



International



2017 AUDITED
FINANCIAL STATEMENTS

REPORT OF THE AUDIT COMMITTEE

For the year ended 31 December 2017







I am pleased to present the report of the Sun International audit committee for the year ended 31 December 2017.

The audit committee assists the board in fulfilling its responsibilities regarding the Company's corporate and financial reporting, internal controls, risk management as well as assessing the independence and effectiveness of the external auditors. This is supplemented with the statutory duties set out in the Companies Act No 71 of 2008 ("Companies Act"). The committee also performs the requisite statutory functions on behalf of all subsidiaries within the group and reports to these subsidiary boards confirming the performance of its duties each year.

COMPOSITION, MEETINGS AND ASSESSMENT

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

Four meetings were held during the financial year and to the date of this report.

	Members	March 2017	September 2017	November 2017	March 2018
	GR Rosenthal (Chairman)	In attendance	In attendance	In attendance	In attendance
	PD Bacon	In attendance	In attendance	In attendance	In attendance
	ZBM Bassa*	In attendance	In attendance	In attendance	–
	PL Campher	In attendance	In attendance	In attendance	In attendance
	EAMMG Cibie^	–	In attendance	In attendance	In attendance
	CM Henry	In attendance	In attendance	In attendance	In attendance

^ Appointed on 14 June 2017

* Resigned with effect 12 February 2018

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

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

Following the assessment of the effectiveness of the committee as conducted by the nomination committee, the members of the committee are nominated by the board for re-election to the committee in the forthcoming financial year. Shareholders will vote on this recommendation at the upcoming 2018 annual general meeting.

ROLE AND RESPONSIBILITIES

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

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

FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The committee assessed the group's accounting policies and consolidated annual financial statements for the year ended 31 December 2017. The committee recommended the audited consolidated annual financial statements to the board for approval, which the board subsequently approved and which will be presented to shareholders at the 2018 annual general meeting.

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

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

At the committee meetings held during November 2017 and March 2018, the committee, after considering the reports of the external auditor and internal audit, concluded that there was no reason to believe that there had been any material breaches of financial reporting procedures throughout the group which warranted being brought to the attention of the Board or shareholders.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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

The committee, in consultation with executive management, agreed to the terms of the 31 December 2017 audit engagement letter, the audit plan and budgeted audit fees.

Following an assessment of the performance of PWC, the committee has nominated PWC for re-election as the group's external auditor at the 2018 annual general meeting. The committee satisfied itself that the audit firm and designated auditor are accredited in terms of the JSE list of auditors and their advisors.

SIGNIFICANT MATTERS AND QUALITY OF THE EXTERNAL AUDIT

• Impairment of non-financial assets

The procedures performed on the key audit matters have been discussed and agreed with management and presented to the audit committee. The audit committee has satisfied itself that the procedures performed are adequate and appropriate.

Refer to the Independent Auditors Report on page 22 for the detailed description on the key audit matters.

GOVERNANCE OF RISK

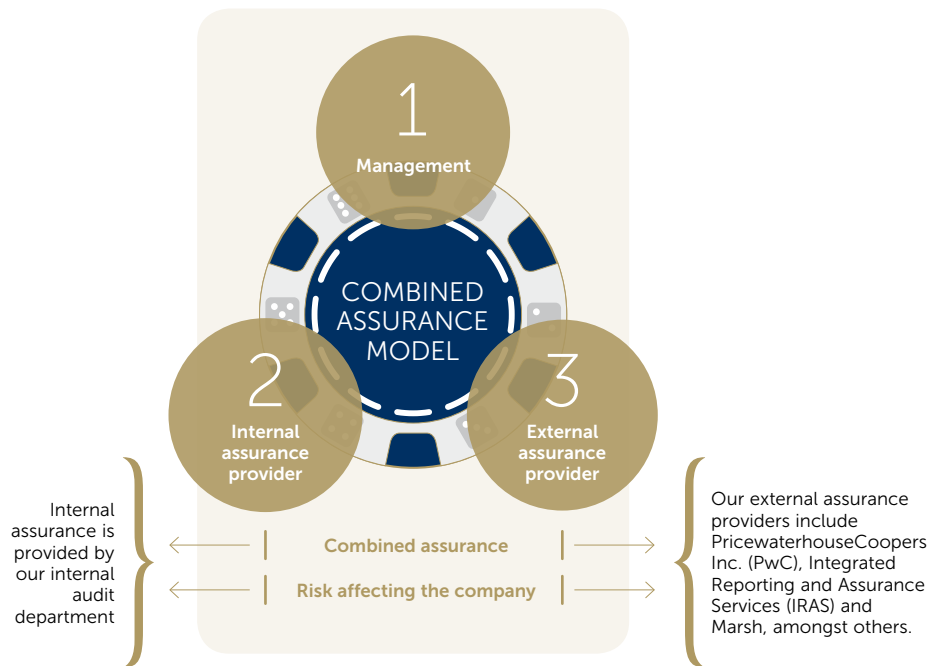
The committee's chairman is a member of the risk committee and the chairman of the risk committee is a member of the audit committee. This intentionally provides the audit committee with oversight of the group's risk management function, including the risks relating to operational, financial reporting,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

COMBINED ASSURANCE

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

The group's combined assurance model as depicted at a high level below was applied to the group's top 15 risks for the year under review.

COMBINED ASSURANCE MODEL



GROUP INTERNAL AUDIT

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

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

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

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

It is also responsible for monitoring and evaluating operating procedures and processes including inter alia gaming compliance, the Responsible Gambling Programme compliance, operational health and safety, and environmental audits. To minimise the duplication of effort, risk assessment in Sun International is coordinated through interaction between GIA and the audit and risk committees. The chief audit executive of GIA reports at audit and risk committee meetings and has unrestricted access to

the chairmen of these committees with whom she meets, independent of management, several times during the year. The appointment or dismissal of the chief audit executive of GIA requires the agreement of the audit committee.

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

INTERNAL FINANCIAL CONTROLS

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

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

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

INTERNAL CONTROLS

The controls throughout the group concentrate on all risk areas with an emphasis on critical risk areas in the casino and hotel control environments. These risk areas are closely monitored and subjected to GIA reviews. Furthermore, assessments of the information technology environments are also performed. Continual review and reporting structures enhance the control environments. GIA is of the opinion that the control environment of the group is adequate and effective in meeting the risks to which the group is exposed.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

The committee satisfied itself that the expertise and experience of the chief financial officer, Mr N Basthdaw, is appropriate.

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

GOING CONCERN

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

The committee having fulfilled its responsibility has recommended the consolidated annual financial statements for the year ended 31 December 2017 for approval by the board of directors.



GR Rosenthal
Chairman of the audit committee

15 March 2018

COMPANY SECRETARY CERTIFICATE

For the period ended 31 December 2017

To the members of Sun International Limited

I certify that, to the best of my knowledge and belief, the Company has lodged with the Companies and Intellectual Property Commission, all such returns required of a public company in terms of the Companies Act, No. 71 of 2008, as amended, in respect of the financial year ended 31 December 2017 and that all such returns are true, correct and up to date.



AG Johnston

Company secretary

16 March 2018

VALUE ADDED STATEMENT

for the period ended 31 December 2017

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Revenue	15 609	7 700
Income from investments	34	20
Paid to suppliers for materials and services	(5 341)	(3 273)
Total wealth created	10 302	4 447
Distributed as follows:		
Employees	2 701	1 247
Benefits and remuneration	2 701	1 247
Government	4 248	1 797
Income tax	763	137
PAYE	322	227
Levies and VAT on casino revenue	3 157	1 431
Other taxes	6	2
Providers of capital	1 425	863
Finance expense	1 095	542
Repayment of capital	330	321
Retained for growth	1 928	540
Depreciation and amortisation	1 705	788
Loss/(Profit) for the year attributable to shareholders of the company	223	(248)
	10 302	4 447

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sun International Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sun International Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Sun International Limited's consolidated and separate financial statements set out on pages 13 to 85 comprise:

- the group and company statements of financial position as at 31 December 2017;
 - the group and company statements of comprehensive income for the year then ended;
 - the group and company statements of changes in equity for the year then ended;
 - the group and company statements of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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Basis for opinion

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

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

Independence

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

Our audit approach

Overview



Overall group materiality

- R33 095 327, which represents 5% of adjusted profit before tax.
-

Group audit scope

- There are 61 reporting components within the group with the most significant operations located in Africa and Latin America.
 - The main indicators used to identify significant components are revenue and total assets.
 - The Group engagement team visited the component team responsible for the Sun Dreams consolidation.
-

Key audit matters

- Impairment of non-financial assets.
-

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

Materiality

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

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R33 095 327
How we determined it	5% of profit before tax adjusted for once off impairment losses and reversal of previously recognised impairments during the year.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. Profit before tax was adjusted for once off impairment losses and reversal of previously recognised impairments during the year, as these were unrelated to normal business operations and not expected to re-occur. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

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

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

The Group operates across two different geographical locations - Latin America and Africa. The Group financial statements are a consolidation of 61 reporting components, comprising the Group's operating businesses and centralised functions. An analysis was performed, taking into account revenue and total assets of individual components, in order to identify significant components on which full scope audits were performed. In addition, specified audit procedures were performed on certain account balances for additional components. The Group engagement team also performed audit and review procedures over the remaining balances and the consolidation process.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter for the consolidated financial statements is set out below, but we have determined that there are no key audit matters

to communicate in respect of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-financial assets	
<p>The Group owns casinos and hotels within individual cash generating units across various territories. The attributable property, plant and equipment and intangible assets respectively amounts to R18.2 billion and R1.4 billion. Due to the business combinations that the Group entered into, the Group's net assets also include goodwill and indefinite useful life intangible assets amounting to R1.1 billion and R220 million respectively which are allocated to the cash generating units ("CGUs") as indicated in note 12.</p> <p>An impairment review of a CGU is performed when there is an indication that these may be impaired. CGUs that include goodwill and indefinite useful life intangible assets are tested annually for impairment or whenever there is an indicator of impairment.</p> <p>The Group determines the recoverable amount of CGUs by calculating the value in use. The value in use is determined by using the discounted cash flow valuation model.</p> <p>Refer to the <i>Critical accounting estimates and assumptions</i> section, note 11 and note 12 to the consolidated financial statements where the impairment of non-financial assets have been discussed.</p> <p>The impairment of non-financial assets was a matter of most significance to our current year audit due to</p> <ul style="list-style-type: none"> • The significant judgements made by management regarding the discount rate, the terminal growth rates and other forecasts included in the analyses used to perform the impairment assessment. • The magnitude of both of these balances to the Group. <p>We further considered the impairment assessment of non-financial assets related to the following entity to be most sensitive in the current year, due to limited headroom available when comparing the carrying value to the value in use, or due to the significant impairment recognised.</p> <ul style="list-style-type: none"> • Boardwalk in Port Elizabeth, where an impairment charge of R78.0 million was recognised against the property, plant and equipment. <p>Refer to note 11 where the impairment losses have been discussed in detail.</p>	<p>We have assessed whether there has been any impairment indicators for all non-financial assets by considering the following indicators:</p> <ul style="list-style-type: none"> • Actual versus budgeted performance; • Return on assets ratio; • Entities that are in a loss making position; • Other factors that are expected to negatively impact the future operations of the entity e.g. difficult trading conditions, closure of operations or significant increases in competition in the territory. <p>We have tested the mathematical accuracy of the discounted cash flow model and are satisfied that the approach adopted by management in the valuation models is in line with the market practice and the applicable requirements of IAS 36: Impairment of Assets.</p> <p>We tested the reasonableness of management's assumptions utilising our valuations expertise to independently calculate the discount rates, taking into account independent data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios, the beta of comparable companies, as well as the impact of economic and industry factors within the different countries in which each of the CGUs are located. The discount rates used by management were found to be within an acceptable range. The terminal growth rates were compared to long-term growth rates obtained from independent sources.</p> <p>We agreed inputs into the valuation to supporting documentation such as the approved budgets for the individual components within the Sun International Group. We also held discussions with management to understand the basis for the assumptions used, and agreed the growth rates used for revenue to independent market research.</p> <p>In respect of the budgeting process, we compared the current year actual results with the budgeted results for the year ended 31 December 2017, and obtained an understanding if variances were above a set threshold where the budgeted and actual results weren't closely aligned. Corroborating evidence was inspected to support variances, and thus the budgeting inputs are accepted as reasonable.</p> <p>We further performed sensitivity procedures to determine the maximum decline that would result in limited headroom between the value in use and the carrying value. We compared our results with that of management for purposes of identifying operations considered sensitive or for which the recording of an impairment charge was required.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the *2017 Audited Financial Statements* and the *2017 Integrated Annual Report*, which includes the Report of the Audit Committee, the Company Secretary Certificate and the Directors' Report as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Sun International Limited for 34 years.



PricewaterhouseCoopers Inc.

Director: Johan Potgieter
Registered Auditor
Johannesburg

5 April 2018

DIRECTORS' REPORT

For the year ended 31 December 2017

TO THE SHAREHOLDERS OF SUN INTERNATIONAL LIMITED ("SUN INTERNATIONAL" OR "THE COMPANY")

The directors have pleasure in submitting the financial statements of the Sun International group for the year ended 31 December 2017. Kindly take note that the period covered by this directors' report is from 1 January 2017 to 31 December 2017.

NATURE OF BUSINESS

The Sun International group has interests in, and provides management services to businesses in the hotel, resort, casino and gambling industry. There has not been any material changes in the nature of the group's businesses from the prior year.

FINANCIAL RESULTS

Particulars of the Sun International group's attributable earnings and earnings per share for the year ended 31 December 2017 are given in the statement of comprehensive income, whilst particulars of the Sun International group headline earnings per share for the year ended 31 December 2017 are given in note 9 of the financial statements.

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

DIVIDENDS

The Company has not declared an interim or final dividend for the year ended 31 December 2017.

ASSOCIATE COMPANIES AND OTHER INVESTMENTS

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

CORPORATE ACTIVITY DURING THE YEAR AND AFTER THE BALANCE SHEET DATE

Corporate activity during the year and subsequent events after balance sheet date are set out in notes 10 and 32 of the group financial statements.

SHARE PLANS

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

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

SHARE CAPITAL

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

Further details regarding the authorised and issued share capital appear as note 22 to the group's financial statements.

DIRECTORATE

Appointments:

During the period under review Mr GW Dempster was appointed as a director to the Company's Board on 6 October 2017.

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

Resignation:

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

Post the financial year-end, Ms ZBM Bassa resigned as a non-executive director of Sun International on 12 February 2018.

Retirements:

On 31 December 2017, Sun International's lead independent director, Mr IN Matthews retired from the Board.

In addition thereto, Messrs EAMMG Cibie, MV Moosa, GR Rosenthal and Dr NN Gwagwa retired from the Board at the annual general meeting held on 14 June 2017 in accordance with clause 39.3 of the Company's memorandum of incorporation but being eligible for re-election were duly re-elected to the Company's Board.

In terms of the Company's memorandum of incorporation, Mr GW Dempster and Messrs PD Bacon, PL Campher, MV Moosa and Mesdames NN Gwagwa, CM Henry and BLM Makgabo-Fiskerstrand are required to retire in accordance with the company's memorandum of incorporation at the upcoming annual general meeting to be held on 15 May 2018 and, being eligible, offer themselves for election/re-election, as the case may be.

Their profiles appear in the annual statutory report posted to shareholders on or about 29 March 2018 and which can be located on the Company's website at <http://www.suninternational.com/investors>

SECRETARIES

The secretaries' business and postal addresses appear in the annual statutory report posted to shareholders on or about 29 March

DIRECTORS' INTERESTS

At 31 December 2017, the directors of the Company held interests in 501 616 of the Company's issued ordinary shares (31 December 2016: 802 159). Details of shares held per individual director and which includes restricted shares held through the various share schemes are listed below.

	Ordinary Shares Direct Beneficial		Ordinary Shares Indirect Beneficial
	Unrestricted	Restricted	Unrestricted
31 December 2017*			
N Basthdaw	11 977	30 080	–
NN Gwagwa	–	–	70 224
AM Leeming	121 452	47 051	–
IN Matthews	2 723	–	–
DR Mokhobo	56 580	18 184	–
MV Moosa	–	–	143 345
GE Stephens†	268 409	–	–
Total	192 732	95 315	213 569

* Pursuant to the 2017 financial year-end, 6 294 Sun International ordinary shares were delivered to Mr AM Leeming from his restricted shares. Accordingly, Mr AM Leeming now holds 127 746 unrestricted Sun International ordinary shares and 40 757 restricted Sun International ordinary shares. Other than the foregoing, at the date of this report, the remaining interests remain unchanged.

† For comparative purposes, Mr GE Stephens, who resigned as a director on 31 January 2017, is included in the directors' interests table, but is not classified as a non-public shareholder as at the date of and for purposes of this report and therefore his shares are not reflected in the total set out in the table above.

	Ordinary Shares Direct Beneficial		Ordinary Shares Indirect Beneficial
	Unrestricted	Restricted	Unrestricted
31 December 2016			
NN Gwagwa	–	–	70 224
AM Leeming	92 422	69 098	–
IN Matthews	2 723	–	–
DR Mokhobo	–	37 733	–
MV Moosa	–	–	143 345
GE Stephens	247 117	139 497	–
Total	342 262	246 328	213 569

Public and non-public shareholders (as at 31 December 2017)

	Number of shareholders	%	Number of shares	%
Ordinary shares				
Non-Public Shareholders	15	0.34	11 466 961	10.51
Directors and associates of the Company	6	0.13	501 616	0.46
Sun International Employee Share Trust and Plans#	8	0.18	4 245 586	3.89
Dinokana Investments**	1	0.02	6 719 759	6.16
Public Shareholders	4 437	99.66	97 620 027	89.49
Totals	4 452	100.00	109 086 988	100.00

The Sun International Employee Share Trust and Plans have been adjusted by deducting a portion of shares allocated to directors.

** Dinokana Investments is a subsidiary of Sun International Limited and its holding of Sun International ordinary shares qualifies as treasury shares.

MATERIAL SHAREHOLDERS

Beneficial shareholders (excluding directors) holding 5% or more of the Company's listed ordinary shares as at 31 December 2017 were the following:

	Number of shares	%
Allan Gray	12 064 464	11.06
PSG Konsult	8 312 259	7.62
Dinokana Investments†	6 719 759	6.16
Investment Solutions	5 844 359	5.36
Old Mutual	5 509 848	5.05

† Dinokana Investments consists of the registered holdings as per the share register in accordance with the BBBEE transaction which includes Dinokana, Sun International Employee Share Trust and the Sun International Black Executive Management Trust Shareholdings.

SPECIAL RESOLUTIONS

The Company passed eight special resolutions during the period under review, which included the following:

- approving the acquisition by the Company or any of its subsidiaries of the Company's shares;
- approving the remuneration of the non-executive directors;
- approving the provision of financial assistance to employee share scheme beneficiaries and related or inter-related companies and corporations; and
- adoption of a new memorandum of incorporation of the Company.

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

CORPORATE GOVERNANCE

During the period under review, the Board endorsed and when applicable, applied the 16 Principles contained in the King IV Report on Corporate Governance for South Africa, 2016 ("King IV"). In addition thereto and up until 1 October 2017, Sun International continued to apply the best practice recommendations set out in the King Report on Governance for South Africa, 2009, as well as the King Code of Governance Principles for South Africa 2009 ("the Code"). The Board has satisfied itself that throughout the period under review, Sun International has complied in all material aspects with King IV, the Code and the Listings Requirements of the JSE, as the case may be.

Sun International's compliance with paragraphs 3.84 and 8.63 (a) of the Listings Requirements of the JSE plus application of the Principles set out in King IV (as contained in a corporate

governance register), appear on the Company's website at <http://www.suninternational.com/investors/governance/>

DIRECTOR'S EMOLUMENTS

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

REPURCHASED EQUITY SECURITIES

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

BORROWING POWERS AND RESTRICTIVE FUNDING ARRANGEMENTS

In terms of its memorandum of incorporation, Sun International has unlimited borrowing powers. At 31 December 2017, unutilised borrowing facilities amounted to R737 million (31 December 2016: R1,594 million).

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

ISSUES FOR CASH

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

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Sun International, comprising the statements of financial position at 31 December 2017

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

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

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

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

Approval of consolidated financial statements

The consolidated audited financial statements of Sun International, as identified in the aforementioned paragraph, were approved by the Board of directors on 16 March 2018 and signed on behalf of Sun International Limited, by:



Mr MV Moosa
Chairman

16 March 2018



AM Leeming
Chief Executive



N Basthdaw
Chief Financial Officer

GROUP STATEMENTS OF COMPREHENSIVE INCOME

for the period ended 31 December 2017

	Notes	12 months 31 December 2017 Rm	Restated 6 months 31 December 2016* Rm
Continuing operations			
Revenue	1	15 609	7 700
Consumables and services		(1 678)	(920)
Depreciation	11	(1 355)	(598)
Amortisation	12	(350)	(190)
Employee costs	2	(3 023)	(1 474)
Impairment of property, plant and equipment	11	(40)	(263)
Impairment of intangible assets	12	(53)	(6)
Levies and VAT on casino revenue		(3 157)	(1 431)
LPM site owners commission		(299)	(146)
Promotional and marketing costs		(1 071)	(485)
Property and equipment rentals	3	(215)	(117)
Property costs		(733)	(380)
Other operational costs		(1 704)	(812)
Operating profit		1 931	878
Foreign exchange losses		(115)	(82)
Finance income	5	34	20
Finance expense	6	(1 094)	(542)
Fair value adjustment to put liability	16	(223)	247
Share of profit of investments accounted for using the equity method	13	2	1
Profit before tax		535	522
Tax	8	(497)	(256)
Profit for the period from continuing operations		38	266
Loss for the period from discontinued operations	21	(50)	(51)
(Loss)/profit for the period		(12)	215
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post employment benefit obligations	17	51	–
Tax on remeasurements of post employment benefit obligations	8	(14)	–
Net loss on Time Square hedge		66	–
<i>Items that may be reclassified to profit or loss</i>			
Net loss on cash flow hedges		(27)	(50)
Currency translation reserve		(78)	(151)
Total comprehensive income for the period		(14)	14

* The International business has been disclosed as discontinued and consequently the 2016 reported figures have been restated.

GROUP STATEMENTS OF COMPREHENSIVE INCOME

for the period ended 31 December 2017

	Notes	12 months 31 December 2017 Rm	Restated 6 months 31 December 2016* Rm
(Loss)/profit for the period attributable to:			
Minorities		231	109
Ordinary shareholders		(243)	105
		(12)	214
Total comprehensive (loss)/profit for the period attributable to:			
Minorities		210	(235)
Ordinary shareholders		(223)	248
		(13)	13
Total comprehensive (loss)/profit attributable to ordinary shareholders arises from:			
Continuing operations		(174)	299
Discontinued operations	21	(50)	(51)
		(224)	248
(Loss)/Earnings per share (cents)			
Basic	9	(248)	107
Continuing operations		(197)	103
Discontinued operations		(51)	4
Basic diluted	9	(248)	107

* The International business has been disclosed as discontinued and consequently the 2016 reported figures have been restated.

GROUP STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Notes	12 months 31 December 2017 Rm	Restated 6 months 31 December 2016* Rm	▲ Restated 30 June 2016 Rm
ASSETS				
Non-current assets				
Property, plant and equipment	11	18 196	17 329	16 942
Intangible assets	12	2 695	2 987	3 279
Equity-accounted investments	13	18	16	15
Available-for-sale investment	14	–	48	48
Pension fund asset	17	32	33	36
Deferred tax	8	912	863	350
Trade and other receivables	18	214	24	23
		22 067	21 300	20 693
Current assets				
Inventory	19	170	160	145
Trade and other receivables	18	1 333	1 312	1 881
Derivative financial instruments	15	–	–	47
Cash and cash equivalents	20	696	1 123	1 301
		2 199	2 595	3 374
Non-current assets held for sale	21	170	170	170
Total assets		24 436	24 065	24 237
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary shareholders' equity before put option reserve		2 058	2 379	3 070
Put option reserve		(4 651)	(4 651)	(5 252)
Ordinary shareholders' equity	22	(2 593)	(2 272)	(2 182)
Minorities' interests		2 899	2 936	3 436
		306	664	1 254
Non-current liabilities				
Deferred tax	8	950	820	343
Borrowings	23	11 737	10 731	9 980
Derivatives financial instruments	15	14	5	20
Put option liability	16	4 838	4 651	5 252
Deferred income and other liabilities	24	993	911	856
		18 532	17 118	16 451
Current liabilities				
Borrowings	23	3 259	3 786	4 082
Trade payables and accruals	25	1 970	2 304	2 299
Derivatives financial instruments	15	20	66	–
Deferred income and other liabilities	24	216	81	103
		5 465	6 237	6 484
Non-current liabilities held for sale	21	133	46	48
Total liabilities		24 130	23 401	22 983
Total equity and liabilities		24 436	24 065	24 237

* Restated – refer to note 10.

▲ Restated – refer to note 31.

GROUP STATEMENTS OF CASH FLOWS

for the period ended 31 December 2017

	Notes	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Cash flows from operating activities			
Cash generated by operations before	26.1	3 603	2 289
Vacation Club timeshare sales		158	83
Tax paid	26.2	(769)	(139)
<i>Net cash inflow from operating activities</i>		2 992	2 233
Cash flows from investing activities			
Purchase of property, plant and equipment		(2 558)	(2 185)
Disposal of property, plant and equipment		32	33
Purchase of intangible assets		(43)	(52)
Disposal of investment in joint venture	27	121	-
Investment income		34	20
<i>Net cash outflow from investing activities</i>		(2 414)	(2 184)
Cash flows from financing activities			
Purchase of additional shares in subsidiaries	10	-	(262)
Movement in other non-current liabilities	24	90	-
Additional borrowings	26.4	841	1 482
Repayment of borrowings	26.4	(355)	(488)
Interest paid	26.3	(1 204)	(508)
Dividends paid	9	(330)	(321)
Cash paid for the purchase of deemed treasury shares		(11)	(36)
<i>Net cash outflow from financing activities</i>		(969)	(133)
Effects of exchange rate changes on cash and cash equivalents		(34)	(91)
Net decrease in cash and cash equivalents		(425)	(175)
Cash and cash equivalents at beginning of the period		1 134	1 309
Cash held by discontinued operations	21	(13)	(11)
Cash and cash equivalents at end of the period		696	1 123
Cash flows from discontinued operations	21	6	3

GROUP STATEMENTS OF CHANGES IN EQUITY

for the period ended 31 December 2017

	Notes	Share capital and premium Rm	Treasury shares and share options Rm	Foreign currency translation reserve Rm	Share-based payment reserve Rm
Balance at 30 June 2016 as previously reported		295	(598)	338	129
Correction of PPA misallocation	31	–	–	–	–
Dreams merger PPA finalisation adjustment	10	–	–	(1)	–
Balance at 30 June 2016 – restated		295	(598)	337	129
Profit for the period		–	–	–	–
Other comprehensive profit/(loss)		–	–	182	–
Total comprehensive profit for the period		–	–	182	–
Net deemed treasury shares sold	22	–	(36)	–	–
Employee share schemes	22	–	30	–	(13)
Increase in the fair value of SunWest option		–	–	–	–
Decrease in the fair value of Dreams option		–	–	–	–
Foreign exchange on put option		–	–	(354)	–
Acquisition of minorities' interests		–	–	–	–
Dividends paid	9	–	–	–	–
Balance at 31 December 2016		295	(604)	165	116
Correction of PPA misallocation	10	–	–	–	–
Dreams merger PPA finalisation adjustment	10	–	–	–	–
Balance at 31 December 2016 restated		295	(604)	165	116
(Loss)/profit for the period		–	–	–	–
Other comprehensive income		–	–	(39)	–
Total comprehensive income for the year		–	–	(39)	–
Net deemed treasury shares purchased		–	(11)	–	–
Employee share schemes		–	27	–	(27)
Release of share option reserve		–	164	–	–
Fair value adjustment on investments held for sale		–	–	–	–
Time Square SPV [#]		–	–	–	–
Disposal of interest in Botswana, Namibia and Lesotho operations		–	–	–	–
Dividends paid		–	–	–	–
Balance at 31 December 2017		295	(424)	126	89

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

[#] Relating to the consolidation of the two trusts holding equity in Time Square, that is deemed to be under the control of the group.

Available- for-sale investment reserve Rm	Reserve for non- controlling interests* Rm	Hedging and other reserve Rm	Retained earnings Rm	Ordinary shareholders' equity before put option reserve Rm	Put option reserve Rm	Ordinary shareholders' equity Rm	Minorities' interests Rm	Total Rm
4	(1 036)	(15)	4 779	3 896	(5 252)	(1 356)	2 334	978
-	(1 267)	-	-	(1 267)	-	(1 267)	1 267	-
-	75	-	-	74	-	74	70	144
4	(2 228)	(15)	4 779	2 703	(5 252)	(2 549)	3 671	1 122
-	-	-	105	105	-	105	109	214
-	-	(39)	-	143	-	143	(344)	(201)
-	-	(39)	105	248	-	248	(235)	13
-	-	-	-	(36)	-	(36)	-	(36)
-	-	-	-	17	-	17	-	17
-	-	-	14	14	(14)	-	-	-
-	-	-	(261)	(261)	261	-	-	-
-	-	-	-	(354)	354	-	-	-
-	(183)	-	-	(183)	-	(183)	(79)	(262)
-	-	-	(135)	(135)	-	(135)	(186)	(321)
4	(2 411)	(54)	4 502	2 013	(4 651)	(2 638)	3 171	533
-	235	-	-	235	-	235	(235)	-
-	131	-	-	131	-	131	-	131
4	(2 045)	(54)	4 502	2 379	(4 651)	(2 272)	2 936	664
-	-	-	(243)	(243)	-	(243)	231	(12)
-	-	59	-	20	-	20	(22)	(2)
-	-	59	(243)	(223)	-	(223)	209	(14)
-	-	-	-	(11)	-	(11)	-	(11)
-	-	-	1	1	-	1	-	1
-	-	-	(164)	-	-	-	-	-
(4)	-	-	-	(4)	-	(4)	-	(4)
-	(84)	-	-	(84)	-	(84)	84	-
-	(257)	-	257	-	-	-	-	-
-	-	-	-	-	-	-	(330)	(330)
-	(2 386)	5	4 353	2 058	(4 651)	(2 593)	2 899	306

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 31 December 2017

OVERALL ACCOUNTING BASIS

All policies stated in the consolidated financial statements relate to the group and the companies within the group. The consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements (FRP) as issued by the Financial Reporting Standards Council (FRSC) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), effective at the time of preparing these financial statements and in compliance with the JSE Listings Requirements and the Companies Act of South Africa.

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

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

The Sun International group changed its financial year end from 30 June to 31 December in the previous year, therefore the comparative disclosures are for a 6 month period.

IAS 1 – Presentation of financial statements

In prior years the group adopted the principles as included in the amendment to IAS 1. The results are evident in the financial statements and notes that follow. Examples of changes include the following:

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

Asset useful lives and residual values

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

Impairment of assets

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

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

Refer to note 11 and 12.

Valuation of derivatives and other financial instruments

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

Refer to note 15 and 16.

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates refer to note 12.

Dreams put option liability

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

During the 2017 year end an agreement to acquire approximately an additional 9.66% of Dreams shareholding was signed at a set price. The merged business value was calculated using the most recent acquisition of the additional shareholding in Dreams, as this is the most reliable source to base the fair value of the entity on. Refer to note 16 of the financial statements for the disclosure thereof.

Tsogo Sun put option liability

In terms of the restructure agreements of the group's Western Cape assets a put option has been granted to Tsogo Sun 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 Sun may elect to put its equity interests (20%) in the Western Cape assets to Sun International. Sun International can elect to either settle the put by the issue of Sun International shares or in cash. A liability has been raised of R1.3 billion (31 December 2016: R1.3 billion) in this regard. The liability is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times EBITDA multiple valuation of the Western Cape Assets, less net debt, times the 20% shareholding which Tsogo Sun holds. The transaction to dispose of the 20% to Tsogo Sun was concluded in the financial year ending 30 June 2016 on a 7.75x EBITDA multiple and should the put option be exercised we believe there is value in repurchasing at a 7.5x EBITDA multiple.

Pension fund asset

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

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

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

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

Consolidation of Sun Dreams

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

EXCHANGE RATES

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

	12 months 31 December 2017		6 months 31 December 2016	
	Average rate	Closing rate	Average rate	Closing rate
USD	13.29	12.38	13.96	13.61
CLP	48.71	49.68	47.59	49.18
NGN	22.97	24.67	21.92	22.37
COP	223.40	241.24	212.99	217.25

ADJUSTED EBITDA

Adjusted EBITDA is the statutory operating profit adjusted by reversing depreciation and amortisation as well as all adjusted headline earnings adjustments (AHEA) incurred during the reporting period. AHEA are defined as gains and losses included in the Statement of Comprehensive Income from events, which are unusual and infrequent in nature and are the result of unforeseen and atypical events. Refer to note 7.

	Casino		Tables		Slots	
	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
1. SEGMENTAL ANALYSIS						
South African operations	7 411	3 488	1 343	500	6 068	2 988
GrandWest	2 066	1 063	327	146	1 739	917
Sun City	577	266	127	44	450	222
Sibaya	1 183	544	289	112	894	432
Time Square	744	–	223	–	521	–
Carnival City	901	486	162	84	739	402
Boardwalk	452	238	48	22	404	216
Wild Coast	373	185	52	26	321	159
Carousel	225	148	19	13	206	135
Meropa	275	154	29	16	246	138
Table Bay	–	–	–	–	–	–
Windmill	243	132	45	18	198	114
Sun Slots	–	–	–	–	–	–
Morula	36	100	4	10	32	90
Flamingo	158	83	10	6	148	77
Golden Valley	160	79	8	3	152	76
SunBet	–	–	–	–	–	–
Maslow	–	–	–	–	–	–
Other operating segments	18	10	–	–	18	10
Management and corporate office	–	–	–	–	–	–
Nigerian operations	57	31	10	5	47	26
Latam operations	3 983	2 062	855	463	3 128	1 599
Monticello	1 546	840	466	269	1 080	571
Dreams SCJ licences	1 180	588	86	44	1 094	544
Dreams Municipal licences	756	393	87	51	669	342
Chile total	3 482	1 821	639	364	2 843	1 457
Sun Chile office	–	–	–	–	–	–
Panama: Ocean Sun Casino	193	85	119	54	74	31
Colombia: Sun Nao Casino	31	16	16	8	15	8
Peru	277	140	81	37	196	103
Intercompany management fees	–	–	–	–	–	–
Total	11 451	5 581	2 208	968	9 243	4 613

Revenue Streams are reported on separately as below:

"Tables and Slots": Revenue from casino gambling operations.

"Rooms": Revenue from hotel rooms operations.

"Food and Beverage": Revenue from bars, restaurant and conferencing operations.

"LPM": Revenue from Sun Slots.

"Other": Revenue from entertainment, conferencing and other.

Rooms		Food and Beverage		LPM Revenue		Other		Total	
12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
976	481	921	444	1 060	516	1 062	504	11 430	5 433
2	1	61	27	–	–	26	13	2 155	1 104
498	248	388	202	–	–	268	120	1 731	836
14	7	62	27	–	–	10	4	1 269	582
–	–	66	–	–	–	17	–	827	–
6	3	50	26	–	–	23	11	980	526
36	17	50	27	–	–	14	6	552	288
39	21	37	22	–	–	32	16	481	244
6	3	–	–	–	–	15	7	246	158
4	–	21	12	–	–	2	1	302	167
270	128	76	35	–	–	8	4	354	167
–	–	12	6	–	–	–	–	255	138
–	–	–	–	1 060	516	–	–	1 060	516
–	–	2	6	–	–	–	2	38	108
–	–	14	7	–	–	–	–	172	90
3	1	12	5	–	–	1	–	176	85
–	–	–	–	–	–	49	24	49	24
88	45	57	32	–	–	3	1	148	78
10	7	13	10	–	–	1	1	42	28
–	–	–	–	–	–	593	294	593	294
41	17	41	17	–	–	4	4	143	69
224	110	368	280	–	–	9	–	4 584	2 452
16	10	111	102	–	–	–	–	1 673	952
178	87	174	135	–	–	–	–	1 532	810
30	13	49	26	–	–	–	–	835	432
224	110	334	263	–	–	–	–	4 040	2 194
–	–	–	–	–	–	9	–	9	–
–	–	30	16	–	–	–	–	223	101
–	–	4	1	–	–	–	–	35	17
–	–	–	–	–	–	–	–	277	140
–	–	–	–	–	–	(548)	(254)	(548)	(254)
1 241	608	1 330	741	1 060	516	527	254	15 609	7 700

	EBITDA		Depreciation and amortisation		Operating profit		Tax	
	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
1. SEGMENTAL ANALYSIS								
South African operations	2 926	1 334	1 000	434	1 926	671	417	134
GrandWest	850	440	129	70	721	369	203	101
Sun City	237	38	211	98	26	(50)	(41)	(42)
Sibaya	439	186	54	27	385	159	105	43
Time Square	184	–	158	–	26	–	13	(13)
Carnival City	254	141	92	40	162	102	33	22
Boardwalk	95	49	68	42	27	10	(18)	1
Wild Coast	93	43	47	25	46	18	5	–
Carousel	28	31	18	14	10	(166)	7	(45)
Meropa	96	59	21	11	75	48	12	13
Table Bay	89	37	19	8	70	29	–	–
Windmill	79	47	22	10	57	37	14	9
Sun Slots	249	127	83	39	166	88	46	24
Morula	(4)	15	1	2	(5)	(11)	8	4
Flamingo	47	25	14	8	33	17	8	4
Golden Valley	39	17	16	7	23	10	7	3
SunBet	2	2	2	–	–	1	–	–
Maslow	(22)	(8)	18	12	(40)	(26)	(6)	(7)
Other operating segments	(28)	(12)	3	1	(31)	(14)	1	(1)
Management and corporate office	199	97	24	20	175	50	20	18
Nigerian operations	8	(1)	30	14	(22)	(15)	1	(1)
Latam operations	1 097	622	526	340	571	221	117	123
Monticello	417	262	152	69	265	181	39	32
Dreams SCJ licences	586	304	35	71	551	60	66	11
Dreams Municipal licences	303	159	47	58	256	77	57	14
Central Office	(132)	(63)	145	50	(277)	116	(60)	1
Chile total	1 174	662	379	248	795	434	102	58
Sun Chile office	8	–	–	–	8	–	–	–
Panama: Ocean Sun Casino	(80)	(40)	82	43	(162)	(81)	8	30
Columbia: Sun Nao Casino	(38)	(20)	29	13	(67)	(96)	2	40
Peru	33	20	36	36	(3)	(36)	5	(5)
Total operating segments	4 031	1 955	1 556	788	2 475	877	535	256
Other	–	–	149	–	(544)	–	(38)	–
PPA Adjustment	–	–	149	–	(149)	–	(38)	–
Exceptional items (refer note 7)	–	–	–	–	(395)	–	–	–
AHEA* (refer note 7)	–	–	–	–	–	–	–	–
Total	4 031	1 955	1 705	788	1 931	877	497	256

1 EBITDA: Earnings before interest, tax, depreciation and amortisation, and is stated after adjustments required for adjusted headline earnings.

* AHEA: Adjusted headline earnings adjustments.

	Non-current assets		Borrowings		Capital expenditure	
	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
1. SEGMENTAL ANALYSIS						
South African operations	12 252	11 133	11 424	10 617	2 174	2 010
GrandWest	1 166	1 174	578	611	128	76
Sun City	2 530	2 643	2 008	1 907	99	387
Sibaya	763	742	284	302	81	64
Carnival City	696	756	580	626	39	97
Emfuleni	848	947	610	599	14	20
Wild Coast	419	454	280	319	14	23
Carousel	83	100	(180)	(143)	5	3
Meropa	208	172	131	97	58	25
Windmill	165	178	102	107	10	10
Table Bay	88	102	290	319	11	13
Morula	(4)	1	(1)	(56)	1	5
Flamingo	94	104	75	85	5	10
Golden Valley	146	155	(11)	6	8	13
Maslow	105	121	–	–	5	5
Sun Slots	575	567	70	85	95	80
Other operating segments	208	287	41	27	1	1
Time Square	3 992	2 427	4 669	3 313	1 594	1 164
Management and corporate office	170	203	1 898	2 413	6	14
Nigerian operations	312	364	493	519	10	2
Latam operations	8 025	8 519	3 078	3 381	408	206
Total operating segments	20 589	20 016	14 995	14 517	2 592	2 218
Elimination of intragroup	302	300	–	–	–	–
	20 891	20 316	14 995	14 517	2 592	2 218
Other non-current assets						
Trade and other receivables	214	24	–	–	–	–
Deferred tax	912	863	–	–	–	–
Non-current assets held for sale	170	170	–	–	–	–
Other	50	97	–	–	–	–
Total	22 237	21 470	14 995	14 517	2 592	2 218

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
2. EMPLOYEE COSTS		
Salaries, wages, bonuses and other benefits	(2 797)	(1 355)
Pension costs – defined contribution plans	(200)	(95)
Other benefits – long service award	(6)	(2)
– post retirement	(13)	(6)
– farewell gifts	(1)	1
Employee share based payments	(6)	(17)
	(3 023)	(1 474)
3. PROPERTY AND EQUIPMENT RENTALS		
Property and equipment rentals expense is made up of the following operating lease charges:		
Plant, vehicles and equipment	39	40
Property lease charges	176	77
Cash charge	156	67
Straight line charge	20	10
	215	117

Rental commitments

The group has the following material rental agreements as at 31 December 2017:

Rm	Expiration date	Option to renew to	Straight-line charge	Annual rental	Escalation rate
Sun International Management Limited ¹	1 July 2029	Yes	25.8	18.2	7.0%
Wild Coast	8 March 2029	No	0.1	0.2	5.0%
Flamingo ²	31 December 2019	Yes	0.2	0.1	5.5%
Maslow	31 December 2031	No	54.8	42.1	7.0%
Sun Dreams – Peru ³	Various	No	36.8	36.8	N/A
Sun Dreams – Colombia	Various	No	25.1	25.1	N/A

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

2 Included in the annual rental the company contributes to the upkeep of the golf course.

3 There are various leases in Peru with differing lease expiration dates with the last lease expiring in 2033.

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

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
No later than 1 year	68	122
Later than 1 year and no later than 5 years	335	537
Later than 5 years	939	1 093
	1 342	1 752

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
4. OPERATING PROFIT IS STATED AFTER CHARGING THE FOLLOWING		
Auditors' remuneration	(31)	(28)
Audit fees	(19)	(25)
Fees for other services	(12)	(3)
Professional fees	(40)	(37)
Net (loss)/profit on disposal of property, plant and equipment	(13)	9
Re-insurance premium costs	(43)	(16)
Impairment of assets	(92)	(269)
5. FINANCE INCOME		
Interest earned on cash and cash equivalents	34	20
6. FINANCE EXPENSE		
Interest paid on borrowings	(1 144)	(585)
Preference share dividends	(78)	(53)
Imputed interest on loans payable	(9)	(15)
Tax authorities	(1)	(2)
Capitalised to property, plant and equipment*	138	113
	(1 094)	(542)

* The following capitalisation rates were used to determine the amount of finance expense to be capitalised

- Shareholder loan
- Project loan
- Interest rate hedge

12 months 31 December 2017	6 months 31 December 2016
3 Month JIBAR + 4.75%	3 Month JIBAR + 4.75%
3 month JIBAR + 2.93% +1.75%	3 month JIBAR + 2.93% +1.75%
Actual hedge expense	Actual hedge expense

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
7. ADJUSTED EBITDA RECONCILIATION		
Operating profit	1 931	877
Depreciation and amortisation	1 705	788
Net loss/(profit) on disposal of property, plant and equipment	13	(9)
Straight-line adjustment for rentals	20	10
Impairment of assets	92	269
Pre-opening expenses	48	4
Transaction costs	43	4
Profit on disposal of interests in associates and subsidiaries	(27)	–
Onerous lease provision – Colombia	50	–
Restructuring cost	43	–
Provision for remaining portion of Fish River licencing conditions	20	–
Additional Goldrush payment	6	–
Fair value adjustment on investment held for sale	43	–
Reversal of Sun International Employee Share Trust consolidation*	6	16
Other	38	(4)
Adjusted EBITDA	4 031	1 955

* The consolidation of the Employee Share Trust are reversed for the adjusted EBITDA reconciliation as the group did not receive the economic benefits of these trusts.

8. TAX
(a) Statement of comprehensive income
Attributable to continued operations

	12 months 31 December 2017 Rm	6 months 31 December 2016* Rm
Normal tax – South African	(405)	(131)
Normal tax – Foreign	(96)	(123)
	(501)	(254)
Current tax – current year	(612)	(292)
– prior years	14	4
Deferred tax – current year	94	34
– prior years	3	–
CGT	(6)	–
Other taxes	(4)	(2)
	(511)	(256)
Tax losses not recognised as deferred tax assets	195	180

Group reconciliation of effective tax rate
 for the period ending 31 December 2017

	South Africa Rm	Nigeria Rm	Chile Rm	Panama Rm	Colombia Rm	Peru Rm	Group Rm
Profit/(loss) before tax	537	(60)	313	(107)	(117)	(31)	535
Tax effects of amounts which are not deductible/ (non-taxable) in calculating taxable income:							
Preference share funding	99	–	–	–	–	–	99
Depreciation on non-qualifying buildings	70	–	–	–	–	–	70
Impairment of assets	168	–	–	–	–	–	168
Non-deductible expenditure – interest	94	–	44	–	–	–	138
Non-deductible expenditure – expenses incurred to produce exempt income	9	–	–	–	–	–	9
Other non-deductible expenditure	31	–	6	–	–	–	37
Movement – fair value on put options	223	–	–	–	–	–	223
Exempt income – dividend income	(25)	–	–	–	–	–	(25)
Exempt income – capital gains and lessor contributions	(84)	–	–	–	–	–	(84)
Tax incentives	(20)	–	–	–	–	–	(20)
Tax losses not meeting recognition criteria	373	57	12	107	117	31	697
Taxable income	1 475	(3)	375	–	–	–	1 847
Statutory country tax rate	28.0%	30.0%	25.5%	25.0%	34.0%	29.5%	–
Tax at standard rate	413	(1)	96	–	–	–	508
Withholding and other taxes	4	–	–	–	–	–	4
Adjustments for current tax of prior periods	(17)	–	–	–	–	–	(17)
Rate change	–	–	1	–	–	–	1
	400	(1)	97	–	–	–	496
Effective tax rate	75%	2%	31%	–	–	–	93%

8. TAX continued

(a) Statement of comprehensive income continued

for the period ended 31 December 2016

	South Africa Rm	Nigeria Rm	Chile Rm	Panama Rm	Colombia Rm	Group Rm
Profit/(loss) before tax	455	(89)	280	(83)	(97)	466
Tax effects of amounts which are not deductible/(non-taxable) in calculating taxable income:						
Preference share funding	65	–	–	–	–	65
Depreciation on non-qualifying buildings	33	–	–	–	–	33
Impairment of assets and fair value adjustments	27	–	61	–	–	88
Non-deductible expenditure – interest	62	–	–	–	–	62
Non-deductible expenditure – hedges	50	–	–	–	–	50
Non-deductible expenditure – purchase price adjustment	–	–	134	–	–	134
Non-deductible expenditure – expenses incurred to produce exempt income	16	–	–	–	–	16
Other non-deductible expenditure	63	–	18	–	–	81
Exempt income – put options	(261)	–	–	–	–	(261)
Exempt income – dividend income	(20)	–	–	–	–	(20)
Exempt income – other	(4)	–	–	–	–	(4)
Tax incentives	(10)	–	–	–	–	(10)
Foreign monetary adjustments	–	–	(10)	–	–	(10)
Deductible foreign withholding taxes	(1)	–	–	–	–	(1)
Tax losses not meeting recognition criteria	4	–	–	83	97	184
Pioneer status	–	87	–	–	–	87
Taxable income	479	(2)	483	–	–	960
Statutory country tax rate	28.0%	30.0%	27.0%	25.0%	34.0%	–
Tax at standard rate	134	(1)	130	–	–	263
Withholding and other taxes	3	–	–	–	–	3
Adjustments for current tax of prior periods	(3)	–	–	–	–	(3)
Rate change	–	–	(7)	–	–	(7)
	134	(1)	123	–	–	256
Effective tax rate	30%	1%	44%	–	–	55%

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

	12 months 31 December 2017 Rm	Restated 6 months 31 December 2016 Rm
8. TAX continued		
Deferred tax		
(b) Statement of financial position		
Balance at beginning of period	(43)	(22)
Credited to the statement of comprehensive income	(97)	(35)
Current year credit to profit or loss	(80)	(34)
Prior year under provision	(3)	(1)
Charged to other comprehensive income	(14)	–
Acquisition of a subsidiary	22	16
Austral tax credit	9	18
Currency translation adjustments	(7)	(21)
Charged directly to equity	–	1
Reclassification to receiver of revenue	154	–
Total liability at end of year from continuing operations	38	(43)

Deferred tax arises from the following temporary differences:

Deferred tax liabilities

	Accelerated asset allowances	
	12 months 31 December 2017 Rm	Restated 6 months 31 December 2016 Rm
Balance at beginning of period	574	704
Credited to statement of comprehensive income	(105)	(147)
– current year charge to profit or loss	(102)	(147)
– prior year under provision	(3)	–
Acquisition of a subsidiary	22	16
Austral tax credit	9	18
Currency translation adjustments	(7)	(17)
	493	574
To be recovered after more than 12 months	467	558
To be recovered within 12 months	26	16
	493	574

8. TAX continued

(b) Statement of financial position continued

Deferred tax assets

	Assessable losses		Deferred revenue		Fair value adjustments	
	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Balance at beginning of period	(447)	(472)	(113)	(187)	(57)	(67)
(Charged)/credited to	(7)	29	(23)	74	38	10
Current year (credit)/charge to profit or loss	(7)	29	(23)	74	24	10
Charged to other comprehensive income	-	-	-	-	14	-
Acquisition of subsidiary	-	-	-	-	-	-
Currency translation adjustments	-	(4)	-	-	-	-
Reclassification to receiver of revenue	-	-	-	-	154	-
	(454)	(447)	(136)	(113)	135	(57)

Included in the group's recognised deferred tax assets is an amount of R454 million (2016: R447 million), of which the utilisation depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences, and the relevant group entity from which the deferred tax asset arises has suffered a loss in either the current or a preceding period. These entities are expected to return to profitability in the foreseeable future.

	12 months 31 December 2017 Rm	Restated 6 months 31 December 2016 Rm
To be recovered within 12 months	(264)	(413)
To be recovered after more than 12 months	(192)	(204)
	(456)	(617)
Net deferred tax liability/(asset)	38	(43)
Aggregate assets and liabilities on subsidiary company basis:		
Deferred tax assets	(912)	(863)
Deferred tax liabilities	950	820
	38	(43)

9. RETURNS TO SHAREHOLDERS

(a) Earnings per share (EPS)

	12 months 31 December 2017				6 months 31 December 2016	
	Gross Rm	Tax Rm	Minorities Rm	Net Rm	Gross Rm	Net Rm
(Loss)/profit for the year	(12)	–	–	(243)	214	105
Headline earnings adjustments	121	(12)	(41)	68	260	184
Net loss/(profit) on disposal of property, plant and equipment	13	(3)	(4)	6	(9)	(6)
Profit on disposal of shares in joint venture and subsidiaries	(27)	6	–	(21)	–	–
Fair value adjustment on investment held for sale	43	–	(15)	28	–	–
Impairment of assets	92	(15)	(22)	55	269	190
Headline earnings				(176)		289
Adjusted headline earnings adjustments	673	(89)	(105)	479	11	(60)
Straight-line adjustment for rentals	20	(6)	–	15	10	7
Pre-opening expenses	48	(1)	(7)	39	4	2
Transaction costs	43	(11)	(15)	18	4	4
Amortisation of Dreams intangibles assets raised as part of PPA	149	(38)	(50)	61	104	41
Fair value adjustment on put option liabilities	223	–	–	223	(247)	(247)
Interest on Time Square note	22	–	–	22	43	23
Additional Goldrush payment	6	–	–	6	20	20
Foreign exchange losses on intercompany loans	27	(7)	(0)	19	80	45
Onerous contract – Colombia	50	(13)	(17)	20	–	–
Provision for remaining license conditions – Fish River	20	–	(3)	17	–	–
Restructuring costs	43	(12)	(7)	24	–	–
Fair value of debenture	6	–	(1)	5	–	–
Other	16	(1)	(5)	10	(7)	45
Reversal of Sun International Employee Share Trust consolidation	6	–	–	6	3	3
Adjusted headline earnings	800	(101)	(146)	310	274	232
Number of shares for diluted EPS calculation (000's)						
Weighted average number of shares in issue				97 850		97 925
Adjustment for dilutive share awards				–		7
Diluted weighted average number of shares in issue				97 850		97 932
Number of shares for diluted adjusted HEPS calculation (000's)						
Weighted average number of shares in issue				97 850	–	97 925
Weighted average movement in deemed treasury shares				–	954	1 845
Weighted average treasury shares held by Employee Share Trust and Dinokana				–	9 317	4 370
Adjusted weighted average number of shares in issue				104 132	10 271	104 140
Adjustment for dilutive share awards				–	–	7
Diluted adjusted weighted average number of shares in issue				104 132	10 271	104 147

9. RETURNS TO SHAREHOLDERS continued

(a) Earnings per share (EPS) continued

	12 months 31 December 2017	6 months 31 December 2016
(LPS)/EPS (cents)		
Basic	(248)	107
Headline	(180)	295
Adjusted headline	298	223
Diluted (LPS)/EPS (cents)		
Basic	(248)	107
Headline	(180)	295
Adjusted headline	298	223

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

Adjusted headline earnings include adjustments made for certain items of income or expense. These adjustments include pre-opening expenses and material items considered to be outside the normal operating activities of the group and/or of a non-recurring nature. Refer to note 7.

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

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
(b) Dividends declared and paid		
No dividends were declared for the period ended 31 December 2017 or for the period ended 31 December 2016		
Dividends paid by the company	–	(135)
Dividends paid to minorities in subsidiaries	(330)	(186)
Total dividends paid by the group	(330)	(321)

10. ACQUISITION OF SUBSIDIARIES

(a) Dreams acquisition

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

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

In addition to the above, the Parties had as part of the transactions, agreed to a series of put option arrangements which regulate the potential disposal of shares by the Dreams' shareholders either by an IPO or otherwise. The put options may be exercised if no successful IPO is undertaken within a 2 – 4 year period. The group is not able to control the successful IPO event and as a result a full liability was raised as such an arrangement is considered a put option held by the non-controlling interest and this is required under IFRS. Further details of the put obligation are set out in note 16. Although a liability was raised for the put obligation, the put option is exercisable at fair value and therefore the non-controlling interest was raised as well as the liability. Refer to the appendix 1 for the group's accounting policy regarding put options on non-controlling interests.

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

Further details of the accounting are set out in the tables below. The initial Purchase Price Agreement (PPA) calculation was performed in the prior financial year and was finalised in the current financial year as allowed by IFRS 3 which allows 1 year to finalise the PPA.

Referring to the announcement released on SENS on 30 May 2017 which provided details on Sun International's intention to increase its shareholding to approximately 64.66% (this is approximately an additional 9.66% to our current approximately 55%). At that point in time it was subject to gambling board approvals. The gambling board approval was received in November 2017, the only pending deliverable at year end was the finalising of the funding to acquire the additional shareholding. At year end a partial payment was made, although the bulk of the payable was still outstanding and subject to sourcing of funding. The transaction is anticipated to be finalised in the first quarter of the 2018 financial period, see subsequent events note 32.

10. ACQUISITION OF SUBSIDIARIES continued

(a) Dreams acquisition continued

Restated – December 2016 comparable

Subsequent to the audited 31 December 2016 comparable balance sheet, new information was obtained during the current financial period that was indicative of conditions that was in existence at the acquisition date. As per IFRS 3 Business Combinations, states: "If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the business combination is accounted for by using provisional amounts. Adjustments to the provisional amounts, and the recognition of newly identified assets and liabilities, must be made within the measurement period where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date [IFRS 3.45]. The measurement period cannot exceed one year from the acquisition date and no adjustments are permitted after one year except to correct an error in accordance with IAS 8. [IFRS 3.50]"

Below summary of the PPA adjustment	Provisional PPA	Adjustment	Final PPA
Assets and liabilities acquired:			
Property, plant and equipment	4 240	(42)	4 198
Intangible assets	1 318	10	1 328
Current assets	900	(8)	892
Other assets	69	-	69
Deferred tax asset/(liabilities)	21	(15)	6
Non-current liabilities	(1 782)	20	(1 762)
Current liabilities	(415)	148	(267)
Goodwill recognised	551	18	569
Net assets	4 902	131	5 033

Correction – June 2016 comparable

Subsequent to the audited 30 June 2016 comparable balance sheet, but before the expiry of the measurement period on 31 May 2017 (one year from the acquisition date), new information was obtained about the assets and liabilities acquired that was in existence at the acquisition date. An amount of R235 million relating to the Non controlling reserve was in error allocated to minorities in the provisional PPA workings. The 30 June 2016 comparable has been corrected by restating the opening balances of Minorities' interest and the Reserve for non controlling interest. Refer to note 31.

(b) Sun Slots acquisition

The group acquired a 25.1% interest in Sun Slots effective 1 July 2014 and treated this investment as an investment in an associate. The group held certain call options to acquire the majority interest at certain intervals, which were not considered potential voting rights as these could not be exercised without obtaining several approvals such as the gaming regulators approval. The first option was exercisable on 1 July 2015 and approval was obtained in April 2016 and as a result the group obtained control of Sun Slots as at 1 April 2016. The group exercised the final call option on 1 July 2016 which brings the effective interest held by the group to 70%.

The group currently holds a 70% (31 December 2016: 70%) interest in the Sun Slots and has the ability to appoint the majority of the board of directors as well as exercise its majority voting rights. The fair value of the 25.1% interest prior to obtaining control was R257 million. The loss on disposal of the associate and acquisition of the subsidiary was R4 million. The additional consideration for obtaining control in April 2016 (including pro rata shareholder loans) was R328.2 million.

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

(c) Grand Sport acquisition

On 31 December 2016 Sun Slots acquired the business of Grand Sport. Grand Sport is a licensed online sport and horse racing betting company.

Intangible assets were raised for the contract and technology based assets.

10. ACQUISITION OF SUBSIDIARIES continued

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

During the year the group did not acquire additional shares in companies:

	12 months 31 December 2017		6 months 31 December 2016	
	% acquired	Rm	% acquired	Rm
Sun Slots	–	–	19.9	262

The group exercised the final call option on 1 July 2016 to acquired an additional 19.9% in Sun Slots for a consideration of R262 million, which brought the effective interest held by the group to 70% in the prior year.

There have been no further purchase of shares in subsidiaries in the current year.

(e) Details of the acquisitions are set out in the tables below:

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

The result of the purchase price agreement (PPA) undertaken in the prior year for Grand Sport, Dreams and Sun Slots is set out below:

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

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold land and buildings	Infra- structure	Plant, equipment and machinery	Furniture and fittings	Operating equipment	Capital work in progress	Total
Closing balance as at 31 December 2016	8 151	2 298	1 280	2 056	408	869	2 309	17 371
Cost	10 721	3 374	2 031	6 896	1 212	907	2 309	27 450
Accumulated depreciation	(2 570)	(1 076)	(751)	(4 840)	(804)	(38)	–	(10 079)
Dreams merger PPA finalisation adjustment	(37)	–	–	(24)	1	–	18	(42)
Cost	–	–	–	–	1	–	18	19
Accumulated depreciation	(37)	–	–	(24)	–	–	–	(61)
Closing balance as at 31 December 2016 Restated	8 114	2 298	1 280	2 032	409	869	2 327	17 329
Cost	10 721	3 374	2 031	6 896	1 213	907	2 327	27 469
Accumulated depreciation	(2 607)	(1 076)	(751)	(4 864)	(804)	(38)	–	(10 140)
Reclassification to assets held for sale	(55)	–	–	(2)	(1)	(0)	(2)	(60)
Reclassifications	1 837	74	105	1 296	(25)	(15)	(3 367)	(97)
Exchange rate adjustments	(110)	(32)	(26)	(13)	(3)	(6)	(7)	(197)
Borrowing cost capitalised	–	–	–	–	–	–	138	138
Additions	74	30	149	425	57	61	1 762	2 558
Disposals	–	(2)	(1)	(13)	(3)	(1)	–	(20)
Operating equipment usage	–	–	–	–	–	(60)	–	(60)
Depreciation	(255)	(83)	(82)	(825)	(83)	(27)	–	(1 355)
Impairments	(19)	1	(18)	(3)	(1)	–	–	(40)
Closing balance as at 31 December 2017	9 585	2 285	1 407	2 898	349	821	851	18 196
Cost	12 172	3 342	2 183	8 453	1 200	908	839	29 097
Accumulated depreciation	(2 587)	(1 057)	(776)	(5 555)	(851)	(87)	12	(10 901)

Impairments
Individual asset impairments

The fountain at the Boardwalk unit (classified under Infrastructure in the table above) was impaired during the period under review following evaluation and concluded that certain lighting functionality is not in working order. The fair value of the asset, less costs to sell, resulted in a 66.67% impairment of the asset to the value of R15 million.

The impairment loss is included in the total impairment of infrastructure in the table above.

Impairment of cash generating units (CGU)

For the purpose of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

To determine if an impairment of the assets of CGU is required a value in use calculation (discounted cash flow valuation) is carried out. Impairments charges are raised where the carrying value of the CGU exceeds the value in use.

11. PROPERTY, PLANT AND EQUIPMENT continued

Impairments continued

The following CGU had indicators of impairment in the current year for which an impairment test was therefore performed:

	Boardwalk
Level of testing	CGU
Operating segment	South Africa
Impairment indicator	Continued underperformance
Method of testing	Value in use – discounted cash flow
Key assumptions:	
– discount rate (pre tax)	12.21%
– terminal growth rate	5%
Impairment charge	R78 million

The R78 million impairment was allocated against the following class of assets: Buildings (R72 million), Infrastructure (R3 million); Plant, equipment and machinery (R2 million) and furniture and fittings (R1 million).

Prior year impairments

	Morula	Carousel	Sun Dreams – Colombia
Level of testing	CGU	CGU	CGU
Operating segment	South Africa	South Africa	Latin America
Impairment indicator	Approved relocation of the license to Menlyn Maine	Continued underperformance	Continued underperformance
Method of testing	Value in use	Value in use	Value in use
Key assumptions:			
– discount rate	12.28%	12.28%	9.72%
Impairment charge	R18 million	R184 million	R61 million

Sun International elected to use the Weighted Average Cost of Capital ("WACC") for the entity, which was adjusted in accordance with IAS 36. The rates are adjusted to take into account the way in which the market would assess the specific risks associated with the estimated cash flows and to exclude risks that are not relevant to the estimated cash flows or for which the estimated cash flows have been adjusted. Factors to considered:

- Country risk, such as the risk of political unrest.
- Currency risk, such as the risk of devaluation.
- The nature of the asset being tested; intangible assets are a higher risk.
- Whether the cash flows are optimistic or stretch targets.
- Price risk, such as the risk that prices might be forced down by competitive pressures.

The factors above were tailored in the discount rates and cash flows.

In terms of IAS 36.A19, the discount rate is independent of the entity's capital structure and the way in which the purchase of the asset or CGU was financed. The future cash flows from the asset do not depend on how the asset was purchased. The rate Sun International has used is independent of the manner in which the asset is financed. It is estimated using the WACC for a portfolio of assets that are similar, in terms of service potential and risks, to the asset under review.

The discount rate that is used to determine the valuation of each operation is calculated for each country that Sun International operates in. Accordingly, the discount rate was determined for the South African (11.18%), Nigerian (16.40%) and Chilean operations (8.90%).

There were no significant differences between our assessments of the in-country rate in Chile, and therefore the Chile rate was used throughout our assessment for all the Chilean operations.

The following assumptions were used in calculating the discount rates for the respective countries:

Market risk premium of 7.50%, 11.10% and 6.20% for the South African, Nigerian and Chilean operations respectively;

Beta co-efficient of 1.0 for the South African operations, Nigerian and Chilean operations and;

Risk free rate of 9.38%, 14.74% and 5.01% for the South African, Nigerian and Chilean operations respectively based on the average annualised yields to maturity on short and medium term Government bonds issued in each of these jurisdictions.

11. PROPERTY, PLANT AND EQUIPMENT continued

Sensitivity Analysis

The group's impairment reviews are sensitive to changes in the key assumptions described above. A discount rate of 11.18% was been applied to South African units. Had a discount rate of 12.18% been used and the terminal growth rate reduced from 5% to 4.5% the group would have recognised an additional impairment loss of R166 million. This impairment loss would be recognised in the assets of Boardwalk, pro rata to each assets carrying amount, as the goodwill has been fully impaired in prior periods. The long term growth rate used in the sensitivity was consistent with the rate used for the impairment testing.

Reversal of prior year impairments

	Fish River
Level of testing	Fair Value
Operating segment	South Africa
Method of testing	Fair value/Market Value
Key assumptions:	
– discount rate	N/A
Level	Level 3
Impairment charge reversed	R55 million

Fish River

A sales agreement was entered into with the Department of Rural Settlement in relation to the sale of the Fish River immovable property for an amount of R70 million. The impairment charges were reversed as the prior year impairment indicator (uncertainty in relation to the compensation in respect of the Fish River land claim) is no longer relevant and therefore the reversal has been adjusted against the following asset classes: Land (R5 million) and Buildings (R50 million).

Capital commitments

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Contracted	285	2 452
Authorised by the directors but not contracted	1 486	933
	1 771	3 385
To be spent in the forthcoming financial year	735	2 931
To be spent thereafter	1 036	454
	1 771	3 385

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

12. INTANGIBLE ASSETS

Rmil	Computer software	Brands	Bid costs	Management contracts, licences and exclusivity agreements	Goodwill	Lease premiums	Vacation Club	*Restraint of trade, trademarks, customer relationships and concessions	Total
Closing balance as at 31 December 2016									
	397	117	67	173	1 041	12	61	1 091	2 959
Cost	841	88	1 618	199	1 163	37	71	1 223	5 240
Accumulated amortisation and impairments	(444)	29	(1 551)	(26)	(122)	(25)	(10)	(132)	(2 281)
Correction of PPA misallocation									
	–	–	–	10	18	–	–	–	28
Cost	–	–	–	–	18	–	–	–	18
Accumulated depreciation	–	–	–	10	–	–	–	–	10
Closing balance as at 31 December 2016 Restated*									
	397	117	67	183	1 059	12	61	1 091	2 987
Cost	841	88	1 618	199	1 181	37	71	1 223	5 258
Accumulated amortisation and impairments	(444)	29	(1 551)	(16)	(122)	(25)	(10)	(132)	(2 271)
Additions	21	–	–	–	–	–	22	–	43
Disposals	(4)	–	–	–	–	–	–	–	(4)
Reclassification	138	104	(11)	901	–	3	–	(1 038)	97
Acquisition of subsidiaries	–	–	–	–	–	(1)	–	–	(1)
Exchange rate adjustments	–	(1)	–	(38)	7	–	–	8	(24)
Amortisation	(127)	–	(9)	(201)	–	–	(8)	(5)	(350)
Impairments	(2)	–	–	(41)	(10)	–	–	–	(53)
Closing balance as at 31 December 2017									
	423	220	47	804	1 056	14	75	56	2 695
Cost	907	221	542	2 128	1 178	14	94	66	5 150
Accumulated amortisation and impairments	(484)	(1)	(495)	(1 324)	(122)	–	(19)	(10)	(2 455)

Useful Life

Classes	Amortisation period
Restraints of trade	Period of the restraint of trade
Trademarks	Indefinite life
Customer relationships	Rate of rotation between 15% to 65% per year
Concessions	Period of concession

* Restated – refer note 10.

12. INTANGIBLE ASSETS continued

Impairments

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit). Goodwill is allocated to a cash generating units for purpose of impairment testing.

To determine if an impairment of the assets of cash generating unit (CGU) is required a value in use calculation (discounted cash flow valuation is carried out). Impairments charges are raised where the carrying value of the CGU exceeds the value in use.

The following Intangible asset had an indication of impairment in the current year as performance continued to be below expectations.

31 December 2017

	License – Peru
Method of testing	Value in use (discounted cash flow)
Key assumptions:	
– discount rate	12.00%
– growth considerations	Location of the business, including economic and political facts and circumstances
– terminal growth rate used	3.00%
– period of cash flow forecast	5 years
Impairment charge	R41 million

Sensitivity analysis

At a discount rate of 13.00%, an additional impairment loss of R9 million would have been recognised.

31 December 2017	Sun International Brand	Goodwill – Sun Dreams ¹	Goodwill – Sun Slots ¹
Impairment indicator	Indefinite useful life	Indefinite useful life	Indefinite useful life
Method of testing	Value in use (Discounted cash flow)	Value in use (Discounted cash flow)	Value in use (Discounted cash flow)
Key assumptions:			
– discount rate (pre-tax)	10.25%	10.25%	21.40%
– growth considerations	Location of the business, including economic and political facts and circumstances	Location of the business, including economic and political facts and circumstances	Location of the business, including economic and political facts and circumstances
– terminal growth rate	3.00%	3.00%	5.30%
– after tax cost of debt	5.24%	5.24%	6.87%
– cost of equity	11.21%	11.21%	17.58%
– debt/equity ratio	40%/60%	40%/60%	7%/93%
Impairment charge	No impairment charge	No impairment charge	No impairment charge

31 December 2016	Morula	Sun International Brand	Goodwill – Sun Dreams ¹	Goodwill – Sun Slots ¹
Impairment indicator	Closure of casino operation	Indefinite useful life	Indefinite useful life	Indefinite useful life
Method of testing	Value in use (Discounted cash flow)	Value in use (Discounted cash flow)	Value in use (Discounted cash flow)	Value in use (Discounted cash flow)
Key assumptions:				
– discount rate	12.28%	9.72%	9.72%	12.28%
– growth rate and considerations	Change of business from a casino operation to a training facility	Location of the business, including economic and political facts and circumstances	Location of the business, including economic and political facts and circumstances	Location of the business, including economic and political facts and circumstances
– after tax cost of debt	7.56%	5.78%	5.78%	7.56%
– cost of equity	14.30%	11.41%	11.41%	14.30%
– debt/equity ratio	30%/70%	30%/70%	30%/70%	30%/70%
Impairment charge	R6 million	No impairment charge	No impairment charge	No impairment charge

¹ Refer to note 10 for the goodwill recognised on the acquisition of Dreams and Sun Slots.

13. EQUITY-ACCOUNTED INVESTMENTS

FireFly Investments

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

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

	Joint ventures	
	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Non-current assets	260	260
Current assets	1	25
Total assets	261	285
Non-current liabilities	220	216
Current liabilities	1	7
Equity	40	62
	261	285
Group proportionate share of the equity	20	31
Group carrying amount of investment	18	16
Summarised statement of profit and loss:		
Revenue	28	16
Expenses	(32)	(14)
Profit before tax	(4)	2
Tax	8	–
Profit after tax	4	2
Total comprehensive income	4	2
Group proportionate share of comprehensive income (P&L)	2	1

Group proportionate share of other comprehensive income (OCI)

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

The financial year end for FireFly Investments is 28 February.

No dividends have been received from equity accounted investments.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
14. AVAILABLE-FOR-SALE INVESTMENTS		
Cape Town International Convention Centre Company Proprietary Limited (CTICC)		
Balance at beginning and end of year	48	48
Impairment	(48)	–
Profit and loss	(43)	–
Other comprehensive income	(5)	–
Balance at end of year	–	48

The 5.4% (December 2016: 8.2%) investment in the unlisted CTICC was part of the group's bid commitments in the Western Cape. The investment was designated as available-for-sale. SunWest is not contributing to any further spend, development and maintenance of the property. As a result of this the group's equity portion is continuously being diluted as spend is incurred by the other shareholders, this dilution in equity will continue in future. No returns on this investment has been realised to date, and no returns are expected in future. Taking into account the mentioned factors, the group has decided to write down the investment in CTICC, because in form the return on investment is Rnil.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
15. DERIVATIVE FINANCIAL INSTRUMENTS		
<i>Liabilities</i>		
Interest rate swaps	(34)	(5)
Forward exchange contract – Time Square	–	(66)
	(34)	(71)
To be settled within 12 months	(20)	(66)
To be settled thereafter	(14)	(5)

The interest rate swap has been classified as level 2 financial instruments with certain observable data being available against which to measure the instrument.

The dollar offset method was used for the purpose of determining the fair value of the interest rate swaps at various valuation dates.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
16. PUT OPTION LIABILITIES		
Dreams put option	3 534	3 365
Tsogo Sun put option	1 304	1 286
Menlyn Maine put option	–	–
	4 838	4 651

Dreams shareholders put option

Sun International and the Dreams shareholders in the merger agreements agreed to a series of put option arrangements which regulate the potential disposal of the approximately 45% interest in the merged entity held by the Dreams' minority shareholders either by an IPO or otherwise. The put options may be exercised if no successful IPO is undertaken within a 2 – 4 year period. A liability of R3.5 billion (31 December 2016: R3.4 billion) has been raised for the put obligation and a put option reserve was raised on initial recognition thereby reducing the group's equity.

Referring to the announcement released on SENS on 30 May 2017 which provided details on Sun International's intention to increase its shareholding to approximately 64.66% (which represents an additional 9.66% to our current approximately 55%) by signing an agreement to purchase approximately 50% of Entretenimientos Del Sur Limitada's equity interest in Sun Dreams. At that point in time it was subject to gambling board approvals. The gambling board approval was received in November 2017, and the sale became effective pending funding and the final share transfer. It is envisaged that this transaction will be implemented by the end of March 2018, taking Sun International's equity interest in Sun Dreams from approximately 55% to approximately 64.66%.

The business value was calculated using the purchase price from the most recent agreement of the acquisition of the additional shareholding in Dreams as this is considered the most reliable estimate of fair value.

The most significant unobservable inputs are the purchase price of the additional shareholding.

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

Tsogo Sun put option

In terms of the restructure agreements of the group's Western Cape assets a put option has been given to Tsogo Sun 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 Sun may elect to put its equity interests (20%) in the Western Cape assets to Sun International. Sun International can elect to either settle the put by the issue of Sun International shares or in cash. A liability has been raised of R1.3 billion (31 December 2016: R1.3 billion) in this regard. The liability is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times EBITDA multiple valuation of the Western Cape Assets, less net debt, times the 20% shareholding which Tsogo Sun holds. The transaction to dispose of the 20% to Tsogo Sun which was concluded in the financial year ending 30 June 2016 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 put option liability has been classified as a level 3 financial instrument.

16. PUT OPTION LIABILITIES continued

Menlyn Maine put option

As part of the agreement a subscription option was granted to Menlyn Maine by Time Square whereby Menlyn Maine was given the option to subscribe to 14.25% of the ordinary shares in Time Square at a subscription price of R89 million. Menlyn Maine exercised the subscription option as set out in the terms of the agreement. Contingent on granting the subscription option to Menlyn Maine, an option agreement was entered into between Menlyn Maine and Sun International whereby Sun International grants a put option to Menlyn Maine to sell their 14.25% shareholding in Time Square to Sun International at the option price. Concurrently Menlyn Maine grants a call option to Sun International to purchase the 14.25% shareholding of Menlyn Maine in Time Square at the option price. Menlyn Maine are allowed to exercise the put option at any time during the put option period, which is between the third and fifth operating financial year. If Menlyn Maine does not exercise the put Option during the put option period, the put option shall lapse, and Sun International shall be entitled to exercise the call option during the call option period which is the fifth operating financial year. The option price is determined as the EBITDA of Time Square of the period that the option is exercised multiplied by an EBITDA multiple of 8, adjusted for cash on hand and net debt. An EBITDA multiple of 8 is deemed to be a fair value multiple by management and similar to similar deals done within the group. Due to the high level of initial debt from development spend, management has assessed the fair value as Rnil. Time Square casino has only been operational for nine months, the arena for two months and the hotel not yet operational, improved EBITDA levels are expected as soon as the business is fully operational. The fair value will be reassessed at each reporting date.

Sun International granted an irrevocable put option to Menlyn Maine to sell their 14.25% shareholding in Time Square to Sun International including the Menlyn Maine shareholder loan. Menlyn Maine has the right to exercise the put option at any time from the commencement of the third anniversary of the commencement of casino operations and the fifth anniversary thereof. If Menlyn Maine does not exercise the put option during this period then the put option will lapse and Sun International will have a call option in the 90 days subsequent to the fifth anniversary of the commencement of the casino operations. The option price will be determined based on the EBITDA of Time Square of the period that the option is exercised multiplied by an EBITDA multiple of 8 and adjusted for net debt. Given that, Time Square casino has only been operational for nine months, the arena for two months, the hotel not yet been operational and the level of the current debt, the fair value of the put option has been assessed at a nil value. The fair value will be reassessed once Time Square has been trading for a period of time.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
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17. RETIREMENT BENEFIT INFORMATION
Valuation in terms of the Financial Services Board guidelines

A valuation of the defined benefit fund was carried out on 1 July 2013 by an independent firm of consulting actuaries and was approved by the FSB in August 2014. The fund was found to have a surplus of R377 million, of which R144 million has been designated as a solvency reserve by the trustees in terms of circular PF 117 issued by the Financial Services Board (FSB). Any allocation of assets to contingency reserves reduces the amount of surplus available for distribution to stakeholders. The group carries out statutory actuarial valuations every four to five years.

Present value of funded obligations	(338)	(338)
Fair value of fund assets	715	715
Surplus before contingency reserve	377	377
Contingency reserve	(144)	(144)
Employer surplus account	(35)	(35)
Surplus	198	198

IAS 19R valuation

The surplus calculated in terms of IAS 19R: Employee benefits is presented below.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	30 June 2016 Rm	30 June 2015 Rm	30 June 2014 Rm
The present value of the retirement surplus of the retirement benefit fund for the current and prior years is as follows:					
Present value of funded obligations	(417)	(425)	(452)	(409)	(391)
Fair value of plan assets	852	948	955	890	875
Surplus	435	523	503	481	484
Experience adjustment on plan obligations	16%	(8%)	6%	4%	7%
Experience adjustment on plan assets	9%	(4%)	1%	(3%)	14%
The present value of the post-retirement medical aid obligation for the current and prior years is as follows:					
Present value of obligation	(90)	(99)	(97)	89	(112)
Experience adjustment on plan obligations	(13%)	(3%)	(4%)		1%

The retirement benefit fund has an amount of R32 million (31 December 2016: R31 million) allocated to the employee surplus account which has been recognised as an asset of the group as it is currently being utilised towards a contribution holiday.

17. RETIREMENT BENEFIT INFORMATION continued

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

	Retirement benefit obligation		Post-retirement medical aid liability ¹	
	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Present value of funded obligations	(417)	(425)	(90)	(99)
Balance at beginning of year	(425)	(452)	(99)	(97)
Current service cost (recognised through profit or loss)	(2)	(1)	(3)	(1)
Interest cost (recognised through profit or loss)	(35)	(21)	(9)	(5)
Contributions by plan participants	(2)	–	–	1
Actuarial (loss)/gain (recognised through other comprehensive income)	(65)	34	12	3
Gain on curtailment ²	81	–	3	–
Risk premium and expenses	3	–	–	–
Benefits paid	28	15	3	–
Transfer to non-current liabilities held for sale	–	–	3	–
Fair value of plan assets	852	948		
Balance at beginning of year	948	955		
Expected return on plan assets	80	45		
Actuarial (loss)/gain (recognised through other comprehensive income)	(31)	(37)		
Settlement (loss)/gain	(116)	–		
Contributions by plan participants	2	–		
Risk premium and expenses	(3)	–		
Benefits paid	(28)	(15)		
Present value of retirement benefit surplus	435	523		
Less: application of asset ceiling	(403)	(490)		
Balance at beginning of year	(490)	(467)		
Interest income (recognised through profit or loss)	(48)	(23)		
Adjustment to asset ceiling (recognised through other comprehensive income)	135	–		
Pension fund asset	32	33		

1 The group has no matched asset to fund these obligations. There are no unrecognised actuarial gains or losses and no unrecognised past service costs. The expected expense to be recognised in the statement of comprehensive income for the year ending 31 December 2018 is R3 million.

2 The gain on curtailment relates to corporate restructuring which resulted in the Morula and Fish River unit's closing down.

17. RETIREMENT BENEFIT INFORMATION continued

	Retirement benefit obligation		Post-retirement medical aid liability	
	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
The net amount recognised in profit or loss for the year	(5)	–	(12)	(6)
Current service cost	(2)	(1)	(3)	(1)
Interest cost	(3)	1	(9)	(5)
The amounts recognised in other comprehensive income for the year	39	(3)	12	3
Net actuarial loss/(gain)	(96)	(3)	12	3
Effect of asset ceiling	135	–	–	–
The net amount recognised in other comprehensive income for the year	34	(3)	–	(3)
Plan assets comprise:				
Listed equity investments	36%	21%	–	–
Bonds and cash	25%	46%	–	–
Other*	39%	33%	–	–

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

Pension plan assets include the company's ordinary shares with a fair value of R0.5 million (31 December 2016: R1.2 million).

Management has assessed the risk that the pension plan is exposed to, as low. The plan is split amongst various investments and as such is not exposed to a single investment risk profile. Further more the pension fund was re-insured by Old Mutual.

The Pension Fund's Rules were amended to cease the accrual of the defined benefit liabilities with effect from 1 October 2017. This amendment was approved by the Financial Services Board ("FSB") on 2 February 2017.

Actuarial Assumptions and Sensitivity Analysis

Refer to note 24

	12 months 31 December 2017 Rm	Restated 6 months 31 December 2016* Rm
18. TRADE AND OTHER RECEIVABLES		
Financial instruments		
Loans	66	33
Net trade receivables	388	245
Trade receivables	508	319
Less provision for doubtful debts	(120)	(74)
Net casino debtors	20	71
Casino debtors	163	158
Less provision for casino debtors	(143)	(87)
Other receivables [^]	430	260
	904	609
Non-financial instruments		
Prepayments ¹	301	303
VAT	54	301
Current tax	288	123
	1 547	1 336
Non-current portion of loans	60	24
Non-current receiver of revenue [#]	154	–
	1 333	1 312

¹ Prepayments includes upfront payments for insurance costs, software licenses and maintenance costs.

[#] This relates to tax credits that Casino Punta Arenas and Casino Coyhaique can utilise against future taxes. Despite this, the entities are not able to recover all the amount in the short term, hence this portion that is disclosed as non-current.

[^] Included in other receivables is \$23 million USD that was paid to the minorities of Dreams, this relates to an advance payment on the additional equity that Dreams will be acquiring from their minorities (refer to note 32), when converted at a closing rate of 12.35 it translates to an increase of R283 million in other receivables.

Net trade receivables

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

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

Net casino debtors

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

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

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Balance at the beginning of the year	(161)	(117)
Charge for the year	(102)	(44)
Balance at end of year	(263)	(161)

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

* Restated – refer to note 10.

18. TRADE AND OTHER RECEIVABLES continued

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

	12 months 31 December 2017		6 months 31 December 2016	
	Gross Rm	Provision for doubtful debts Rm	Gross Rm	Provision for doubtful debts Rm
Net trade receivables				
Fully performing	226	–	208	–
Past due by 1 to 30 days	73	(1)	58	(21)
Past due by 31 to 60 days	41	(2)	23	(23)
Past due by 61 to 90 days	14	(4)	11	(11)
Past due by more than 90 days	154	(113)	19	(19)
	508	(120)	319	(74)

	12 months 31 December 2017		6 months 31 December 2016	
	Gross Rm	Provision for doubtful debts Rm	Gross Rm	Provision for doubtful debts Rm
Casino debtors				
Fully performing	17	–	2	–
Past due by 1 to 30 days	6	(3)	15	–
Past due by 31 to 60 days	1	(1)	1	–
Past due by 61 to 90 days	1	(1)	11	–
Past due by more than 90 days	138	(138)	129	(87)
	163	(143)	158	(87)

19. INVENTORY

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Merchandise	83	59
Consumables and hotel stocks	87	101
	170	160

No material Inventory write offs were incurred during the reporting period.

20. CASH AND CASH EQUIVALENTS

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Cash at the bank	416	957
Cash floats	280	166
	696	1 123

Cash at the bank is held in the following currencies:

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Rand	60	89
Dollar	153	132
Euro	2	4
Colombian Pesos	3	14
Chilean Peso	177	680
Naira	8	10
British Pound	1	1
Peruvian Nuevo Sol	12	27
	416	957

The exposure to credit risk with respect to cash and cash equivalents is low. The group ensures cash is placed with institutions of a high credit rating and manages the concentration of cash placed. There is no credit risk exposure for cash floats. The group has an insignificant restricted cash in relation to amounts placed in escrow relating to entertainers performing at venues over the December period.

21. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The group has entered into a firm commitment to dispose of 100% of its interest in its Swaziland operations to Minor International which has been delayed pending final regulatory approvals from the Majesty The King of Swaziland, which is seen to be an event beyond Sun International's control. Sun International remain committed to the plan to sell the Swaziland operations. The results of the Swaziland operations have been disclosed as "Profit for the year from discontinued operations" in the Statement of comprehensive income for the current and prior year and the assets and liabilities have been disclosed in the Statement of financial position as "Non current assets held for sale" and "Non current liabilities held for sale". The International VIP Business was closed during the financial year and have been disclosed as "Losses for the year from discontinued operations" in the Statements of comprehensive income for the current and prior year.

During the year the Fish River operation was closed down, and the group entered into discussions with the Department of Rural Settlement to sell the property upon the conclusion of a sales agreement which was concluded in January 2018. The unit's assets and liabilities have been disclosed in the statement of financial position as 'Non current assets held for sale' and 'Non current liabilities held for sale'.

	12 months 31 December 2017				6 months 31 December 2016*
	Total Rm	Swaziland Rm	International VIP Business Rm	Fish River Rm	Total Rm
Assets of the disposal group classified as held for sale:					
Property, plant and equipment	120	60	–	60	54
Other assets	37	14	22	1	12
Cash and cash equivalents	13	13	–	–	11
Investment in associates	–	–	–	–	93
Total assets held for sale	170	87	22	61	170
Liabilities of disposal group classified as held for sale:					
Borrowings	(13)	(13)	–	–	(15)
Other non-current liabilities	(9)	(7)	–	(2)	(5)
Accounts payable and accruals	(111)	(30)	(77)	(4)	(26)
Total liabilities held for sale	(133)	(50)	(77)	(6)	(46)
Net assets held for sale	37	37	(55)	55	124
An analysis of the results of the discontinued operations is as follows:					
Revenue	212	208	4	–	75
Expenses	(282)	(201)	(81)	–	(125)
Earnings from associates	–	–	–	–	–
Profit before tax	(70)	7	(77)	–	(50)
Tax	20	(2)	22	–	(1)
Profit for the year from discontinued operations	(50)	5	(55)	–	(51)
Cash flows of the discontinued operation:					
Operating cash flows	24	20	4	–	16
Investing cash flows	(15)	(15)	–	–	(7)
Financing cash flows	(3)	(3)	–	–	(6)
Total cash flows	6	2	4	–	3

* In the prior period December 2016, only Swaziland has been disclosed in the Statement of financial position as "Non current assets held for sale" and "Non current liabilities held for sale" and disclosed as "Profit for the year from discontinued operations" in the Statement of comprehensive income. In the 2017 period under review, Swaziland, the International VIP Business and Fish River was disclosed as "Non current assets held for sale" and "Non current liabilities held for sale" in the Statement of financial position. Swaziland and the International VIP Business were disclosed as "Profit for the year from discontinued operations" in the Statement of comprehensive income.

22. SHARE CAPITAL AND PREMIUM

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Authorised		
200 000 000 (31 December 2016: 200 000 000) ordinary shares of no par value	16	16
Issued		
Share capital	8	8
Share premium	287	287
Treasury shares and share options	(424)	(604)
	(129)	(309)

All issued shares are fully paid.

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

	12 months 31 December 2017		6 months 31 December 2016	
	Number of shares	Rm	Number of shares	Rm
Shares in issue				
Movement during the year				
Statutory shares in issue	109 086 988	295	109 086 988	295
Balance at beginning of year	109 086 988	295	109 086 988	295
Treasury shares and share options	(11 087 469)	(424)	(11 184 118)	(604)
Balance at beginning of year	(11 184 118)	(604)	(11 109 947)	(598)
Deemed treasury shares purchased	(201 421)	(11)	(389 006)	(36)
Treasury shares and deemed treasury shares disposed of	263 314	24	–	–
Treasury share options released	–	164	–	–
Vested share awards	34 756	3	314 835	30
Closing balance	97 999 519	(129)	97 902 870	(309)
Treasury shares & share options				
Held by Dinokana	6 719 759	170	6 719 759	170
– 73.6% owned by Sun International	4 947 087	41	4 947 087	41
– 26.4% (June 2016: 26.8%) owned by Dinokana minorities	1 772 672	129	1 772 672	129
Held by the Sun International Employee Share Trusts	2 597 419	85	2 597 419	85
Deemed treasury shares	1 770 291	169	1 866 940	349
	11 087 469	424	11 184 118	604

201 421 (December 2016: 389 006) RSP, CSP and BMSP shares were purchased during the year under review and 263 314 (December 2016: 0) RSP, CSP and BMSP shares were disposed of.

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

22. SHARE CAPITAL AND PREMIUM continued

(a) Share incentive schemes

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

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

RSP and BSMP shares are group shares granted to key staff in return for continuing employment with the group. The shares will be forfeited and any dividends received on the RSP shares will be repayable should the employee leave the group prior to the expiry of the vesting period. The vesting period is either 3 or 5 years. In the case of a 3 year award, 100% of the shares awarded will vest after 3 years and in the case of the 5 year award, 50% vests after 3 years, 25% after 4 years and the remaining 25% after 5 years.

(ii) Deferred bonus plan (DBP)

DBP shares are group shares acquired by senior executives with a portion of their declared annual bonus and entitle the participant to receive a matching award (an equal number of group shares as acquired) at the end of a three-year period. The matching award is conditional on continued employment and the DBP shares being held by the participant at the end of the 3 year period. The DBP is no longer being utilised.

(iii) Equity growth plan (EGP)

EGP rights provide senior executives with the opportunity to receive shares in the group through the grant of conditional EGP rights, which are rights to receive shares equal in value to the appreciation of the group share price between the date on which the conditional EGP rights are granted and the date on which they are exercised, subject to the fulfilment of predetermined performance conditions over a specified performance period. The performance condition applied to the grants is that the group's AHEPS should increase by 2% per annum above inflation over a three-year performance period. If the performance condition is not met at the end of 3 years it is retested at the end of 4 and 5 years from the date of grant. From 2011, the awards are no longer re-tested at the end of years 4 and 5. These awards lapse after the initial 3 year period.

(iv) Conditional share plan (CSP)

CSP awards were provided to senior executives with the opportunity to receive shares in Sun International Limited by way of a conditional award subject to the fulfilment of predetermined performance conditions on the expiry of a three-year performance period. 40% of the award is based on the performance condition related to the company's total shareholder return over a 3 year period as described above. 30% of the award is based on achieving AHEPS threshold and on-target performance targets. 30% of the award is based on the group achieving and maintaining a B-BBEE rating level of 4 or better.

No new share awards have been issued under this scheme.

Movement in the number of share rewards is as follows:

	RSP and BSMP		DBP		EGP		CSP	
	No. Grants	Weighted average grant price (ZAR)	No. Grants	Weighted average grant price (ZAR)	No. Grants	Weighted average grant price (ZAR)	No. Grants	Weighted average grant price (ZAR)
Balance as at 31 December 2016	1 694 899	91.61	4 672	85.47	2 857 971	96.58	2 531	86.55
Granted during the year	192 188	55.64	–	–	618 101	59.66	–	–
Lapsed: termination of employment	(348 270)	82.60	–	–	(1 003 876)	82.18	–	–
Lapsed: performance condition not met								
Vested during the year	(251 231)	111.16	–	–	(6 991)	90.07	–	–
Exercised during the year	–	–	–	–	–	–	–	–
Balance as at 31 December 2017	1 287 586	91.61	4 672	85.47	2 465 205	96.58	2 531	86.55

22. SHARE CAPITAL AND PREMIUM continued

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

	RSP and BSMP		EGP	
	No. Grants	Weighted average grant price (ZAR)	No. Grants	Weighted average grant price (ZAR)
2018	394 682	97.51	1 232 732	111.21
2019	711 468	79.31	646 121	87.52
2020	181 436	55.69	586 352	59.66
2021	–	–	–	–
	1 287 586	91.61	2 465 205	96.58

Valuation of share incentive grants

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

	EGP	RSP/BSMP
December 2017		
Weighted average grant price	59.66	55.64
Weighted average 400-day volatility	n/a	n/a
Weighted average long term risk rate	n/a	n/a
Weighted average dividend yield	n/a	n/a
Valuation	n/a	n/a
December 2016		
Weighted average grant price	R 87.52	R 88.16
Weighted average 400-day volatility	24.24%	n/a
Weighted average long term risk rate	7.00%	n/a
Weighted average dividend yield	3.38%	n/a
Valuation	R2 million	R37 million

The employee share based payment expense for the 12 months was R6 million (December 2016: R17 million).

23. BORROWINGS

All borrowings are classified as level 3.

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

	Rand		Chilean Peso (Clp49.18:R1)		US Dollar (R12.38:US\$1)		Total Rm
	Interest rate	Rm	Interest rate	Rm	Interest rate	Rm	
December 2017							
Non-current borrowings	–	9 103	–	2 634	–	–	11 737
Term facilities	10.3%	7 600	6.3%	2 634	–	–	10 234
Redeemable preference shares	7.5%	1 041	–	–	–	–	1 041
V&A loan ¹	12.2%	225	–	–	–	–	225
Lease liabilities	5.8%	5	–	–	–	–	5
Minority debenture	11.8%	186	–	–	–	–	186
Vacation Club members	10.9%	46	–	–	–	–	46
Current borrowings	–	2 321	–	445	–	493	3 259
Term facilities	10.4%	400	6.3%	445	–	–	845
V&A loan	12.2%	38	–	–	–	–	38
Lease liabilities	5.8%	20	–	–	–	–	20
Minority interest loans	–	–	–	–	5%	493	493
Short term banking facilities	8.5%	1 863	–	–	–	–	1 863
Total borrowings	–	11 424	–	3 079	–	493	14 996

	Rand		Chilean Peso (Clp49.18:R1)		US Dollar (R13.61:US\$1)		Total Rm
	Interest rate	Rm	Interest rate	Rm	Interest rate	Rm	
December 2016							
Non-current borrowings	–	7 638	–	3 093	–	–	10 731
Term facilities	9.8%	7 035	4.1%	3 093	–	–	10 128
Redeemable preference shares	7.4%	270	–	–	–	–	270
V&A loan ¹	12.2%	263	–	–	–	–	263
Lease liabilities	5.8%	24	–	–	–	–	24
Vacation Club members	10.9%	46	–	–	–	–	46
Current borrowings	–	2 979	–	288	–	519	3 786
Term facilities	9.8%	–	4.1%	288	–	–	288
Redeemable preference shares	7.4%	771	–	–	–	–	771
V&A loan	12.2%	28	–	–	–	–	28
Lease liabilities	5.8%	20	–	–	–	–	20
Minority debenture	–	186	–	–	–	–	186
Minority interest loans	–	–	–	–	5%	519	519
Short term banking facilities	8.5%	1 974	–	–	–	–	1 974
Total borrowings	–	10 617	–	3 381	–	519	14 517

¹ The fair value of the borrowings approximates their carrying values except for the V&A loan which has a fair value of R280million (31 December 2016: R317 million). The fair value has been determined on a discounted cash flow basis using a discount rate of 9% (31 December 2016: 9%).

23. BORROWINGS continued

The borrowings are repayable as follows

	Rand		Chilean Peso		US Dollar		Total	
	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
6 months or less	26	22	192	144	493	519	711	685
6 months – 1 year	2 294	2 956	254	146	–	–	2 548	3 102
1 – 2 years	1 086	455	407	370	–	–	1 493	825
2 – 3 years	2 303	1 172	418	318	–	–	2 721	1 490
3 – 4 years	5 677	1 262	534	319	–	–	6 211	1 581
4 years and onwards	38	4 750	1 273	2 084	–	–	1 311	6 834
	11 424	10 617	3 078	3 381	493	519	14 995	14 517
Secured							2 752	2 522
Unsecured							12 243	11 995
							14 995	14 517
Net book value of property, plant and equipment encumbered by secured loans:							2 918	2 954

As at 31 December 2017, interest rates on 8% (31 December 2016: 6%) of the group's borrowings were fixed, 53% (31 December 2016: 27%) of these fixed borrowings were for periods longer than 12 months. The interest rates other than on the V&A loan, approximate those currently available to the group in the market.

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

The group had unutilised borrowing facilities of R737 million (31 December 2016: R1,591 million) at 31 December 2017. All undrawn borrowing facilities are renewable annually and none have fixed interest rates.

Capitalised lease liabilities

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

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Gross minimum lease payments:		
No later than 1 year	19	22
Later than 1 year and no later than 5 years	9	26
	28	48
Imputed interest:		
No later than 1 year	(1)	(2)
Later than 1 year and no later than 5 years	(1)	(2)
	(2)	(4)
Net capital payments of finance lease liabilities	26	44
Net carrying value of assets held under finance leases	4	38

23. BORROWINGS continued

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

Debt covenants at a Latam holding company level are based on the merged Sun Dreams debt and EBITDA.

The Sun Dreams balance sheet is not only ring fenced but is deliberately under-g geared in relation to its EBITDA in order to allow for sufficient future borrowings to fund the bidding for municipal licenses 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 R12.2 billion funding facilities from a consortium of South African funders. The covenants allow for a maximum debt to EBITDA ratio of 4x at 31 December 2017. The Nigerian debt has always been (and remains) ring-fenced to the Federal Palace, without recourse to the group balance sheet.

Cash flow interest rate risk

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

Interest rate sensitivity

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

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Profit before tax	(114)	(106)

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

Capital risk management

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

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

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

Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio's as agreed upon with our lenders as at 31 December 2017:

- Loan Covenant (Debt/EBITDA) may not exceed 4x for SA and 4.75x for Latam
- EBITDA/Interest Cover may not be less than 2.5x (Only SA)

	South Africa		Latam	
	Covenant	Actual	Covenant	Actual
Current Gearing ratios:				
Debt to EBITDA	4.0x	3.7x	4.75x	2.8x
EBITDA/Interest Cover	2.5x	3.3x		

The group complied with the above loan covenants throughout out the year.

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

The group is not subject to externally imposed capital requirements.

Financial instruments carried at fair value, by valuation method, are defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

	12 months 31 December 2017 Rm	Restated* 6 months 31 December 2016 Rm
24. DEFERRED INCOME AND OTHER LIABILITIES		
<i>Non financial instruments</i>		
Straight-lining of operating leases	215	191
Deferred income	628	551
Sun City Vacation Club ¹	511	419
DTI grant	14	19
Discounted slot machines	19	22
Lessor contribution ²	84	91
Deferred payments – Time Square settlements ³	–	34
Post-retirement medical aid liability (refer to note 17)	91	96
Long service award ⁴	31	32
Accrual for farewell gifts ⁵	4	4
Progressive jackpots provision ⁶	122	47
Municipal concessions ⁷	32	32
Post employment benefit for employees in municipal casinos	16	16
Lease restoration provision	46	12
Other liabilities	24	–
	1 209	1 015
Current portion transferred to accounts payable		(23)
Current portion relating to the deferred payment	(94)	(34)
Current portion relating to the progressive jackpot provision	(122)	(47)
	993	911

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

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

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

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

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

6 This is the provision for wide area progressive jackpots.

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

Post retirement benefit

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

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

* Restated – refer to note 10.

24. DEFERRED INCOME AND OTHER LIABILITIES continued

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

	Pension fund liability		Post retirement medical aid liability	
	12 months 31 December 2017 %	6 months 31 December 2016 %	12 months 31 December 2017 %	6 months 31 December 2016 %
Discount rate	9.85%	9.95%	9.70%	9.65%
Inflation rate	6.55%	7.00%	6.35%	6.75%
Expected return on plan assets ¹	9.85%	9.95%	–	–
Future salary increases	6.55%	7.00%	–	–
Future pension increases	6.55%	7.00%	–	–
1 The expected return on plan assets is calculated using the discount rate at the start of the period of 9.95% per annum rather than a "best estimate" return assumption based on actual assets in which the Fund invested. The expected return has been set to equal the discount rate used to value the defined benefit obligations of the Fund.				
The average life expectancy (in years) of an employee retiring at the age of 60 at the statement of financial position date, are as follows:				
Male	19.4	19.4	19.4	19.4
Female	24.2	24.2	24.2	24.2

Sensitivity

	Pension fund liability		Post retirement medical aid liability	
	12 months 31 December 2017	6 months 31 December 2016	12 months 31 December 2017	6 months 31 December 2016
Current future rate of increase of the liability	9.85%	9.95%	5.40%	5.74%
1% increase in rate	10.85%	10.95%	6.40%	6.74%
Impact on the liability	Decrease of R37.5 million or 9.1%	Decrease of R42.8 million or 10.1%	Increase of R15.5 million or 16.7%	Increase of R18.1 million or 18.3%
Impact on the service and interest costs	Decrease of R0.1 million or 0.3%	Decrease of R1.0 million or 2.4%	Increase of R2.1 million or 18.1%	Increase of R2.4 million or 19.9%
1% decrease in rate	8.85%	8.95%	4.40%	4.74%
Impact on the liability	Increase of R44.6 million or 10.9%	Increase of R55.5 million or 13.1%	Decrease of R12.5 million or 13.4%	Decrease of R14.5 million or 14.7%
Impact on the service and interest costs	Increase of R0.01 million or 0.04%	Increase of R1.4 million or 3.3%	Decrease of R1.7 million or 14.5%	Decrease of R1.9 million or 15.8%

	12 months 31 December 2017 Rm	Restated* 6 months 31 December 2016 Rm
25. TRADE PAYABLES AND ACCRUALS		
Financial instruments		
Trade payables	535	803
Accrued expenses	832	795
Bonus accrual	96	59
Interest payable	19	40
Capital creditors	36	52
Other payables	5	75
	1 523	1 824
Non financial instruments		
VAT	91	46
Employee related accruals	279	203
Current tax	77	231
	1 970	2 304
The fair value of all non derivative financial instruments approximates their carrying value.		

* Restated – refer to note 10.

	12 months 31 December 2017 Rm	Restated* 6 months 31 December 2016 Rm
26. CASH FLOW INFORMATION		
26.1 Cash generated from operations		
Operating profit – continuing operations	1 931	877
Operating profit – discontinued operations	(69)	(51)
Adjustments for non cash transactions	1 823	953
Depreciation and amortisation (including discontinued operations)	1 712	791
Profit on disposal of joint venture and subsidiaries	(15)	–
Impairment of assets	92	269
Foreign exchange loss	(46)	(82)
Adjustment to investment held for sale	43	–
Deferred Vacation Club revenue recognised	(57)	(23)
Operating equipment usage (including discontinued operations)	61	38
Derivative financial instruments	–	(1)
Employee share based payments	6	18
Deferred income recognised	–	(1)
Other non-cash movements	27	(56)
Non-cash working capital movement	148	–
Working capital changes	(230)	509
Inventory	(10)	(21)
Accounts receivable [#]	(21)	551
Accounts payable	(199)	(21)
	3 603	2 288

[#] Included in Accounts Receivable is an advance payment made to EDS of \$23 million USD relating to the additional shareholding that will be acquired subsequent to year end. See note 32.

* Restated – refer to note 10.

	12 months 31 December 2017 Rm	Restated* 6 months 31 December 2016 Rm
26. CASH FLOW INFORMATION continued		
26.2 Tax paid		
Asset/(liability) at beginning of year	(108)	43
Current tax provided	(598)	(288)
CGT and other taxes	(6)	(2)
(Asset)/liability at end of year	(57)	108
	(769)	(139)
26.3 Interest paid		
Interest expense – continuing operations	(1 073)	(542)
Interest expense – discontinuing operations	(2)	(1)
Impact interest on Tsogo settlement	–	20
Interest capitalised	(138)	–
Imputed interest on loans payable	9	15
	(1 204)	(508)
26.4 Reconciliation of changes in liabilities arising from financing activities		
Opening debt balance	14 532	14 082
Cash flows		
Additional borrowings	841	1 482
Repayment of borrowings	(329)	(473)
Imputed interest	(9)	(15)
Net cash flows	503	994
Forex movements	(26)	(544)
Closing debt balance	15 008	14 532
Continuing operations	14 995	14 517
Discontinued operations	13	15

* Restated – refer to note 10.

27. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

(a) Disposals and acquisitions

December 2017

The disposal to Minor of the Lesotho shareholding was completed on 16 February 2017 and the disposal of the remaining Namibian and Botswana shareholding and management contract was completed on 23 March 2017, a profit on disposal of R27 million was realised, after proceeds of R121 million was received.

December 2016

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

(b) Summarised financial information

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

December 2017

	Afrisun Gauteng Rm	Afrisun KZN Rm	Emfuleni Resorts Rm	SunWest International Rm	Federal Palace (Nigeria) Rm	Sun Dreams Rm	Sun Slots Rm	Time Square Rm
Statement of comprehensive income								
Profit/(loss) after tax	76	255	(101)	455	(59)	45	103	(345)
Other comprehensive income	–	1	–	1	–	–	–	–
Total comprehensive income	76	256	(101)	456	(59)	45	103	(345)
Non-controlling interest	5.35%	33.96%	14.93%	35.10%	50.67%	45.56%	30.00%	14.20%
Profit/(loss) after tax	4	87	(15)	160	(30)	21	31	(49)
Total comprehensive income	4	87	(15)	160	(30)	21	31	(49)
Statement of financial position								
Current assets	107	81	46	210	72	645	108	132
Non-current assets	708	777	853	1 274	330	7 838	580	3 994
Current liabilities	(764)	(494)	(222)	(937)	(54)	(458)	(213)	(4 850)
Non-current liabilities	(25)	47	(496)	(332)	(761)	(1 838)	(4)	(193)
Net assets	26	411	181	215	(413)	6 187	471	(917)
Net assets attributable to non-controlling interests	1	140	27	75	(209)	2 819	141	(130)
Dividends and statement of cash flows								
Cash flows from operating activities	226	349	66	681	10	715	171	(108)
Cash flows from investing activities	(41)	(82)	(13)	(92)	(10)	(293)	(70)	(1 609)
Cash flows from financing activities	(142)	(282)	(63)	(609)	(9)	(807)	(194)	1 805
Net increase/(decrease) in cash and cash equivalents	43	(15)	(10)	(20)	(9)	(385)	(93)	88
Dividends paid to non-controlling interests	4	71	–	151	–	51	18	–

Dividends paid to the remaining subsidiaries with non-controlling interests amounted to R35 million.

27. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS continued

December 2016

	Afrisun Gauteng Rm	Afrisun KZN Rm	Emfuleni Resorts Rm	SunWest International Rm	Federal Palace (Nigeria) Rm	Sun Dreams Rm	Sun Slots Rm	Time Square Rm
Statement of comprehensive income								
Profit/(loss) after tax	54	101	(28)	248	(89)	107	56	–
Other comprehensive income	–	–	(1)	–	58	(440)	–	–
Total comprehensive income	54	101	(29)	248	(31)	(333)	56	–
Non-controlling interest*	5.35%	33.96%	14.93%	35.00%	50.67%	45.00%	30.00%	0.00%
Profit/(loss) after tax	3	34	(8)	87	(45)	41	17	–
Total comprehensive income	3	34	(8)	87	(16)	(157)	17	–
Statement of financial position								
Current assets	71	93	52	224	87	1 031	195	–
Non-current assets	766	750	951	1 337	364	6 706	597	–
Current liabilities	(785)	(528)	(193)	(1 009)	(60)	(751)	(340)	–
Non-current liabilities	(25)	(43)	(527)	(356)	(798)	(2 298)	–	–
Net assets	27	271	283	196	(407)	4 688	452	–
Net assets attributable to non-controlling interests	1	92	43	68	(206)	2 110	136	–
Dividends and statement of cash flows								
Cash flows from operating activities	161	217	28	444	–	493	137	–
Cash flows from investing activities	(97)	(63)	(20)	(90)	(2)	(130)	(92)	–
Cash flows from financing activities	(38)	(83)	19	(242)	–	(311)	7	–
Net increase/(decrease) in cash and cash equivalents	26	71	27	112	(2)	52	52	–
Dividends paid to non-controlling interests	3	27	–	84	–	43	–	–

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

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

(c) Sun International Employee Share Trust (SIEST)

The SIEST has been consolidated in the group's financial statements in terms of IFRS 10 – Consolidated Financial Statements. The SIEST is administered by its trustees.

The following judgement was followed in assessing and concluded to consolidate SIEST:

Relevant activity	Control
Determination of the benefits to the employees and selection of the employees to which the benefit is provided	Sun International has the ability to determine who the beneficiaries would be and the benefits they would receive. Sun International may have determined this initially but the SIEST is not able to amend this requirement. The benefits only accrue to beneficiaries employed by the Sun International group and as such controls the benefits through the employment of the individuals. Sun International has control over the relevant activity.

27. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS continued

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

Sun International Employee Share Trust

Sun International controls the SIEST. Sun International has the ability to direct the relevant activities (control), obtained variable returns and has the ability to use the control to affect the variable returns.

The SIEST was originally established in 2003 for the benefit of certain employees of the group, with the intention that the said employees would benefit from the proceeds and/or distributions received by the Trust as a result of its direct or indirect shareholding in group companies. Sun International defined the benefits and continues to determine what benefits are provided to employees through SIEST. Only employees of the Sun International group may benefit from the investments in the SIEST.

As such, Sun International was involved in the purpose and design and continues to be involved. The SIEST is considered a structured entity as it is not governed by voting rights [IFRS 12.Appendix A].

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

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

	12 months 31 December 2017	6 months 31 December 2016
Afrisun Gauteng	3.5%	3.5%
Emfuleni Resorts	3.5%	3.5%
SunWest	3.3%	3.3%
Meropa	3.5%	3.5%
Teemane	3.5%	3.5%
Afrisun KZN	3.5%	3.5%
Mangaung	3.5%	3.5%
Worcester	3.5%	3.5%
Sun International Limited – direct	2.4%	2.4%
– indirect	1.2%	1.2%
Time Square	3.5%	0.0%

28. RELATED PARTY TRANSACTIONS

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

(i) Key management compensation

	12 months 31 December 2017 R'000	6 months 31 December 2016 R'000
Non-executive directors fees		
PDS Bacon	548	209
ZBM Bassa	531	232
PL Campher	791	322
NN Gwagwa	404	94
BLM Makgabo-Fiskerstrand	406	153
IN Matthews – Retired 31 December 2017	883	324
LM Mojela – Retired 21 November 2016	–	129
MV Moosa	1 476	559
GR Rosenthal	635	273
EAMMG Cibie	1 001	115
CM Henry	408	83
NB Morrison – Retired 21 November 2016	–	69
GW Dempster	66	–
	7 149	2 562

Executive directors and key management remuneration

	Basic remuneration R'000	Bonuses/ performance related payments R'000	Retirement contributions R'000	Other benefits R'000	Fair value of share awards expensed R'000	Total R'000
December 2017						
Full time directors						
GE Stephens	2 053	–	281	581	1 315	4 230
AM Leeming	6 213	2 832	851	210	2 895	13 001
Norman Basthdaw	2 894	1 254	496	22	1 270	5 936
DR Mokhobo	2 313	686	524	227	1 280	5 030
	13 473	4 772	2 152	1 040	6 760	28 197
Prescribed officers						
R Collins	3 936	1 251	890	116	3 642	9 835
AG Johnston	2 404	767	350	237	639	4 397
MZ Miller	2 469	763	579	167	1 745	5 723
TF Mosololi	3 439	1 320	462	45	2 069	7 335
C Nyathi	2 563	649	340	–	848	4 400
VL Robson	2 378	734	411	62	1 991	5 576
J Wilhelm	5 739	1 443	–	1 645	–	8 827
Sub Total	22 928	6 927	3 032	2 272	10 934	46 093
Total	36 401	11 699	5 184	3 312	17 694	74 290
December 2016						
GE Stephens	3 082	1 397	422	2 984	3 678	11 563
AM Leeming	2 014	764	291	955	1 628	5 652
DR Mokhobo	1 121	392	253	105	737	2 608
R Collins	1 910	889	431	52	2 153	5 435
J Wilhelm	2 851	8 933	–	928	–	12 712
Other key management	7 257	2 149	1 183	1 520	1 967	14 076
	18 235	14 524	2 580	6 544	10 163	52 046

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

28. RELATED PARTY TRANSACTIONS continued

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

	12 months 31 December 2017		6 months 31 December 2016	
	Executive and other management	Average grant price	Executive and other management	Average grant price
EGP				
Opening balance	1 463 732	98.97	1 807 883	98.40
Movement in employees	(10 038)	98.97	31 179	114.53
Lapsed: termination of employment	(585 592)	97.33	(72 837)	103.83
Lapsed: vesting condition not met	(302 986)	105.84	(348 693)	94.87
Granted	360 744	59.66	46 200	87.52
Closing balance	925 860	82.45	1 463 732	98.97
RSP & BSMP				
Opening balance	669 627	93.53	666 103	94.38
Movement in employees	(52 279)	93.53	21 044	86.15
Vested	(68 256)	110.85	(107 807)	92.90
Lapsed: termination of employment	(173 628)	97.87	(20 566)	102.52
Granted	37 154	54.85	110 853	90.86
Closing balance	412 618	85.35	669 627	93.53

Share awards held by executive directors by scheme

R	12 months 31 December 2017				6 months 31 December 2016			
	GE Stephens	AM Leeming	DR Mokhobo	N Basthdaw	GE Stephens	AM Leeming	DR Mokhobo	R Collins
EGP	–	237 946	99 949	82 414	380 822	182 293	98 304	143 136
RSP & BSMP	–	48 170	18 184	30 080	139 497	70 216	21 395	102 014
	–	286 116	118 133	112 494	520 319	252 509	119 699	245 150

R	12 months 31 December 2017					
	R Collins	AG Johnston	MZ Miller	TF Mosololi	C Nyathi	VL Robson
EGP	148 911	27 153	96 534	82 404	61 009	89 540
RSP & BSMP	104 447	21 936	40 189	83 462	23 337	42 813
	253 358	49 089	136 723	165 866	84 346	132 353

(ii) Shareholding of key management

R'000	Holding by key management		Dividends received by key management	
	12 months 31 December 2017	6 months 31 December 2016	12 months 31 December 2017	6 months 31 December 2016
	%	%	R'000	R'000
Sun International Limited	1.2	1.1	–	1 505

(iii) Other related party relationships

Management agreements are in place between SIML and various group companies. A management fee is charged by SIML in respect of management services rendered. SIML has provided a R10 million loan to FireFly Investments.

SIML has provided a R10 million loan to FireFly Investments.

29. CONTINGENT LIABILITIES

Borrowings

Group companies have guaranteed borrowing facilities of certain group subsidiaries in which the group has less than 100% shareholding. The group has therefore effectively underwritten the minorities' share of these facilities in the amount of R3.5 billion at 31 December 2017 (31 December 2016: R1.7 billion).

The group is subject to commitments and contingencies, which occur in the normal course of business, including legal proceedings and claims that cover a wide range of matters. Where the group has insurance over the legal claim, the group only discloses the exposure relating to the excess payable. The group has the following exposures:

Monticello

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

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

Contingent liabilities relating to matters reported to the local labour courts amount to CLP 2.6 billion (R51 million).

Tourist Company of Nigeria (TCN)

TCN continues to experience difficulties engaging with the tax authorities to confirm any tax principles to obtain certainty, or settle outstanding matters. Legal counsel has indicated that contingent liabilities of approximately R56 million has been recognised as a result of these disputes and other matters taken to the relevant local courts.

South Africa

Contingent liabilities relating to matters reported to the local labour courts and other matters amount to approximately R7 million.

30. FINANCIAL RISK MANAGEMENT

Credit risk management

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

Derivative financial instruments – refer to note 15

Trade and other receivables – refer to note 18

Cash and cash equivalents – refer to note 20

Liquidity risk management and capital risk management

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

To manage liquidity risk the group retains undrawn and available banking facilities, and will continue to remain cash generative.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Banking facilities:		
Total banking facilities	15 732	13 981
Less: Drawn down portion	(14 995)	(12 390)
Total undrawn banking facilities	737	1 591
Available cash balances	696	767

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

30. FINANCIAL RISK MANAGEMENT continued

The following tables compare the contractual cash flows of debt owed at 31 December 2017 and 31 December 2016, with the carrying amount in the consolidated balance sheet, in Rands. The contractual amounts reflect the differences from carrying amounts due to the effects of discounting and premiums. Interest is estimated assuming interest rates applicable to variable rate debt remain constant.

	On demand or not exceeding 6 months Rm	More than 6 months but not exceeding one year Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than four years Rm	Imputed interest Rm
December 2017						
Term facilities	497	1 108	2 022	9 306	1 313	3 168
Minority shareholder loans	505	–	–	–	–	12
V&A loan	33	35	74	168	38	84
Redeemable preference shares	38	38	76	1 117	–	227
Minority debenture	–	22	208	–	–	44
Lease liabilities	11	11	6	–	–	2
Vacation Club members	3	3	51	–	–	10
Short term banking facilities*	79	1 943	–	–	–	158
Derivative financial instruments	8	12	14	–	–	–
Trade payables	535	–	–	–	–	–
Accrued expenses	832	–	–	–	–	–
Interest payable	19	–	–	–	–	–
Capital creditors	36	–	–	–	–	–
Other payables	5	–	–	–	–	–
	2 601	3 172	2 451	10 591	1 351	3 705
December 2016						
Term facilities	375	377	1 253	8 517	1 382	1 488
Minority shareholder loans	519	–	–	–	–	–
V&A loan	30	32	68	242	38	119
Redeemable preference shares	40	803	20	277	–	99
Minority debenture	11	186	–	–	–	11
Lease liabilities	11	11	19	8	–	5
Vacation Club members	3	3	5	47	–	12
Short term banking facilities*	–	1 974	–	–	–	–
Derivative financial instruments	71	4	5	–	–	–
Trade payables	803	–	–	–	–	–
Accrued expenses	795	–	–	–	–	–
Accrual for Ocean Sun Casino earn out payment	143	–	–	–	–	–
Interest payable	40	–	–	–	–	–
Capital creditors	52	–	–	–	–	–
Other payables	80	–	–	–	–	–
	2 973	3 390	1 370	9 091	1 420	1 734

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

30. FINANCIAL RISK MANAGEMENT continued

Market risk

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

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

Cash flow hedge

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

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

	12 months 31 December 2017		6 months 31 December 2016	
	Time Square FEC hedge	Sun Treasury interest rate swaps	Time Square FEC hedge	Sun Treasury interest rate swaps
Notional amount	–	R3 billion	R684 million	R3 billion
Fixed exchange rate	–	–	15.56*	–
Fixed interest rate	–	7.68%	–	7.68%
Variable rate	–	Linked to quarterly Jibar	–	Linked to quarterly Jibar
Fair value (liability)/asset	–	(R34 million)	(R66 million)	(R5 million)
Net (loss)/profit on cash flow hedges	–	(R27 million)	(R66 million)	(R4 million)

* Swapped Rands for US Dollars

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

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Profit before tax	(114)	(106)

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

Market risk – foreign exchange rate risk

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

10% strengthening in the functional currency against foreign currencies at 31 December 2017 would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 31 December 2016.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
US Dollar	(14)	(13)
Chilean Peso	(3)	(42)
Colombian Peso	2	1
Nigerian Naira	3	3
Peruvian Nuevo Sol	1	(1)

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

30. FINANCIAL RISK MANAGEMENT continued

Market risk – price risk

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

Fair value measurement

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

Credit quality of lenders

Table below depicting the credit rating of our various lenders

Institution	Credit Rating
Nedbank	AA-
Standard Bank	AA
ABSA Bank Ltd	AA-
Investec	AA-
Sanlam	A
Rand Merchant bank (RMB)	AA-
BCI	A
Banco Consorcio	AA
BancoEstado	AAA
Banco de Chile	A
BBVA	A-

31. PRIOR PERIOD ERRORS

An amount of R235 million relating to the non-controlling reserve was in error allocated to minorities in the provisional PPA workings. The 30 June 2016 comparable has been corrected by restating the opening balances of Minorities' interest and the Reserve for non-controlling interest.

32. SUBSEQUENT EVENTS

Increase in Sun Dreams shareholding

Referring to the announcement released on SENS on 30 May 2017 which provided details on Sun International's intention to increase its shareholding to approximately 64.66% (which represents approximately an additional 9.66% to our current approximately 55%) by signing an agreement to purchase 50% of Entretenimientos Del Sur Limitada's equity interest in Sun Dreams. At that point in time it was subject to gambling board approvals. The gambling board approval was received in November 2017, and the sale became effective pending funding and the final share transfer. It is envisaged that this transaction will be implemented by the end of March 2018, taking Sun International's equity interest in Sun Dreams from approximately 55% to approximately 64.66%.

Acquisition of additional casino interests and land in Peru

Sun Dreams is still awaiting certain regulatory approvals pertaining to its acquisition of certain casino interests and land in Peru.

Rights offer

A proposed rights offer is intended to be completed on the terms and subject to the conditions to be stipulated in the Rights Offer Circular to be posted to shareholders following the release of the Company's financial results for the 12 months ended 31 December 2017. Further details relevant to the proposed resolutions and/or the proposed rights offer will be announced to shareholders on SENS in due course.

Emfuleni Development

The group announced on 6 March 2018 that the planned multi-million rand mall development would be going ahead. A consultation with the Eastern Cape Gaming Board was completed and the amended conditions of licence relating to the mall development were approved. The first phase of construction will commence in September 2018.

We are in the process of obtaining the LA10 application approvals and awaiting the Public Hearing date.

33. ADJUSTED HEPS

Adjusted HEPS are after HEPS are adjusted for exceptional items. Exceptional items are defined as gains and losses included in the Statement of Comprehensive Income from events, which are unusual and infrequent in nature and are the result of unforeseen and atypical events. Adjusted HEPS provides a measurement of how current performance compares with performance in previous years.

ACCOUNTING POLICIES

for the year ended 31 December 2017

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

GROUP ACCOUNTING

Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

The company accounts for subsidiary undertakings at cost less impairments.

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

Equity-accounted investments

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

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

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

Impairment

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

Associates

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

Joint arrangements

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

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is assessed for impairment on an annual basis or more

frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The calculation of gains and losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

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

Other intangible assets

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

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

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

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the company and which have probable economic benefits exceeding the costs beyond one year are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of the relevant overheads. Expenditure meeting the definition of an asset is recognised as a capital improvement and added to the original cost of the asset.

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

INVENTORY

Inventory comprises of merchandise, consumables and food and beverage stock. Merchandise and consumables is

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

FOREIGN CURRENCY TRANSLATION

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

Transactions and balances

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

Foreign entities

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

- Assets and liabilities, at exchange rates ruling at the last day of the reporting period.
- Income, expenditure and cash flow items at average exchange rates.
- Premiums on transactions with minorities and fair value adjustments arising from the acquisition of a foreign entity are reported using the exchange rate at the date of the transaction.

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

PROPERTY, PLANT AND EQUIPMENT

Freehold land is included at cost and not depreciated.

All other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is recognised so as to write off the cost or valuation of assets (other

than freehold land) less the residual values over their useful life, using the straight-line method. The principal useful lives over which the assets are depreciated are as follows:

Freehold and leasehold buildings	10 to 50 years
Infrastructure	5 to 50 years
Plant and machinery	4 to 25 years
Furniture and fittings	5 to 15 years
Operating equipment ¹	Based on usage (between 1 to 3 years)
Assets held under finance leases	Shorter of the asset's useful life and the term of the lease

1 Operating equipment includes uniforms, casino chips, kitchen utensils, crockery, cutlery and linen.

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

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

Costs arising subsequent to the acquisition of an asset are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is then derecognised. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

PRE-OPENING EXPENDITURE

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

FINANCIAL INSTRUMENTS

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

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

MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets

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

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

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

Financial liabilities

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

Derivative financial instruments

The group uses derivative financial instruments, primarily foreign exchange contracts and interest rate cross currency swaps to hedge its risks associated with foreign currency and interest rate fluctuations relating to certain firm commitments and forecasted transactions. These derivatives are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in profit or loss as it arises unless the derivative is designated and effective as a hedging instrument. The group designates certain derivatives as cash flow hedges.

Forward contract over non-controlling interest

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

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

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

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

Borrowings

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

Preference shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as borrowings. The dividends on these preference shares are recognised in the statement of comprehensive income as interest expense. Dividends are subject to a 20% withholdings tax.

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

Cash flow hedges

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

Impairment of financial assets

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

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

Fair value of financial instruments:

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

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- Inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)(level 2)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)(level 3)

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

CURRENT AND DEFERRED TAX

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

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

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

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

LEASES

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

Leases of assets under which substantially all the risks and benefits of ownership are

effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

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

EMPLOYEE BENEFITS

Defined benefit scheme

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

The asset or liability, as applicable, recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

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

Past service costs are recognised immediately in the Statement of comprehensive income.

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

Defined contribution scheme

The group operates a number of defined contribution schemes. The defined contribution plans are provident funds under which the group pays fixed contributions into separate entities.

The contributions are recognised as an employee benefit expense when they are due. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Post-retirement medical aid contributions

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

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are recognised in the statement of comprehensive income. These obligations are valued annually by independent qualified actuaries.

Share based payments

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

PROVISIONS

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money

and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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

Restructuring provisions comprise of the employee termination benefits.

SHARE CAPITAL

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

External costs directly attributable to the issue of new shares, other than in a business combination, are shown as a deduction from the proceeds, net of income taxes, in equity.

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

NON-CONTROLLING INTERESTS

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

REVENUE RECOGNITION

Hotel, Food & Beverage and Conferencing

The fair value derived from rooms trading, food and beverage income, venue & conferencing income, parking income, entertainment income and other non-gaming income are included in Revenue. Revenue is recognised as goods and services are provided to customers.

Management Fee

Management fees are charged out from head office companies to the various operating units for services rendered in accordance with relevant management agreements. Management fees are recognised on an accrual basis when services are provided.

Interest Income

Interest income is recognised on an effective interest method.

Dividend Income

Dividend income is recognised when the right to receive the dividend is established

Customer reward programs

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

Vacation Club

Vacation club income is derived from the sale of timeshare in Vacation Club units situated at Sun City. The income from sales is received upfront, although the income is recognised over the period of the timeshare, being 10 years. The revenue is included in the Sun City revenue, but disclosed in the segmentals under "Other" revenue.

Net Gaming win

Gaming transactions represent an agreement between the customer and Sun International whereby, based on the outcome of an event (such as the results of accumulated cards in a hand of play for a table game or the outcome of the individual bet on a slot machine game) either the gaming entity retains the amount bet by the customer or the bet is returned to the customer along with an additional amount effectively representing the gaming entity's side of the bet in the agreement. Accordingly a single bet transaction either results in a net inflow of consideration to the gaming entity or a net outflow of amounts to the customer. Accordingly, revenue recognised and reported for gaming transactions is the difference between gaming wins and losses. This is referred to as net gaming win or loss.

Bets placed by customers (cash in) and winnings paid to customers (cash out) are separately identifiable, however the VAT is levied on the net win as this is in compliance with the agreement that was made with The South African Revenue Services' (SARS). SARS allows casinos to account for VAT by applying the tax fraction over the net gaming win's and provincial gaming levies are calculated on a similar basis, hence the treatment of VAT and levies as a direct costs. These costs are included in revenue, that is disclosed separately on the face of the income statements as direct costs.

DIVIDEND DISTRIBUTIONS

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

SEGMENTAL REPORTING

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

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

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

ACCOUNTING POLICY DEVELOPMENTS

The group has evaluated the effect of all new standards, amendments and interpretations that have been issued but which are not yet effective. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the group's results and disclosures. The expected implications of applicable standards, amendments and interpretations are dealt with below.

IFRS 15 "Revenue from contracts with customers"

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

The effective date of this IFRS is 1 January 2018. Management has identified its customer loyalty programs mostly impacted, and will provide a financial

impact closer to the date of application. Besides revenue out of customer loyalty programs, management do not expect a significant change in the recognition of revenue. The following assessment was made:

This standard combines, enhances and replaces specific guidance recognising revenue within a single standard.

It identifies a new five-step model it recognises revenue from customer contracts.

The group has reviewed the main types of commercial arrangements with customers, that being customer loyalty programs and our main revenue stream being net gaming revenue.

Our initial assessment, is that we do not believe IFRS 15 will effect a change in our current revenue recognition for the majority of our Revenue being Net gaming Win's.

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

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

The effective date is 1 January 2018, and management assessed the future impact to be insignificant, based on our current IFRS 2 exposure.

IFRIC 22 "Foreign currency transactions and advance consideration"

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

The effective date is 1 January 2018, and management assessed the future impact to be insignificant, based on our current IFRIC 22 exposure.

IFRS 9 "Financial Instruments" and amendments to IFRS 9

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

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

Financial Instruments held by the group mainly include the following:

Equity instruments currently measured at fair value through other comprehensive income which will likely continue to be measured on the same basis as under IFRS9;

Loans and trade and other receivables measured at amortised costs which appear to meet the conditions of classification at amortised cost under IFRS9

Available for sale investments

Cash and cash equivalents

Derivative financial instruments

Put Option liability

Trade Payables and accruals

Deferred Income

The effective date is 1 January 2018, and management has tentatively assessed the future impact to be insignificant.

IFRS 16 "Leases"

This new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value (such as laptops and office furniture). A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion.

Management has identified the following operating leases that will be affected by IFRS 16, the effect of IFRS 16 on the balance sheet and income statement on a net basis was assessed as insignificant. The right of use asset's and lease liability's initial recognition will be based on the future lease payments to be made, hence on a net effect the balance sheet effect was assessed as insignificant, as the increase in assets and liabilities will net off. The Income Statement change would be a reduction in operating lease expense, but then an increase of depreciation and interest expense (the interest expense would have the same effect as the straight lining portion of an operating lease), hence the net effect on the Income Statement was also assessed as insignificant. A more detailed working of how the classification between the above mentioned categories in the financial statements would be effected, will be provided in the 2018 financial period.

Company	Expiration date	Option to renew to	Straight-line charge	Annual rental	Escalation rate
Sun International Management Limited	1 July 2029	Yes	25.8	18.2	7%
Wild Coast Sun	8 March 2029	No	0.1	0.1	5%
Flamingo	31 December 2019	Yes	0.2	0.1	6%
Maslow	31 December 2031	No	54.8	42.1	7%
Sun Dreams – Peru	Various	No	36.8	36.8	N/A
Sun Dreams – Colombia	Various	No	25.1	25.1	N/A

The effective date of this IFRS is 1 January 2019.

IAS 7

The Amendments to IAS 1 – Presentation of financial statements and to IAS 7 – Statement of cash flows have been implemented in these financial statements. Refer to the overall accounting policies section for further details.

IAS 12 “Income taxes”

The amendment clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendment also clarify that:

- the carrying amount of an asset does not limit the estimation of probable future taxable profits; and that
- when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The amendments are to be applied retrospectively.

The effective date is 1 January 2018, and management assessed the future impact to be insignificant.

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

for the period ended 31 December 2017

	Notes	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Revenue		518	1 093
Other income		13	–
Operational costs		(1)	–
Operating profit	1	530	1 093
Foreign exchange loss		(26)	(25)
Interest income	2	49	21
Interest expense	3	(90)	(74)
Profit before tax		463	1 015
Tax	4	(4)	8
Profit for the year		459	1 023
Other comprehensive income		–	–
Total comprehensive income for the year		459	1 023
Earnings per share (cents)			
Basic	16	421	938
Basic diluted	16	421	938

COMPANY STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

	Notes	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	6	5 876	5 867
Loans and receivables	7	176	200
Deferred tax	8	11	14
		6 063	6 081
Current assets			
Loans and receivables	7	815	820
Cash and cash equivalents		18	24
		833	844
Total assets		6 896	6 925
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity		5 946	5 487
		5 946	5 487
Non-current liabilities			
Borrowings	10	191	216
		191	216
Current liabilities			
Accounts payable and accruals	12	259	264
Loan from related party	11	499	954
Tax		1	4
		759	1 222
Total liabilities		950	1 438
Total equity and liabilities		6 896	6 925

COMPANY STATEMENTS OF CASH FLOWS

for the period ended 31 December 2017

	Notes	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Cash flows from operating activities			
Cash generated by operations	13.1	525	1 084
Tax (paid)/refunded	13.2	(4)	2
<i>Net cash inflow from operating activities</i>		521	1 086
Cash flows from investing activities			
Purchase additional investment in Sun Chile	6	(9)	–
Investment income	13.3	97	31
Other non-current & current investments and loans made	13.4	29	6
<i>Net cash inflow from investing activities</i>		117	37
Cash flows from financing activities			
Repayment of borrowings	13.5	(25)	(322)
Repayment of loan from related party	13.7	(455)	(546)
Interest paid	13.6	(138)	(84)
Dividends paid	5	–	(147)
<i>Net cash outflow from financing activities</i>		(618)	(1 099)
Effects of exchange rate changes on cash and cash equivalents		(26)	–
Net cash and cash equivalents movement for the year		(6)	24
Cash and cash equivalents at beginning of year		24	–
Cash and cash equivalents at end of year		18	24

COMPANY STATEMENTS OF CHANGES IN EQUITY

for the period ended 31 December 2017

	Note	Share ¹ capital Rm	Share ¹ premium Rm	Share based payment reserve Rm	Retained earnings Rm	Total equity Rm
Balance at 30 June 2016		8	287	242	4 074	4 611
Total comprehensive income for the year		–	–	–	1 023	1 023
Dividends paid	5	–	–	–	(147)	(147)
Balance at 31 December 2016		8	287	242	4 950	5 487
Total comprehensive income for the year		–	–	–	459	459
Dividends paid	5	–	–	–	–	–
Balance at 31 December 2017		8	287	242	5 409	5 946

¹ Refer to Note 9.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

PRINCIPAL ACCOUNTING POLICIES

The annual financial statements of the company are presented in accordance with, and comply with, International Financial Reporting Standards (IFRS) and interpretations of those standards as issued by the International Accounting Standards Board (IASB) and effective at the time of preparing these financial statements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act No 71 of 2008. The accounting policies of the company are the same as those of the group, where applicable.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the company's separate annual financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements and includes the directly attributable costs of acquiring investments.

Revenue comprises dividends received from subsidiaries.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
1. OPERATING PROFIT IS STATED AFTER THE FOLLOWING:		
Revenue:		
Dividend income	518	1 092
Guarantee fees	–	1
Other income:		
Panama insurance claim settlement	13	–
2. INTEREST INCOME		
Interest earned on loans and receivables	73	28
Interest earned on bank accounts	–	3
Imputed interest on V&A loan	(24)	(10)
	49	21
3. INTEREST EXPENSE		
Interest paid on borrowings	(114)	(84)
Imputed interest on V&A loan	24	10
	(90)	(74)
4. TAX		
Current tax – current year	–	–
– prior year	–	4
Deferred tax – current year	(3)	5
Withholding tax	(1)	(1)
	(4)	8
Standard rate of tax	28.0%	28.0%
Tax at standard rate	(130)	(284)
Adjusted for:		
Exempt income	148	307
Disallowable expenses	(21)	(18)
Prior year under provision	–	2
Withholding tax	(1)	1
Tax per statement of comprehensive income	(4)	8

Exempt income relates to dividend income.

Disallowable expenses include, inter alia, security transfer tax, non-deductible professional and legal fees, fines and penalties and expenses incurred to produce exempt income.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
5. DIVIDENDS PAID		
No dividends were paid during the current year	–	–
A final gross dividend of 135 cents per share for the year ended 30 June 2016 was declared on 19 August 2016 and paid on 19 September 2016. These dividends are subject to the 15% withholding tax, resulting in a net dividend of 114.75 cents per share.	–	(147)
	–	(147)
Given the difficult trading conditions and the need to complete strategic group initiatives, particularly Time Square, and the need to reduce debt levels, the board has decided not to declare a dividend for the period under review.		
6. INVESTMENTS IN SUBSIDIARIES		
Shares at cost		
Balance at beginning of year	5 867	5 867
Additional investment in Sun Chile	9	–
Balance at end of year	5 876	5 867
The interests of the Company in the aggregate pre tax net profits and losses of its subsidiaries amounted to R1 145 million (31 December 2016: R701 million) and R423 million (31 December 2016: R678 million) respectively and post tax net profits and losses of its subsidiaries amounted to R834 million (31 December: R451 million) and R414 million (31 December: R552 million) respectively.		
7. LOANS AND RECEIVABLES		
Loans		
Share option schemes	178	178
Preference share investments in Dinokana Investments (Pty) Ltd	105	96
Loans to subsidiaries	820	858
	1 103	1 132
Less: Impairment of loans to subsidiaries	(112)	(112)
	991	1 020
Current portion	(815)	(820)
	176	200
Loans are due over the following periods:		
Less than 1 year	815	820
1 – 2 years	–	–
2 – 3 years	–	–
3 – 4 years	–	–
4 years and onwards	176	200
	991	1 020
The weighted average interest and dividend rates were as follows:		
Share option schemes	NIB	NIB
Preference share investments in Dinokana Investments (Pty) Ltd	5.0%	4.1%
Loans to subsidiaries	7.6%	3.2%
Weighted average	6.3%	3.7%
NIB – Non interest bearing		
The carrying amounts of the loans to subsidiaries are denominated in the following currencies:		
US Dollar	267	284
Chilean Pesos	358	358
South African Rand	191	216

Other than the impaired loans, the loans are fully performing with the associated credit risk considered to be low.

The fair value of loans and receivables approximates their carrying value.

The loans and receivables are classified as level 3 financial instruments and there have been no changes or transfers between levels during the year.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
8. DEFERRED TAX		
Balance at beginning of year	(14)	(9)
Statement of comprehensive income charge for the year	3	(5)
Balance at end of year	(11)	(14)
Deferred tax arises from the following temporary differences:		
Deferred tax assets		
Fair value adjustments	(12)	(12)
Balance at beginning of year	(12)	(12)
Deferred tax liabilities		
Doubtful debts and prepayments	1	(2)
Balance at beginning of year	(2)	3
Charged to statement of comprehensive income	3	(5)
Net deferred tax asset	(11)	(14)

Included in the company's recognised deferred tax assets is an amount of R11 million (2016: R14 million), of which the utilisation depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences, and the relevant entity which the deferred tax asset arises has suffered a loss in either the current or a preceding period. This entity is expected to return to profitability in the foreseeable future.

9. SHARE CAPITAL AND PREMIUM

Authorised

200 000 000 (31 December 2016: 200 000 000) ordinary shares of no par value

16

16

Issued*

Share capital

8

8

Share premium

287

287

295

295

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

	12 months 31 December 2017		6 months 31 December 2016	
	Number of shares	Rm	Number of shares	Rm
Movement during the year				
Balance at beginning of year	109 086 988	295	109 086 988	295
Cancelled treasury shares	–	–	–	–
Statutory shares in issue at end of year	109 086 988	295	109 086 988	295

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
10. BORROWINGS		
Non current		
V&A loan	191	216
All borrowings are unsecured.		
The V&A loan has a fair value of R191 million (31 December 2016: R191 million). The fair value has been determined on a discounted cash flow basis using a discount rate of 9% (31 December 2016: 9%) and is classified as a Level 3 borrowing.		
The carrying amount of the borrowings are denominated in Rand.		
The borrowings are repayable over the following periods:		
Less than 6 months	14	12
6 months – 1 year	16	13
1 – 2 years	37	30
2 – 3 years	45	37
3 – 4 years	54	45
4 years and onwards	25	79
	191	216

The following are the contractual undiscounted maturities of financial liabilities (including principal and interest payments) presented in Rands:

	On demand or not exceeding 6 months Rm	More than 6 months but not exceeding 1 year Rm	More than 1 year but not exceeding 2 years Rm	More than 2 years but not exceeding 5 years Rm	More than 5 years Rm	Total Rm
31 December 2017						
Borrowings	22	23	49	112	25	231
Accounts payable and accruals	259	–	–	–	–	259
	281	23	49	112	25	490
31 December 2016						
Borrowings	20	21	45	161	25	272
Accounts payable and accruals	264	–	–	–	–	264
	284	21	45	161	25	536

10. BORROWINGS continued

Interest rates

Year end interest and dividend rates as follows:

	12 months 31 December 2017	6 months 31 December 2016
V&A loan	8.3%	8.3%
Weighted average	8.3%	8.3%

As at 31 December 2017, interest rates on 8% (31 December 2016: 6%) of the Company's borrowings were fixed. 100% (31 December 2016: 100%) of these fixed borrowings were for periods longer than 12 months. The interest rates other than on the V&A loan, approximate those currently available to the group in the market.

A change of 1% in interest rates at the reporting date would have (decreased)/increased profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 31 December 2016.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Increase of 1%	(7)	(13)
Decrease of 1%	7	13

A register of non current loans is available for inspection at the registered office of the Company.

The Company's borrowings are not restricted by its memorandum of incorporation.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
11. LOAN FROM RELATED PARTY		
Loan from Sun Treasury	499	954
	499	954
The loan has no fixed repayment terms.		
12. ACCOUNTS PAYABLE AND ACCRUALS		
Financial instruments		
Accrued expenses	33	31
Loan from subsidiaries	224	227
Other payables	2	6
	259	264
The fair value of accounts payable and accruals approximate their carrying value.		
13. CASH FLOW INFORMATION		
13.1 Cash generated by operations		
Operating profit	530	1 093
Working capital changes		
Accounts payable and accruals	(5)	(9)
	525	1 084
13.2 Tax (paid)/refunded		
Liability at beginning of year	(4)	(5)
Current year tax charged to statements of comprehensive income (refer to note 4)	–	–
Prior year tax charged to statements of comprehensive income (refer to note 4)	–	4
Withholding tax	(1)	(1)
(Asset)/liability at end of year	1	4
	(4)	2
13.3 Investment income		
Interest income	73	21
Imputed interest on loans receivable	24	10
	97	31
13.4 Other non current investments and loans made		
Decrease in non-current loans to subsidiaries	33	6
Decrease in current loans to subsidiaries	5	–
Increase in preference share investments	(9)	–
	29	6
13.5 Repayment of borrowings		
Decrease in non-current borrowings	(24)	(10)
Imputed interest on V&A loan	24	10
Decrease in current borrowings	(25)	(322)
	(25)	(322)
13.6 Interest paid		
Interest expense	(114)	(74)
Imputed interest on V&A loan	(24)	(10)
	(138)	(84)
13.7 Loan from related party		
Decrease in current loans from subsidiaries	(455)	(546)
14. CONTINGENT LIABILITY		
The Company has guaranteed borrowing facilities of various subsidiaries in which the Company has less than 100% shareholding. The Company has therefore effectively underwritten the minorities' share of these facilities in the amount of R3.5 billion at 31 December 2017 (31 December 2016: R1.7 billion).		

15. RELATED PARTY

The following transactions were carried out with related parties:

(i) Intercompany receivable

Emfuleni (Proprietary) Limited

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
Balance at beginning of the year	–	23
Fair value adjustment	–	(3)
Repayments during the year	–	(20)
	–	–

(ii) Loans to related parties

Loan to Sun Chile

Balance at beginning of the year	342	342
Capitalised to investment in subsidiary	–	–
Balance at end of the year	342	342

Loan to SunWest

Balance at beginning of the year	216	226
Fair value adjustment	(24)	(10)
Balance at end of the year	192	216

The loan bears interest at 9% and is repayable in May 2022.

Loan to TCN

Balance at beginning of the year	284	299
Interest for the year	11	6
Withholding taxes	(2)	(1)
Foreign exchange loss	(26)	(20)
Balance at end of the year	267	284

The loan is denominated in US dollars and bears interest at 5% and has no fixed repayment terms.

Loan to Sun Nao Casino

Balance at beginning of the year	16	16
Loans advanced	–	–
Interest for the year	–	–
Capitalised to investment in subsidiary	–	–
Foreign exchange loss	–	–
Balance at end of the year	16	16

(iii) Loans from related party

Loan from Sun Treasury

Balance at beginning of the year	954	1 500
Interest for the year	72	58
Repayments made during the year	(527)	(864)
Loans received	–	260
Balance at end of the year	499	954

The loan has no fixed repayment terms.

	12 months 31 December 2017 Rm	6 months 31 December 2016 Rm
16. RETURN TO SHAREHOLDERS		
(a) Earnings per Share (EPS)		
Profit for the year	459	1 023
Number of shares for diluted EPS calculation (m's)		
Weighted average number of shares in issue	109	109
Diluted weighted average number of shares in issue	109	109
EPS (cents)		
Basic	421	938
Diluted EPS (cents)		
Basic	421	938

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

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

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

17. SUBSEQUENT EVENTS

No material events having an effect on the financial position and results of the company have occurred between 31 December 2017 and the date of this report.

INTEREST IN PRINCIPAL SUBSIDIARIES

for the period ended 31 December 2017

	Notes	Country of incorporation	Amount of issued capital 12 months R000's	Amount of issued capital 6 months R000's
SUBSIDIARIES				
Unlisted				
Afrisun Gauteng (Pty) Ltd		South Africa	188	188
Afrisun KZN (Pty) Ltd		South Africa	133	133
Afrisun KZN Manco (Pty) Ltd		South Africa	1	1
Afrisun Leisure Investments (Pty) Ltd		South Africa	54	54
Dinokana (Pty) Ltd		South Africa	442	442
Emfuleni Resorts (Pty) Ltd	1	South Africa	85	85
Gauteng Casino Resort Manco (Pty) Ltd	2	South Africa	–	–
GPI Slots (Pty) Ltd		South Africa	2 000	2 000
Kimberley Casino Resort Manco (Pty) Ltd		South Africa	–	–
Mahogany Rose Investments 46 (Pty) Ltd		South Africa	–	–
Main Street 703 (Pty) Ltd		South Africa	–	–
Mangaung Casino Resort Manco (Pty) Ltd		South Africa	1	1
Mangaung (Pty) Ltd		South Africa	134	134
Meropa Casino Resort Manco (Pty) Ltd		South Africa	1	1
Meropa Leisure and Entertainment (Pty) Ltd		South Africa	38	38
National Casino Resort Manco Holdings (Pty) Ltd		South Africa	2	2
Ocean Club Casino Inc		Panama	–	–
Powerbet Gaming (Pty) Ltd		South Africa	–	–
Real Africa Holdings Ltd		South Africa	3 718	3 718
Royale Resorts Holdings Ltd	3	Bermuda	737	737
Sands Hotel Holdings (Namibia) (Pty) Ltd		Namibia	1	1
SFI Resorts SA	4/5	Chile	–	–
Sun Casinos Colombia	4/6	Colombia	–	–
Sun Chile SpA	5	Chile	121 041 218	121 041 218
Sun Dreams SA	5/7	Chile	212 455 147	212 455 147
Sun International Investments No. 2 Ltd		South Africa	–	–
Sun International (South Africa) Ltd		South Africa	35 261	35 261
Sun International Inc	8	Panama	1 580	1 580
Sun International Management Ltd	8	Bermuda	449	449
Sun International Vacation Club Sales (Pty) Ltd		South Africa	–	–
Sun Latam SpA	5	Chile	213 903 094	213 903 094
Sun Treasury RF (Pty) Ltd		South Africa	–	–
Sun Time Square (Pty) Ltd		South Africa	89 000	89 000
SunWest International (Pty) Ltd		South Africa	337	337
Teemane (Pty) Ltd		South Africa	28	28
Transkei Sun International Ltd		South Africa	14 495	14 495
Worcester Casino (Pty) Ltd		South Africa	3	3
Listed				
Tourist Company of Nigeria Plc	9	Nigeria	4 478	4 478
Swazispa Holdings Ltd		Swaziland	3 497	3 497

1. This includes the effective 19% holding which was sold as a part of the Emfuleni licence bid

2. This entity is in the process of being deregistered

3. Amount of share capital is stated in US\$

4. Due to the merger with Dreams, this is now a wholly owned subsidiary of Sun Dreams SA

5. Amount of share capital stated in Chilean Pesos (millions)

6. Amount of share capital stated in Colombian Pesos (millions)

8. Registered as an external company in South Africa

9. Amount of share capital stated in Nigerian Naira

* Excludes Employee Share Trusts

Interest of holding company

Effective holding*		Shares		Loan from subsidiaries		Indebtedness	
12 months %	6 months %	12 months Rm	6 months Rm	12 months Rm	6 months Rm	12 months Rm	6 months Rm
91	91	-	-	-	-	-	-
63	63	-	-	-	-	-	-
47	47	-	-	-	-	-	-
100	100	-	-	-	-	-	-
74	74	549	549	-	-	-	-
82	82	-	-	-	-	-	-
75	75	-	-	-	-	-	-
70	70	-	-	-	-	-	-
50	50	-	-	-	-	-	-
100	100	-	-	-	-	-	-
100	100	-	-	-	-	-	-
50	50	-	-	-	-	-	-
70	70	-	-	-	-	-	-
50	50	-	-	-	-	-	-
68	68	-	-	-	-	-	-
100	100	17	17	-	-	-	-
-	-	-	-	-	-	-	-
100	100	-	-	-	-	-	-
100	100	-	-	-	-	-	-
73	73	-	-	-	-	-	-
100	100	-	-	-	-	-	-
-	-	-	-	-	-	358	358
-	-	-	-	-	-	-	-
100	100	-	-	-	-	-	-
54	54	2 194	2 185	-	-	-	-
100	100	-	-	-	-	-	-
100	100	1 760	1 760	-	-	-	-
100	100	687	687	-	-	-	-
100	100	447	447	-	-	-	-
100	100	-	-	-	-	-	-
99	99	-	-	-	-	-	-
100	100	-	-	(499)	(954)	-	-
75	75	-	-	-	-	-	-
62	62	-	-	-	-	191	216
72	72	-	-	-	-	-	-
70	70	-	-	-	-	-	-
61	61	-	-	-	-	-	-
-	-	-	-	-	-	-	-
49	49	222	222	-	-	267	284
51	51	-	-	-	-	-	-
		5 876	5 867	(499)	(954)	816	858

Refer to Note 6.



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