

Report of the audit committee

I am pleased to present the report of the Sun International audit committee for the financial year ended 30 June 2016.

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

Composition, meetings and assessment

The committee met four times during the 2016 financial year and the frequency of meetings was once again adequate to deal with the various matters that have arisen during the year.

The committee's composition consists of four independent non-executive directors (Messrs Rosenthal, Bacon, Campher and Ms Bassa) who were nominated by the board and appointed by shareholders at the Sun International 2015 annual general meeting. Each of the members have the requisite financial skills and experience to contribute to the committee's deliberations. In addition, those Sun International executives, whose areas of discipline are covered by the committee are standing invitees to the committee meetings and includes: the chief executive, chief financial officer, the

director: group internal audit, the group general manager finance, the group tax manager and its external auditors. From time to time the committee may require the presence of additional members of management at committee meetings.

The committee's terms of reference prescribe that the effectiveness of the committee, its chairman and members should be assessed annually. This year the committee's evaluation assessment was

conducted internally following an external evaluation conducted in the prior year. 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 the re-election of the members of the audit committee at the upcoming 2016 annual general meeting.

Role and responsibilities

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

- perform the statutory duties as prescribed by the Companies Act;
- oversee the group's integrated reporting process and assess the disclosures made to all stakeholders, which includes the annual financial statements for the year under review;
- oversee and assess 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 30 June 2016. 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 2016 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.

External auditor appointment and independence

The committee is satisfied that the group's external auditor, PricewaterhouseCoopers Inc. ("PwC") is independent. This independence assessment included a review of 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.

The committee, in consultation with executive management, agreed to the terms of the 2016 engagement letter, the audit plan and budgeted audit fees for the year under review.

Following an assessment of the performance of PwC, the committee has nominated PwC for re-election as the group's external auditor at the 2016 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.

Governance of risk

The committee 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 pack for review.

Integrated reporting and combined assurance

The committee performs an oversight role with regard to the group's Integrated Annual Report, the reporting process and the information disclosed in the report, to ensure the reasonable accuracy and consistency of its content.

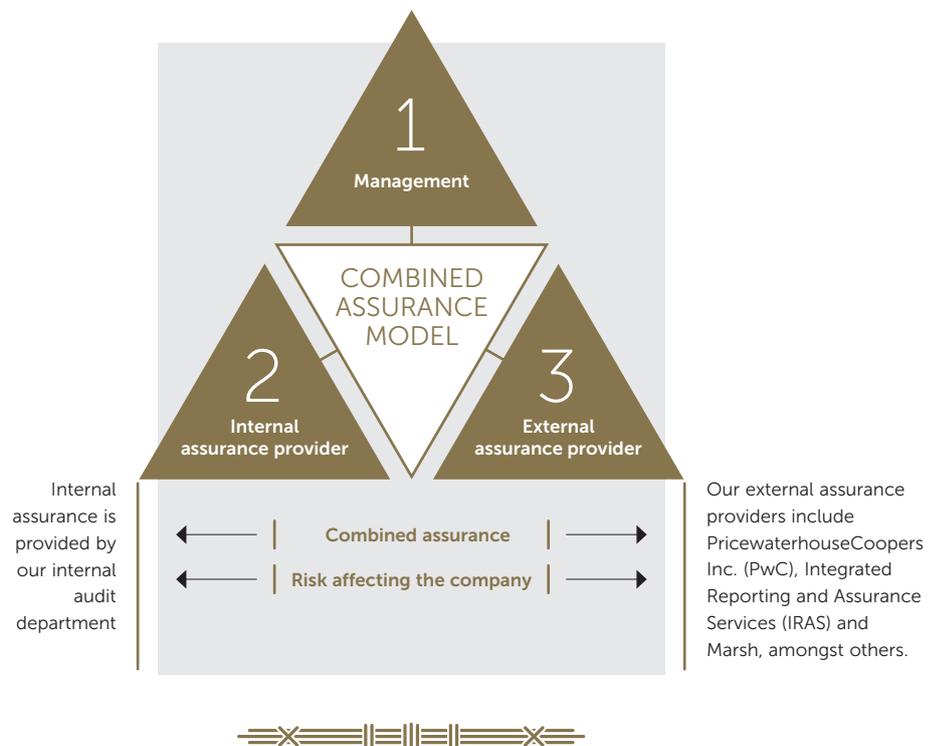
The committee has reviewed the findings of the external assurance provider, IRAS, emanating from the performance of an independent assurance exercise on the sustainability content of the Integrated Annual Report. IRAS undertakes its review by visiting the group's different properties and testing the reported information against the records of the actual operations.

The committee is satisfied with the findings of the independent assurance exercise. In addition, it has reviewed the sustainability information set out in the Integrated Annual Report and is satisfied that the sustainability information is reliable and consistent with the information contained in the annual financial statements.

The group's combined assurance model assists the group with understanding and demonstrating its combined lines of defence in mitigating against areas of risk. This 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 20 risks for the year under review.

Combined assurance model



Group internal audit

The committee is mandated to ensure that the internal audit function is independent, properly resourced and effective. The independence, resources and effectiveness of group internal audit (GIA) is assessed annually by the committee while in the prior year an independent quality assurance review as required by the Institute of Internal Auditors was conducted. A new head of GIA, Ms Catherine Nyati, was appointed, with the chairman of the audit committee having been involved in the appointment process.

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 head 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.

GIA 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 head 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 head of GIA requires the agreement of the audit committee.

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

Internal financial controls

The board of directors is responsible for the group's systems of internal financial controls. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements. The systems also safeguard, verify and maintain accountability of group assets, as well as serve 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 are effective and provide 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 AM Leeming, 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 negatively impact the going concern of the group and all entities in the group and was comfortable in recommending to the board that the group will be a going concern for the next financial period and that the going concern basis of accounting is appropriately applied.

Recommendation of the 2016 integrated annual report for approval by the board

The committee having fulfilled the oversight responsibility regarding the reporting process and having regard to material factors that may impact on the integrity of the information, has recommended the Integrated Annual Report and the consolidated annual financial statements for approval by the board of directors.



GR Rosenthal
Chairman of the audit committee

14 October 2016