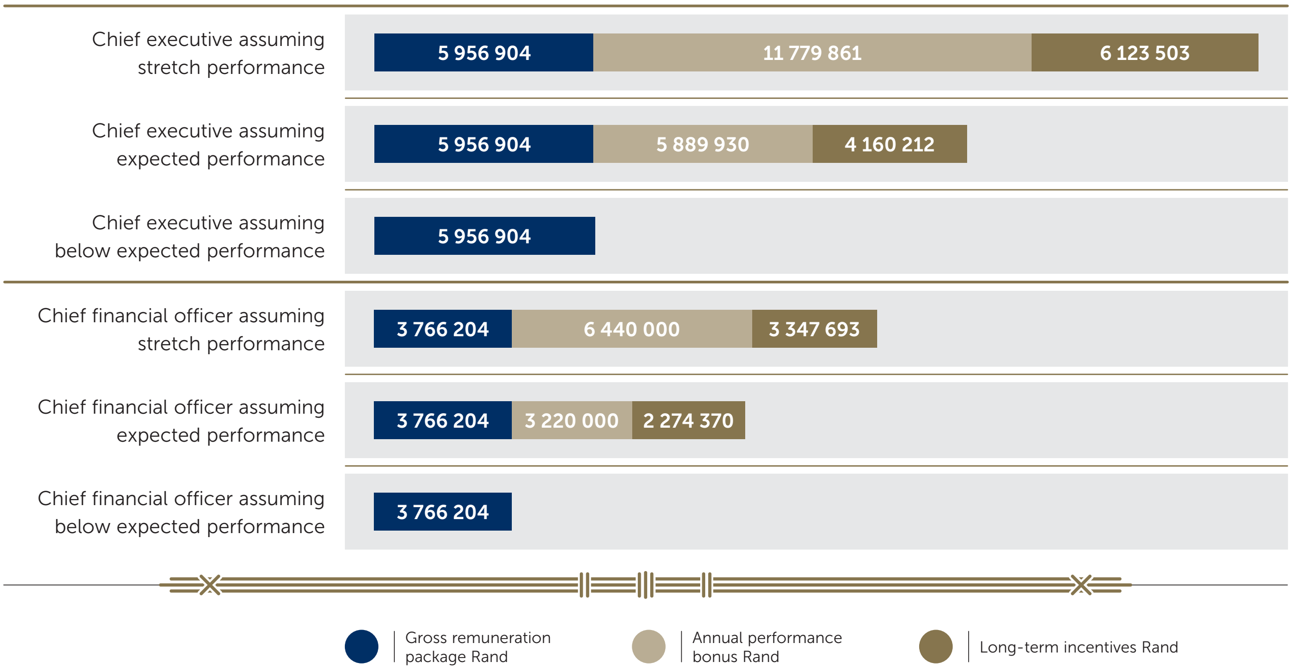
The charts below demonstrate the executive directors' remuneration assuming various scenarios.

Remuneration mix

Remuneration philosophy aims to attract and retain motivated high-calibre employees whose interest are aligned with those of our shareholders. This is achieved through the right mix of guaranteed and performance-based remuneration (variable pay), which provides for differentiation between high, average and low performers.

The pay mix guaranteed and variable remuneration differs according to the level of the employees in the company. The more senior the employee, the higher the proportion of variable pay in his/her total remuneration package. The graph below shows the parameters of the remuneration mix which are broadly aligned with market best practice.

For 2016 the overall remuneration mix of executives is as follows:



Share-based payments expense

The table below sets out the amount expensed in relation to share-based payments in the statement of comprehensive income for the year:

Name	2016 Rand	2015 Rand
GE Stephens	**8 695 980**	8 067 279
AM Leeming	**3 689 157**	3 956 628
DR Mokhobo	**1 506 518**	–
RA Collins	**3 746 321**	–
J Wilhelm*	**–**	–
TOTAL	**17 637 976**	12 023 907

* Pre-merger and has not been allocated shares.

Long-term incentives

The balance and movement of shares held by group executive directors in their personal capacities is set out below:

	Shares held at 30 June 2015	Retained vested awards after tax	Shares acquired: Tax paid on vested awards	Shares acquired: Acquired on market	Shares held at 30 June 2016
GE Stephens	44 189	50 650	35 197	88 724	**218 760**
AM Leeming	20 483	17 521	12 175	29 107	**79 286**
DR Mokhobo	7 257	2 239			**9 496**

The table below sets out the long-term incentives awarded through the group's share plans for the executive directors and prescribed officers, excluding Mr J Wilhelm who has not yet been allocated any shares in the group.

Date of grant	Shares/ grant price	Shares/ grants held 30 June 2015	Shares/grants made/ (forfeited) during the year	Shares/ grants exercised	Shares/ grants held 30 June 2016	Gains on the exercise of share options and grants	Present value of existing future awards
GE Stephens							
EGP		**342 023**	**141 623**		**483 646**		**3 727 853**
27.06.2012	90.07	17 865			**17 865**		326 215
02.09.2013	94.87	114 923			**114 923**		
27.06.2014	109.65	102 063			**102 063**		257 199
26.06.2015	111.21	107 172			**107 172**		602 307
29.06.2016	87.52		141 623		**141 623**		2 542 133
CSP*		**19 804**	**(13 863)**	**(5 941)**		**574 271**	
27.06.2012	86.55	19 804	(13 863)	(5 941)		574 271	
DBP^		**6 241**		**6 241**		**639 565**	
03.09.2012	n/a	6 241		(6 241)		639 865	
RSP#		**116 249**		**(58 124)**	**58 124**	**4 398 939**	**5 000 989**
01.10.2011	80.43	31 081		(15 540)	**15 540**	1 379 733	1 337 062
01.02.2013	101.33	85 168		(42 584)	**42 584**	3 019 206	3 663 927
BSMP		**97 494**	**38 365**		**97 494**		**8 388 384**
02.09.2013	95.00	28 358			**28 358**		2 439 922
11.09.2014	112.33	30 771			**30 771**		2 647 537
14.09.2015	104.82	38 365	38 365		**38 365**		3 300 925
TOTAL						**5 613 075**	
AM Leeming							
EGP		**149 552**	**59 033**	**–**	**208 585**		**1 699 063**
27.06.2012	90.07	15 464			**15 464**		282 373
02.09.2013	94.87	47 357			**47 357**		–
27.06.2014	109.65	42 058			**42 058**		105 986
26.06.2015	111.21	44 673			**44 673**		251 062
29.06.2016	87.52		59 033		**59 033**		1 059 642
CSP*		**17 026**	**(11 918)**	**(5 108)**		**493 752**	
27.06.2012	86.55	17 026	(11 918)	(5 108)		493 752	

Date of grant	Shares/ grant price	Shares/ grants held 30 June 2015	Shares/grants made/ (forfeited) during the year	Shares/ grants exercised	Shares/ grants held 30 June 2016	Gains on the exercise of share options and grants	Present value of existing future awards
DBP^		**3 520**		**(3 520)**		**360 892**	
03.09.2012	n/a	3 520		(3 520)		360 892	
RSP#		**42 137**		**(21 068)**	**21 068**	**1 634 695**	**1 812 690**
27.06.2012	89.25	16 963		(8 481)	**8 481**	742 277	729 705
01.03.2013	102.92	25 174		(12 587)	**12 587**	892 418	1 082 985
BSMP		**44 146**	**16 754**		**44 146**		**3 798 322**
02.09.2013	95.00	13 137			**13 137**		1 130 307
11.09.2014	112.33	14 255			**14 255**		1 226 500
14.09.2015	104.82	16 754	16 754		**16 754**		1 441 514
TOTAL						**2 489 339**	
DR Mokhobo							
EGP		**91 427**	**36 475**		**127 902**		**1 021 093**
27.06.2012	90.07	7 941			**7 941**		145 003
02.09.2013	94.87	29 598			**29 598**		–
27.06.2014	109.65	26 286			**26 286**		66 241
26.06.2015	111.21	27 602			**27 602**		155 123
29.06.2016	87.52		36 475		**36 475**		654 726
CSP*		**8 500**	**(5 950)**	**(2 550)**		**246 489**	
27.06.2012	86.55	8 500	(5 950)	(2 550)		246 489	
DBP^		**1 308**		**1 308**		**56 697**	
03.09.2012	n/a	1 308		(1 308)		56 697	
BSMP		**21 535**	**8 196**		**21 535**		**1 852 872**
02.09.2013	95.00	6 842			**6 842**		588 686
11.09.2014	112.33	6 497			**6 497**		559 002
14.09.2015	104.82	8 196	8 196		**8 196**		705 184
BEMT		**2 892**			**2 892**		
01.04.2015	128.39	2 892			**2 892**		
TOTAL						**303 186**	
RA Collins							
EGP		**84 103**	**59 033**		**143 136**		**1 410 068**
27.06.2014	109.65	39 430			**39 430**		99 364
26.06.2015	111.21	44 673			**44 673**		251 062
29.06.2016	87.52		59 033		**59 033**		1 059 642
RSP		**67 063**			**67 063**		**56 770 101**
01.01.2014	94.42	21 069			**21 069**		1 812 777
24.08.2015	100.01	45 994			**45 994**		3 957 324
BSMP		**19 765**	**14 752**		**19 765**		**1 700 581**
11.09.2014	112.33	5 013			**5 013**		431 319
14.09.2015	104.82	14 752	14 752		**14 752**		1 269 262
TOTAL							

* CSP awards partly vested on 27 June 2012 as per the performance conditions and there are no further CSPs in issue.
# Vests in three tranches.
^ In terms of the investment made by the participants in the company shares by way of the DBP, they received matching shares equal to their investment on the vesting date.

Awards made to executive directors/prescribed officers under share plans subsequent to 30 June 2016

Name	Date of grant	Grant price	Shares awarded
GE Stephens			
DBSP	09.09.2016	90.85	27 777
AM Leeming			
DBSP	09.09.2016	90.85	18 139
DR Mokhobo			
DBSP	09.09.2016	90.85	6 702
RA Collins			
DBSP	09.09.2016	90.85	15 186

The aforesaid disclosures conclude the remuneration paid to the executive directors in the year under review.

Directors' fees

Non-executive directors

Fees payable to non-executive directors for their services as directors and for their participation in the activities of the committees are recommended by the executive directors to the committee for consideration and thereafter considered by the board of directors for submission to shareholders.

Non-executive director fees are determined on the basis of a base annual fee and an attendance fee per meeting as advocated by King III and this practice is extended to non-executive directors of the group's various subsidiary boards. The executive directors and executive management that serve on the group's subsidiary boards do not receive any fees in their personal capacities for this role and to the extent applicable any fees payable as a result of this office are waived in favour of the group.

Proposed fees for the next financial year are determined by the end of the previous financial year and are payable quarterly in arrears after approval by members at the annual general meeting. In the case of new appointments or resignations from the board or committees during a financial year, the annual fees are pro-rated in line with the period of tenure of office.

Fees paid to non-executive directors by the company and its subsidiaries – during 2016 financial year

	Subsidiaries and trust fees	Director's fees	Committee fees	Total 2016	Total 2015
Non-executive directors	R	R	R		R
PDS Bacon	0	294 300	217 200	**511 500**	476 900
ZBM Bassa	0	321 700	268 750	**590 450**	549 050
PL Campher	20 000	294 300	524 750	**839 050**	765 700
NN Gwagwa	0	294 300	79 600	**373 900**	335 500
BLM Makgabo-Fiskerstrand	0	294 300	123 700	**418 000**	436 450
IN Matthews	30 000	478 900	366 150	**905 000**	829 950
B Modise*	0	78 936	42 800	**121 736**	411 400
LM Mojela	0	294 300	128 050	**422 350**	409 850
MV Moosa	0	1 107 100	330 250	**1 437 350**	1 397 750
GR Rosenthal	0	294 300	374 200	**668 500**	675 300
EAMMG Cibie	0	294 300		**294 300**	327 600
	50 000	4 046 736	2 455 450	**6 552 186**	6 615 450

* Resigned 23 November 2015.

Shareholders approved an increase of no more than 10% on all director and committee fees for the 2015/2016 financial year at the 2014 annual general meeting. After due consideration, the board has applied a 4% increase for the non-executive directors' remuneration for the 12 months commencing 1 July 2016.

This concludes part two of the remuneration report dealing with the prescribed disclosure section. We trust that the combined remuneration policy has been helpful in assisting stakeholders to understand the application of the group's remuneration policy.

Sibaya, KwaZulu-Natal

TRANSPARENCY AND ACCOUNTABILITY

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STATUTORY

PROFESSIONALISM

We use our skills and competence to provide the highest standard of work at all times.

Notice of annual general meeting and explanatory notes

Sun International Limited
Incorporated in the Republic of South Africa
(Registration number 1967/007528/06) (Share code: SUI) ISIN: ZAE000097580
("Sun International" or "the company")

Notice is hereby given to shareholders recorded in the company's securities register on **Friday, 14 October 2016**, that the 32nd annual general meeting of the shareholders of Sun International will be held at Protea Hotel Fire & Ice, 213 Thys Street, Summit Place Precinct (corner of North and Garsfontein off-ramp), N1, Pretoria, 0063, on **Monday, 21 November 2016 at 09:00** (South African time), to (i) deal with such business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, No 71 of 2008, as amended ("the Act"), as read with the Listings Requirements of the JSE Limited ("JSE Listings Requirements") on which exchange the company's ordinary shares are listed, which meeting is to be participated in and voted at by shareholders as at the record date of **Friday, 11 November 2016**. The last day to trade in order to be eligible to attend and vote at the annual general meeting is **Tuesday, 8 November 2016**.

Kindly note that in terms of section 63(1) of the Act, meeting participants (including shareholders and proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

When reading the resolutions below, please refer to the explanatory notes for the ordinary and special resolutions which accompany this notice convening the annual general meeting.

1. Presentation of annual financial statements

The consolidated audited annual financial statements of the company and its subsidiaries (as approved by the board of directors of the company), incorporating the external auditor, audit committee and directors' reports for the year ended 30 June 2016, are presented to shareholders.

The complete annual financial statements are set out on the company's website at ir.suninternational.com.

ORDINARY RESOLUTIONS

2. Ordinary resolutions numbers 1.1 to 1.3: Election of directors

"Resolved that the following directors of the company, who, being eligible, have offered themselves for election, are elected by separate resolutions, and each by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, in terms of clause 39.9 of the company's memorandum of incorporation:

1.1 Mr DR Mokhobo
1.2 Mr NB Morrison
1.3 Ms CM Henry"

Brief biographies in respect of each director offering himself/herself for election are set out in the company's integrated annual report on the website at ir.suninternational.com.

3. Ordinary resolutions numbers 2.1 to 2.4: Re-election of directors

"Resolved that the following directors of the company, who, being eligible, have offered themselves for re-election, are re-elected by separate resolutions, and each by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, in terms of clause 39.3 of the company's memorandum of incorporation:

2.1 Ms ZBM Bassa
2.2 Mr PL Campher
2.3 Ms BLM Makgabo-Fiskerstrand
2.4 Mr IN Matthews"

Brief biographies in respect of each director offering himself/herself for re-election are set out on the company's website at ir.suninternational.com.

4. Ordinary resolution number 3: Re-appointment of external auditor

"Resolved that, upon the recommendation of the current Sun International audit committee, PricewaterhouseCoopers Incorporated (PwC) is re-appointed as the independent registered auditor of the company (to report on the financial year ending 30 June 2017) until the conclusion of the next annual general meeting, with Mr Johan Potgieter as the designated auditor."

5. Ordinary resolutions numbers 4.1 to 4.4: Election of audit committee members

"Resolved that the following independent, non-executive directors are elected as members of the Sun International audit committee, in terms of section 94(2) of the Act, by separate resolutions and each by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, with effect from the end of this annual general meeting:

3.1 Mr PD Bacon	
3.2 Ms ZBM Bassa*	
3.3 Mr PL Campher*	
3.4 Mr GR Rosenthal"	

* Subject to their re-election as directors pursuant to ordinary resolutions numbers 2.1, and 2.2 respectively.

Brief biographies of those independent, non-executive directors offering themselves for election as members of the Sun International audit committee are enclosed in the report of the Sun International audit committee contained on the company's website at ir.suninternational.com.

6. Ordinary resolution number 5: Endorsement of Sun International remuneration policy

"Resolved, by way of a non-binding advisory vote, that the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of statutory and board committees for their services as directors and members of committees), as contained on the company's website at ir.suninternational.com, is endorsed."

SPECIAL RESOLUTIONS

7. Special resolution number 1: General authority to acquire (repurchase) ordinary shares

"Resolved that the company and/or any subsidiary of the company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary shares in the share capital of the company in accordance with the requirements of clause 22 of Sun International's memorandum of incorporation, the Act and the JSE Listings Requirements, from time to time, provided that:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system, subject to the approval of the JSE, where necessary, and done without any prior understanding or arrangement with the counterparty;
- this general authority shall be valid until the earlier of the company's next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1;
- an announcement containing full details of such acquisitions will be published as soon as the company or any of its subsidiaries shall have acquired ordinary shares constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in issue as at the date of this approval and for each subsequent acquisition constituting, on a cumulative basis, not less than 3% in aggregate of the number of ordinary shares in issue as at the date of this approval, in compliance with paragraph 11.27 of the JSE Listings Requirements;
- acquisitions of ordinary shares in aggregate in any one financial year may not exceed 5% of the company's issued ordinary share capital, as at the date of passing of this special resolution number 1;
- ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of acquisition of such ordinary shares;
- the company has been given authority by its memorandum of incorporation;
- a resolution is passed by the board of directors that it has authorised the acquisition, that the company and its subsidiaries will pass the solvency and liquidity test immediately after the acquisition and that from the time that the test is done, there are no material changes to the financial position of the company or the group;
- at any point in time, the company and/or its subsidiaries may only appoint one agent to effect any such acquisition;
- the company and/or its subsidiaries may not acquire any ordinary shares during a prohibited period, as defined in the JSE Listings Requirements, unless a repurchase programme is in place, where dates and quantities of the shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE in writing, prior to the commencement of the prohibited period;
- the company's subsidiaries shall not be entitled to acquire ordinary shares issued by the company if the acquisition of the shares will result in them holding, on a cumulative basis, more than 10% of the number of ordinary shares in issue in the company; and
- no voting rights attached to the ordinary shares acquired by the company's subsidiaries may be exercised while the shares are held by them and they remain subsidiaries of the company."

STATUTORY

8. Special resolution number 2: Non-Executive Directors' remuneration

"Resolved that, in terms of clause 45.1 of the company's memorandum of incorporation, the remuneration payable to the non-executive directors for their services as directors of the company and for participating in statutory and board committees, for the 12 months commencing on 01 July 2016 be set as follows:"

Remuneration payable to non-executive directors for their services as directors and for participating in statutory and board committees	Annual retainer	Attendance fee per meeting
Remuneration as directors^		
Sun International non-executive chairman	R853 100	R49 700
Sun International non-executive directors	R135 100	R28 500
Sun International lead independent director^	R327 100	R28 500
Audit committee fees #		
Sun International audit committee chairman	R113 800	R32 000
Sun International audit committee member	R57 000	R16 000
Risk committee fees **		
Sun International risk management committee chairman	R62 700	R34 200
Sun International risk management committee member	R31 300	R17 200
Remuneration committee fees **		
Sun International remuneration committee chairman	R51 300	R31 300
Sun International remuneration committee member	R25 800	R15 700
Investment committee fees ***		
Sun International investment committee chairman	R47 200	R27 100
– teleconference fee per hour	–	R4 100
Sun International investment committee member	R23 600	R13 600
– teleconference fee per hour	–	R3 000
Social & ethics committee fees **		
Sun International social and ethics committee chairman	R47 200	R27 100
Sun International social and ethics committee member	R23 600	R13 600
Nomination committee fees**		
Sun International nomination committee chairman	R42 600	R21 400
Sun International nomination committee member	R21 500	R10 700

Fees are paid as follows:

Annual retainer	Paid quarterly
Attendance fee	Paid at the end of the quarter in which the relevant meetings are held. For indicative purposes the number of planned meetings for each category are set out below. The attendance fee will be applicable to any additional meetings convened during the year.
	# Four scheduled meetings per year
	** Three scheduled meetings per year
	*** Meetings scheduled on a monthly basis
Chairman, director & lead independent directors' fees	^ Five scheduled meetings per year
Ad-hoc meetings	Will be paid at the attendance rate as set out for that relevant meeting.

9. Special Resolution number 3: Amendments to Sun International memorandum of incorporation

"Resolved that in terms of clause 7 of the memorandum of incorporation of Sun International and in accordance with section 16(1)(c)(i) and (ii) read together with section 16(5)(b) of the Act, Sun International's existing memorandum of incorporation be and is hereby amended with effect from the date of filing of the required notice of amendment with the Companies and Intellectual Property Commission, as follows:

- The deletion of clause 15.3 of the memorandum of incorporation in its entirety and its substitution by the following new clause 15.3:
  "If, on any capitalisation issue, Shareholders would, but for the provisions of this clause 15, become entitled to fractions of Shares, the Board shall, subject to any contrary provision in the resolution authorising the capitalisation issue, round off the number of capitalisation shares to be received as per clause 50 bis hereof."
- The insertion of a new clause 50 bis into the memorandum of incorporation, which reads as follows:
  "To the extent that a fractional entitlement arises, all allocations of Shares and other Securities will be rounded down to the nearest whole number resulting in allocations of whole Shares and/or Securities and a cash payment for the fraction where the cash value is determined with reference to the method of determination as may be prescribed in the Listings Requirements from time to time and for the time being."

The memorandum of incorporation is amended on the basis that the amendments thereto have been approved by the JSE Limited and accord with the explanatory notes (containing a summary of the salient amendments to the memorandum of incorporation) accompanying the notice convening the annual general meeting at which this resolution will be proposed. The amended memorandum of incorporation will lie for inspection at the company's registered office from 21 October 2016 to 21 November 2016 or any adjourned meeting.

Voting and proxies

In terms of, among others, the Act and the JSE Listings Requirements, no voting rights attaching to the treasury shares held by Sun International or shares held by a share trust or scheme and unlisted securities may be exercised.

Ordinary shareholders holding dematerialised shares in their own name, or who hold shares that are not dematerialised, who are entitled to attend, speak and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote in their stead. A proxy does not have to be a shareholder of the company. The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person thereat to the exclusion of any such proxy or proxy form for use by ordinary shareholders at the annual general meeting is attached.

Shareholders holding dematerialised shares but not in their own name must furnish their CSDP or broker with their instructions for voting at the annual general meeting should they wish to vote. If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in terms of your mandate furnished to it, or if the mandate is silent in this regard, to complete the relevant form of proxy attached. Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut-off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you at the annual general meeting, your CSDP or broker will assume you do not wish to attend the annual general meeting or send a proxy. If you wish to attend the annual general meeting or send a proxy, you must request your CSDP or broker to issue the necessary letter of representation to you.

Shareholders holding dematerialised shares in their own name, or who hold shares that are not dematerialised, and who are unable to attend the annual general meeting and wish to be represented thereat, must complete the relevant form of proxy attached in accordance with the instructions therein and lodge it with, or mail it to, the transfer secretaries.

It is requested that proxy forms should be forwarded to reach the company's transfer secretaries at the address given below by not later than **09:00 on Thursday, 17 November 2016**. Should your proxy forms not be returned to the transfer secretaries by the aforesaid date and time, the proxy forms may be handed to the chairman of the annual general meeting before that meeting is due to commence.

Please note that the company intends to make provision for shareholders of the company, or their proxies, who are entitled to attend thereat, to participate in the annual general meeting by way of a teleconference call, provided that the shareholders or their CSDP or broker (as the case may be) must give written notice to the company, per the Secretariat, c/o Ms Janine Govender, either by e-mail at janine.govender@suninternational.com or at the address given below (by way of physical delivery or post) and such notice must be received by the company by not later than 48 hours prior to the date of the annual general meeting. If no notice is received by the company at least 48 hours prior to the date of the annual general meeting, then the company shall not make provision for shareholders to participate in the annual general meeting by way of a teleconference call. However, if the company timeously receives the above notice, then the company will provide a teleconference facility and furnish the shareholders or their CSDP or broker (as the case may be) with the dialling code and pin number.

Shareholders participating in this manner will still need to appoint a proxy to vote on their behalf at the annual general meeting. Access to this means of electronic communication will be at the expense of Sun International. Sun International shareholders and their proxies will not be entitled to vote electronically at the annual general meeting.

The annual general meeting may not begin until at least three shareholders entitled to attend and vote at that meeting are represented in person or by proxy and sufficient persons are present (in person or represented by proxy) at the annual general meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the annual general meeting.

A matter to be decided at the annual general meeting may not begin to be considered unless sufficient persons are present at the meeting (in person or represented by proxy) to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect at the time the matter is called on the agenda.

By order of the board

Sun International Limited
Secretaries

per: Mr AM Leeming
6 Sandown Valley Crescent
Sandton
2146

14 October 2016

Transfer secretaries
Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Explanatory notes

Ordinary resolutions numbers 1.1 to 1.3 and 2.1 to 2.4 – Election and Re-election of directors

In accordance with the company's memorandum of incorporation, one-third of the directors are required to retire at each annual general meeting and being eligible may offer themselves for election or re-election, as the case may be. The directors who are to retire are firstly those who have been appointed to fill a casual vacancy and secondly those who have held their positions the longest period since their last election. Mr DR Mokhobo, Mr NB Morrison and Ms CM Henry as well as Ms ZBM Bassa, Mr PL Campher, Ms BLM Makgabo-Fiskerstrand and Mr IN Matthews retire from the board in accordance with clauses 39.9 and 39.3 of the company's memorandum of incorporation respectively.

A brief biography in respect of each director offering himself/herself for election or re-election, as the case may be, is set out at http://ir.suninternational.com.

The nomination committee of the board of directors of the company has reviewed the composition of the board against corporate governance and transformation requirements and has recommended the election or re-election, as the case may be, of the directors listed above. It is the view of the board that the election or re-election of the candidates referred to above would enable the company to:

- responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent directors on the board.

In addition, the nomination committee of the company has conducted a rigorous assessment of the performance of each of the retiring directors and has reviewed the skills, knowledge, experience, diversity and demographics represented on the board. The nomination committee has satisfied itself that none of the independent, non-executive directors' independence of character and judgement has in any way been affected or impaired by their length of service on the board. Having received the results of these assessments and reviews, the board is satisfied that each of the directors standing for election or re-election, as the case may be, performance continues to be effective and demonstrates commitment to their roles.

Accordingly, the board recommends to shareholders the election and re-election of each of the retiring directors referred to in ordinary resolutions numbers 1.1 to 1.3 and 2.1 to 2.4 respectively, by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act No 71 of 2008, as amended (the Act).

Ordinary resolution number 3: Re-appointment of external auditor

PricewaterhouseCoopers Inc. (PwC) has indicated its willingness to continue in office and ordinary resolution number 3 proposes the re-appointment of that firm as the company's external auditor until the conclusion of the next annual general meeting.

At a Sun International audit committee meeting held on 17 August 2016, the committee considered the independence of the external auditor PwC, in accordance with sections 90 and 94 of the Act.
In assessing the independence of the external auditor, the audit committee satisfied itself that PwC:

- does not hold a financial interest (either directly or indirectly) in Sun International;
- does not hold a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of Sun International;
- is not economically dependent on Sun International, having specific regard to the quantum of the audit fees paid by Sun International and its sub-holding companies to PwC during the financial year under review in relation to its total fee base;
- does not provide consulting or non-audit-related services to Sun International or its sub-holding companies which fall outside of the permitted or qualified non-audit-related services as specified in the policy for the use of the external auditor for non-audit-related services and which could compromise or impair the external auditors' independence (see audit committee report as set out on the company's website at http://ir.suninternational.com); and
- including the individual registered auditor who undertakes the audit, does not have personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with Sun International or its sub-holding companies.

Accordingly, the Sun International audit committee has satisfied itself that PwC is independent as contemplated by the South African independence laws and the applicable rules of the International Federation of Accountants (IFAC) and nominated the re-appointment of PwC as independent registered auditor to Sun International, to report on the financial year ending 30 June 2017 until the conclusion of the 2017 annual general meeting.

Shareholders will also be required to note the appointment of Mr Johan Potgieter as Sun International's designated auditor with effect from 15 October 2016, who replaces Mr Eric Mackeown the erstwhile designated auditor, who resigned on 14 October 2016 by rotation in accordance with section 92 of the Act.

Furthermore, the Sun International audit committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that PwC, the reporting accountant and individual auditor are accredited to appear on the JSE List of Accredited Auditors, in compliance with section 22 of the JSE Listings Requirements.

Ordinary resolutions numbers 4.1 to 4.4: Election of audit committee members

In terms of section 94(2) of the Act, the audit committee is a statutory committee elected by the shareholders at each annual general meeting. Chapter 3 of the King Report on Governance for South Africa 2009 ("King III") likewise requires the shareholders of a public company to elect the members of an audit committee at each annual general meeting.

In accordance therewith the nomination committee should present shareholders with suitable candidates for election as audit committee members.

In terms of the Regulations published pursuant to the Act, at least one-third of the members of the company's audit committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. As can be seen from the CVs of the proposed members, they have experience in audit, accounting, economics, commerce and general industry, among others.

At a meeting of the nomination committee held on 16 August 2016, the committee satisfied itself that, among others, the independent, non-executive directors offering themselves for election as members of the Sun International audit committee:

- are independent non-executive directors as contemplated in King III and the JSE Listings Requirements;
- are suitably qualified and experienced for audit committee membership (see the report of the audit committee which is set out on the company's website at: ir.suninternational.com);
- have an understanding of integrated annual reporting (including financial reporting), internal financial controls, external and internal audit processes, risk management, sustainability issues and the governance processes (including information technology governance) within the company;
- collectively possess skills which are appropriate to the company's size and circumstances, as well as its industry;
- have an understanding of International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice and other financial and sustainability reporting standards, regulations and guidelines applicable to the company; and
- adequately keep up to date with key developments affecting their required skills set.

For further details regarding the performance of the audit committee during the period under review, please refer to the report of the audit committee which is set out on the company's website at http://ir.suninternational.com.

Ordinary resolution number 5: Sun International remuneration policy

Chapter 2 of King III, dealing with boards and directors, requires companies to every year table their remuneration policy to shareholders for a non-binding advisory vote at the annual general meeting. This vote enables shareholders to express their views on the remuneration policies adopted in the remuneration of, among others, executive directors and on their implementation.

Sun International's remuneration policy, which is titled "Report of the Remuneration Committee", is contained on the company's website at ir.suninternational.com. The remuneration policy deals with, inter alia, Sun International's approach towards remuneration governance, reward philosophy and strategy and guidelines on the various components making up the remuneration packages of Sun International group employees, including the remuneration arrangements in place for the non-executive directors.

Please note that the remuneration to be paid to non-executive directors for their services as directors and for participating in statutory and board committees, will require the approval of the shareholders by special resolution (special resolution number 2), in terms of the Act, such remuneration having been benchmarked in relation to other similar sized public listed companies in South Africa.

Ordinary resolution number 5 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when considering the company's remuneration policy in the remuneration of, among others, executive directors.

Special resolution number 1: General authority to acquire (repurchase) ordinary shares

The reason for and effect of this special resolution is to grant the company and its subsidiaries a general authority to facilitate the acquisition by the company and/or its subsidiaries of the company's ordinary shares, which general authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the company, provided that this general authority shall not extend beyond 15 months from the date of the passing of this special resolution number 1.

Any decision by the directors, after considering the effect of an acquisition of up to 5% of the company's issued ordinary shares, to use the general authority to acquire shares of the company will be taken with regard to the prevailing market conditions and other factors and provided that, for the period of 12 months after such acquisition, the directors are of the opinion that:

- the company and the group will be able to pay their debts in the ordinary course of business;
- recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements which comply with the Act, the assets of the company and the group will exceed the liabilities of the company and the group;
- the share capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group; and
- the working capital of the company and the group will be adequate for the purposes of the business of the company and the group.

The JSE Listings Requirements require, in terms of paragraph 11.26, the following disclosures in relation to special resolution number 1, which appear in the integrated annual report or on the company's website at ir.suninternational.com:

- Major shareholders – refer to the directors report which appears on the company's website at ir.suninternational.com; and
- Share capital of the company – refer to note 22 of the complete annual financial statements which are set out on the company's website at ir.suninternational.com.

Directors' responsibility statement

The directors, whose names appear on pages 54 to 58 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in terms hereof and in the integrated annual report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the audit report and up to the date of the notice of annual general meeting.

Statement of the board's intention:

The directors have no specific intention, at present, for the company or its subsidiaries to acquire any of the company's ordinary shares, but consider that such a general authority in relation to the ordinary shares should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the company and its shareholders.

The directors are of the opinion that it would be in the best interests of the company to extend such general authority and thereby allow the company or any of its subsidiaries to be in a position to acquire the shares issued by the company through the order book of the JSE, should the market conditions, tax dispensation and price justify such an action.

Special resolution number 2: Non-Executive Directors' Remuneration

In terms of section 66(8) – (9) of the Act, which took effect on 1 May 2011, remuneration may only be paid to directors, for their service as directors, in accordance with a special resolution approved by the shareholders and if not prohibited in terms of a company's memorandum of incorporation.

The reason for proposing special resolution number 2 is to increase the remuneration paid to non-executive directors by 4% compared to the 2016 financial year, so as to ensure that such remuneration remains generally market-related and accords with the increasing level of responsibility being placed on directors.

Sun International's remuneration committee is satisfied, having engaged external remuneration consultants to review the non-executive directors' remuneration, that the proposed remuneration is relative to the median remuneration paid to non-executive directors of other similar sized public listed companies in South Africa for their services as directors.

The proposed remuneration in special resolution number 2 was accepted by the board (with the non-executive directors abstaining from voting) after a recommendation by the remuneration committee. Consequently, special resolution number 2 is recommended by the company's board of directors for shareholder approval.

The remuneration of the non-executive directors for their services as directors and for participating in statutory and board committees, paid during the past financial year, as well as the process followed by the remuneration committee in recommending the remuneration of non-executive directors are contained below, as well as on page 74 of the integrated annual report.

Remuneration of non-executive directors for their services as directors and for participating in statutory and board committees	Annual retainer	Attendance fee per meeting
Remuneration as directors^		
Sun International non-executive chairman	R820 300	R47 800
Sun International non-executive directors	R129 900	R27 400
Sun International lead independent director^	R314 500	R27 400
Audit committee fees #		
Sun International audit committee chairman	R109 400	R30 800
Sun International audit committee member	R54 800	R15 400
Risk committee fees **		
Sun International risk management committee chairman	R60 300	R32 900
Sun International risk management committee member	R30 100	R16 500
Remuneration committee fees **		
Sun International remuneration committee chairman	R49 300	R30 100
Sun International remuneration committee member	R24 800	R15 100
Investment committee fees ***		
Sun International investment committee chairman	R45 400	R26 100
– teleconference fee per hour	–	R3 900
Sun International investment committee member	R22 700	R13 100
– teleconference fee per hour	–	R2 900
Social & ethics committee fees **		
Sun International social and ethics committee chairman	R45 400	R26 100
Sun International social and ethics committee member	R22 700	R13 100
Nomination committee fees**		
Sun International nomination committee chairman	R41 000	R20 600
Sun International nomination committee member	R20 700	R10 300

Fees are paid as follows:

Annual retainer	Paid quarterly
Attendance fee	Paid at the end of the quarter in which the relevant meetings are held. For indicative purposes the number of planned meetings for each category are set out below. The attendance fee will be applicable to any additional meetings convened during the year.
	# Four scheduled meetings per year
	** Three scheduled meetings per year
	*** Meetings scheduled on a monthly basis
Chairman, director & lead independent directors' fees	^ Five scheduled meetings per year
Ad-hoc meetings	Will be paid at the attendance rate as set out for that relevant meeting.

Special resolution number 3: Amendments to Sun International Memorandum of Incorporation

The salient amendments to the memorandum of incorporation are set out below:

- **Fractions of shares – clauses 15.3 and 50 bis**
  Clauses 15.3 and 50 bis have been included to accord with the amendment to the JSE Listings Requirements published for comment on 27 March 2015 in Government Gazette Number 38602. Previously allocations of securities were rounded up or down based on the standard rounding convention (i.e. allocations of less than 0.5 were rounded down and allocations greater than 0.5 were rounded up). This resulted in the allocation of whole shares and/or securities and no fractional entitlements. Shareholders with less than 0.5 entitlements were previously disenfranchised by not receiving any entitlement and shareholders with more than 0.5 gained additional shares and/or securities as their entitlements were increased. Pursuant to the amendment to Sun International's memorandum of incorporation by the inclusion of new clauses 15.3 and 50 bis, allocations of shares and/or securities will be rounded down to the nearest whole number and holders thereof will receive a cash payment for the fraction which will be determined with reference to the method prescribed in the JSE Listings Requirements from time to time.

Passing of resolutions

All ordinary resolutions will, in terms of the Act, require the support of more than 50% of the voting rights of shareholders exercised thereon, to be approved.

In order for special resolution number 1 to be approved, the support of at least 75% of the votes cast by all equity securities holders present or represented by proxy at the annual general meeting convened to approve such resolution, is required in terms of the JSE Listings Requirements. The remaining special resolutions will, in terms of the Act, require the support of at least 75% of the total voting rights exercised thereon at the meeting, to be approved.

Shareholders' diary

Annual general meeting

Date:	Monday, 21 November 2016
Time:	09:00
Venue:	Protea Hotel Fire & Ice, 213 Thys Street, Summit Place Precinct (corner of North and Garsfontein off ramp), N1, Pretoria, 0063

Reports/Activity	2016/2017
Financial year end	30 June 2016
Announcement of reviewed annual results and final dividend (if declared) for the year ended 30 June	22 August 2016
2016 Integrated Annual Report published	21 October 2016
Annual general meeting	21 November 2016
New financial year end	31 December 2016
Announcement of reviewed annual results for the year ending 31 December 2016	By 31 March 2016
Audited annual financial statements for the six months ending 31 December 2016 published	By 30 June 2017
Annual general meeting	By 31 August 2017
Announcement of interim results and interim dividend* (if declared) for half year ending 30 June 2017	By 30 September 2017

Form of proxy

Sun International Limited

(Incorporated in South Africa)
Registration number 1967/007528/06
Share code: SUI, ISIN: ZAE000097580
("Sun International" or "the Company")

FORM OF PROXY FOR THE 32nd ANNUAL GENERAL MEETING TO BE HELD AT PROTEA HOTEL FIRE & ICE, 213 THYS STREET, SUMMIT PLACE PRECINCT (CORNER OF NORTH AND GARSFONTEIN OFF-RAMP), N1, PRETORIA, 0063, ON MONDAY, 21 NOVEMBER 2016 AT 09:00 – FOR USE BY CERTIFICATED ORDINARY SHAREHOLDERS AND DEMATERIALISED ORDINARY SHAREHOLDERS WITH 'OWN NAME' REGISTRATION ONLY

Holders of dematerialised ordinary shares other than "own name" registration must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend the annual general meeting in person or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat.

I/We

(Please print)

of (address)

Telephone number Cellphone number Email address

1. or failing him/her,

2. or failing him/her,

the chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the 32nd annual general meeting of the company which will be held on Monday, 21 November 2016 at 09:00 and at any adjournment thereof for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

	Number of ordinary shares		
	For	Against	Abstain
1. Ordinary resolutions numbers 1.1 to 1.3: Election of directors			
1.1: Mr DR Mokhobo			
1.2: Mr NB Morrison			
1.3: Ms CM Henry			
2. Ordinary resolutions numbers 2.1 to 2.4: Re-election of directors			
2.1: Ms ZBM Bassa			
2.2: Mr PL Campher			
2.3: Ms BLM Makgabo-Fiskerstand			
2.4: Mr IN Matthews			
3. Ordinary resolution number 3: Re-appointment of external auditor			
4. Ordinary resolutions numbers 4.1 to 4.4: Election of audit committee members			
4.1: Mr PD Bacon			
4.2: Ms ZBM Bassa			
4.3: Mr PL Campher			
4.4: Mr GR Rosenthal			
5. Ordinary resolution number 5: Endorsement of Sun International remuneration policy			
6. Special resolution number 1: General authority to repurchase shares			
7. Special resolution number 2: Remuneration of non-executive directors			
8. Special resolution number 3: Amendments to Sun International memorandum of incorporation			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

Signed at on 2016

Signature

Assisted by me (where applicable)

STATUTORY

Form of proxy

Notes to form of proxy and summary of applicable rights established by section 58 of the Companies Act, 2008 ("Companies Act")

1. An ordinary shareholder holding dematerialised shares by "own name" registration, or who holds shares that are not dematerialised, is entitled to appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder. Such ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting", provided that any such deletion must be signed in full by the shareholder. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the chairman of the annual general meeting. A proxy need not be a shareholder of the company.
2. All resolutions put to the vote shall be decided by way of a poll. An ordinary shareholder is entitled on a poll, to 1 (one) vote per ordinary share held. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will result in the proxy not being authorised to vote or to abstain from voting at the annual general meeting in respect of the shareholder's votes, except in the case where the chairman of the annual general meeting is the proxy. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.
3. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
4. Any alteration or correction made to this form of proxy must be signed in full and not initialled by the signatory.
5. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the chairman of the annual general meeting.
6. A minor must be assisted by his/her parent/guardian and the relevant documentary evidence establishing his/her legal capacity must be attached to this form of proxy unless previously recorded by the company or waived by the chairman of the annual general meeting.
7. When there are joint holders of shares, any one holder may sign the proxy form.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes.
9. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person other than the chairman of the annual general meeting.
10. The appointment of a proxy or proxies:
    a. is suspended at any time to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
    b. is revocable in which case the shareholder may revoke the proxy appointment by:
        i. cancelling it in writing or making a later inconsistent appointment of a proxy; and
        ii. delivering a copy of the revocation instrument to the proxy and to the company.
11. Should the instrument appointing a proxy or proxies have been delivered to the company, as long as the appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by such company to the shareholder, must be delivered by such company to:
    a. the shareholder; or
    b. the proxy or proxies, if the shareholder has directed the company to do so in writing and has paid any reasonable fee charged by the company for doing so.
12. The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.
13. It is requested that this proxy form should be completed and returned to the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), so as to reach them by not later than Thursday, 17 November 2016 at 09:00. Should this form of proxy not be returned to the transfer secretaries by the aforesaid date and time, it may be handed to the chairman of the annual general meeting before that meeting is due to commence.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE TRANSFER SECRETARIES ON REQUEST.

Election form

Sun International Limited

Incorporated in the Republic of South Africa
Registration number: 1967/007528/06
Share code: SUI, ISIN: ZAE000097580
("Sun International" or "the Company")

To:
The Directors
Sun International

I/We, the undersigned

(please print)

reference number:

(if available, please review the reference number listed on the envelope your Integrated Annual Report arrived in)

of address

being the registered holder(s) of: ordinary shares in the issued share capital of the Company

do hereby elect to receive any documents or notices from Sun International, by electronic post, to the extent that the Company is permitted to so distribute any notices, documents, records or statements in terms of the Companies Act, No 71 of 2008, as amended, and any and every other statute, ordinance, regulation or rule in force from time to time, including the JSE Listings Requirements, concerning companies and affecting Sun International.

I/We hereby furnish the following email address for such electronic communication:

Email address:

Any written amendment or withdrawal of any such notice of consent by me/us, shall only take effect if signed by me/us and received by the Company.

Signed at on 2016

Signature

Assisted by me (where applicable)

Please complete, detach and return this election form to Sun International's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or by telefax to +27 (11) 370 5271.

Notes

Administration

Sun International Limited

Incorporated in the Republic of South Africa
Registration number: 1967/007528/06
JSE share code: SUI
ISIN: ZAE000097580

Company secretary (acting)

AM Leeming
BCom, BAcc, CA(SA)
Telephone (+27) 11 780 7715
Telefax (+27) 11 780 7716

Public officer

AM Leeming
BCom, BAcc, CA(SA)
Telephone (+27) 11 780 7715
Telefax (+27) 11 780 7716

Auditors

PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill 2157, Gauteng
South Africa
Telephone (+27) 11 797 4000

Principal bankers

ABSA Bank Limited
First National Bank Limited
Investec Bank Limited
Nedbank Limited
Rand Merchant Bank (a division of FirstRand Bank Limited)
The Standard Bank of South Africa Limited
Bank Itau

Corporate law advisors and attorneys

Cliffe Dekker Hofmeyr Inc.
1 Protea Place
Corner Fredman and Protea Place
Sandton 2196, Gauteng
South Africa
Telephone (+27) 11 562 1000

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place
Cnr Fredman Drive & Rivonia Road
Sandton 2196, Gauteng
South Africa
Telephone (+27) 11 282 8000

Registered office

6 Sandown Valley Crescent
Sandton 2196, Gauteng
South Africa
Telephone (+27) 11 780 7000
Telefax (+27) 11 780 7716

website: www.suninternational.com

Postal address

PO Box 782121, Sandton 2146, Gauteng
South Africa

Transfer secretaries

Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001, Gauteng
South Africa

PO Box 61051, Marshalltown 2107, Gauteng
South Africa

Telephone (+27) 11 370 5000
Telefax (+27) 11 370 5271
Email web.queries@computershare.co.za

ADR depositary

New York
BNY Brokerage Inc., 101 Barclay St. – Fl. 12W,
New York, NY, 10286, USA
Telephone (+1) 800 255 828

Johannesburg
Contact: Lauren de Klerk
Telephone (+27) 11 217 7162
Email: lauren.deklerk@bnymellon.com

Reservations and national sales

Telephone (+27) 11 780 7810

Investor relations

Telephone (+27) 11 780 7762
Email: investor.relations@za.suninternational.com

STATUTORY

Notes

6 Sandown Valley Crescent, Sandown, Sandton 2196
Republic of South Africa

PO Box 782121, Sandton 2146
Gauteng, Republic of South Africa

Tel (+27) 11 780 7000
Fax (+27) 11 780 7716

www.suninternational.com