



*Sun* International

**GROUP AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS**

for the year ended 31 December 2019



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# Report of the audit committee

FOR THE YEAR ENDED 31 DECEMBER 2019

I am pleased to present the report of the Sun International audit committee for the year ended 31 December 2019. 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 71 of 2008, as amended (Companies Act). The committee 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 five independent non-executive directors and meets at least three times a year as per the committee mandate and terms of reference. The Sun International chief executive, chief financial officer, director 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.

Member	Mar 2019	Aug 2019	Nov 2019	Mar 2020
	In attendance			
PD Bacon	✓	✓	✓	✓
PL Campher	✓	✓	✓	✓
EAMMG Cibie	✓	✓	✓	✓
CM Henry (Chairman)	✓	✓	✓	✓
ZP Zatu	✓	✓	✓	✓

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

The committee's terms of reference prescribe that the committee's activities and effectiveness should be assessed periodically by self-evaluation, as part of the board's review of the committee's performance and effectiveness. The last internal self-evaluation was conducted in 2018, reflecting that the committee was performing its functions effectively with limited areas for improvement. The next internal self-evaluation will take place at the end of 2020.

Following the committee's effectiveness assessment, conducted in 11 March 2020 by the nomination committee, the audit committee members 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 2020 annual general meeting.

## Role and responsibilities

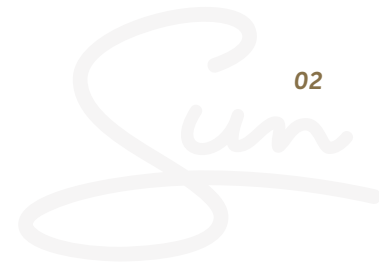
The committee has executed its responsibilities in keeping with the recommendations of the King Code of Corporate Governance™ for South Africa, 2016 (King IV™\*), the JSE Listings Requirements and the Companies Act. This is in addition to the supplementary responsibilities prescribed by our mandate and 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 the stakeholders, which includes the annual financial statements for the year under review
- consider the 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
- 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 2019. The committee recommended the audited consolidated annual financial statements to the board for approval, which the board subsequently approved, and they will be presented to shareholders at the 2020 annual general meeting.

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## Report of the audit committee continued

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The committee confirmed 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 audited consolidated annual financial statements, the internal financial controls of the group or any related matters.

At the committee meetings held during November 2019 and March 2020, the committee considered the reports of the external auditor and internal audit. It concluded that there was no reason to believe that any material breaches of financial reporting procedures occurred group-wide that warranted the attention of the board or shareholders, with the exception of the fraud that occurred in Panama as per the previous audit committee minutes.

### External auditor appointment, independence and fees

The committee is responsible for determining that the external audit firm and designated individual auditor have the necessary independence, experience, qualifications and skills, and that the audit fees and non-audit fees are reviewed and approved.

The committee is satisfied that the group's external auditor, PricewaterhouseCoopers Inc. (PwC) is independent, which review included the extent of non-audit work undertaken by PwC for the group and compliance with criteria relating to independence or conflicts of interest, as prescribed by the Independent Regulatory Board for Auditors and other international bodies. 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 audit committee determines the nature and extent of non-audit services that PwC can provide and preapproves all permitted non-audit assignments by PwC.

The committee, in consultation with executive management, agreed to the terms of the 31 December 2019 audit engagement letter, the audit plan and budgeted audit fees. Refer to note 4 in the annual financial statements disclosing audit fees and fees for non-audit services.

Following the assessment of the performance of PwC, the committee has nominated PwC for re-election as the group's external auditor at the 2020 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 advisers.

The audit committee resolved that a formal request for proposal be circulated in 2020 in respect of Sun International's audit firm rotation, with the intention that the newly appointed auditor be integrated to effectively commence their duties in the 2021 financial year end.

### Significant matters and quality of the external audit

#### THE MASLOW CURRENT YEAR IMPAIRMENT

IAS 36: Impairment of Assets requires an entity to assess, at each reporting date, whether there are any indicators that assets may be impaired. An entity is required to consider information from both external sources (such as market interest rates, significant adverse changes in the market, economic or operating environment in which the entity operates), and internal sources (such as future forecasts, restructuring or evidence of obsolescence or physical damage to assets).

After this assessment and extensive discussions with the auditors, Sun International was required to provide for an impairment charge of R163 million against the R263 million carrying value of The Maslow Sandton ("The Maslow"). The R163 million impairment was allocated against the right of use asset, which was capitalised on 1 January 2019, due to the adoption of IFRS 16: Leases, as this asset class represents the majority of the current fair value of the net asset value of The Maslow. In the prior year of assessment, The Maslow indicated a possible impairment, although this was immaterial since the net asset value of The Maslow in December 2018 was negligible. This was because IFRS16: Leases, had not been adopted and the right of use asset relating to the future lease payments, was not yet capitalised. However, due to continued underperformance during the 2019 period under review, it was prudent to recognise the impairment charge due to the higher net asset value.

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 auditor's report for a detailed description of the key audit matters.



## Report of the audit committee continued

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### LATAM ADDITIONAL GAMING TAX PROVISION

As included in the previous year's group annual financial statements, under the contingent liability note, 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 CLP6.8 billion (R155 million) have been levied by the IRS. The group assessed that it has adequate reason/evidence to obtain a favourable result, although the first judgement was unfavourable to the group.

Due to IFRIC 23: Uncertainty over Income Tax Treatments, being effective from 1 January 2019, management found it prudent to account for a provision against the abovementioned risk. On group level, a provision of R155 million and the corresponding income statement effect was accounted for. This was however not included in the adjusted head earnings calculation.

### TIME SQUARE DEFERRED TAX

As noted in the prior year, due to the Time Square only being operational for a limited period and due to its financial performance up to that point in time, management were limited in recognising the deferred tax asset only to the extent that temporary differences exist and could therefore not account for the majority of the deferred tax asset relating to assessed loss.

IAS 12.34 allows for a deferred tax asset to be recognised for an unused tax loss carry forward or unused tax credit, only if it is considered probable that there will be sufficient future taxable profit against which the loss or credit carry forward can be utilised.

During the 2019 period management successfully started restructuring the debt structure of Time Square through various initiatives that were successfully implemented. As a consequence, management could reflect the interest saving that Time Square will benefit from in the foreseeable future, the improvement in the business's profitability and hence reflect taxable income in the foreseeable future. During 2019, the business recognised a R234 million deferred tax asset relating to R835 million of the assessed loss. The total assessed loss as at 31 December 2019 was R1.5 billion with R665 million of the assessed loss deferred tax asset not yet recognised.

The recognition of the Time Square deferred tax loss improved the South African group's effective tax rate significantly to a more appropriate level of approximately 29.3%, on a normalised basis.

Refer to the independent auditor's report for a detailed description of the key audit matters.

### Governance of risk

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

### Combined assurance

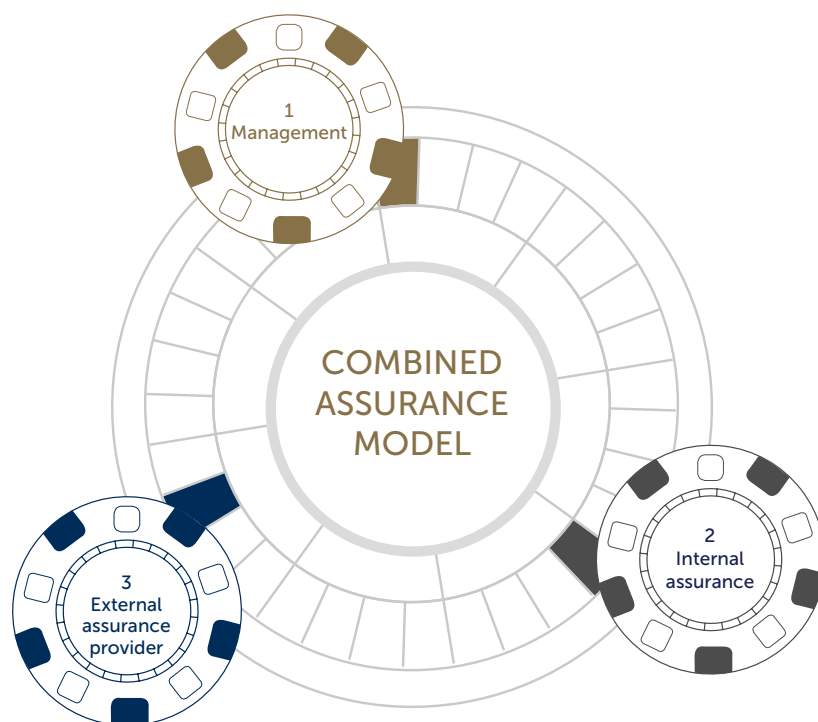
The group's combined assurance model assists the group with understanding and demonstrating its combined lines of defence in mitigating areas of risk. The group's combined assurance model is robustly evaluated by management, the risk committee and the audit committee during the year. It provides the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

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



## Report of the audit committee continued

### COMBINED ASSURANCE MODEL



Internal assurance is provided by our internal audit department

Combined assurance risk affecting the company

Our external assurance providers include PricewaterhouseCoopers Inc. (PwC), IBIS Assurance and Marsh, among others

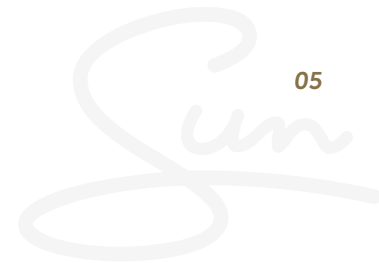
### GROUP INTERNAL AUDIT (GIA)

The committee is mandated to ensure that the internal audit function is independent, properly resourced and effective. The independence, resources and effectiveness of GIA are assessed annually by the committee. In 2015 an independent quality assurance review was conducted as required by the Institute of Internal Auditors. The next review will be conducted in 2020.

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 to render impartial and unbiased judgements 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
- reviewing and providing opinions on the effectiveness of the group's risk management processes and internal financial controls.

The director internal audit 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.



## Report of the audit committee continued

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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 director internal audit reports at audit and risk committee meetings and has unrestricted access to the chairmen of these committees, with whom she meets independently of management several times during the year. The appointment or dismissal of the director internal audit requires consensus from the audit committee. The director internal audit also attends the social and ethics committee meetings to provide feedback on audits considered relevant to the audit committee's work.

### Internal financial controls

The board of directors is responsible for the group's internal financial controls systems. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the audited consolidated annual financial statements. The systems safeguard, verify and maintain accountability of group assets, as well as detect and minimise significant fraud, potential liability, loss and material misstatement while complying with the applicable laws and regulations. The board 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 audited consolidated 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 subject to GIA reviews. Assessments of the IT 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 mitigating 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 group's going concern 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 responsibilities, has recommended the audited consolidated annual financial statements for the year ended 31 December 2019 for approval by the board of directors.

A handwritten signature in dark ink, appearing to read "CM Henry", is located below the text of the report.

**CM HENRY**

*Chairman*

16 March 2020



## Company secretary's certificate

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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, 71 of 2008, as amended, in respect of the financial year ended 31 December 2019 and that all such returns are true, correct and up to date.

A handwritten signature in black ink, appearing to be "AG Johnston", written in a cursive style.

**AG JOHNSTON**  
*Company secretary*  
16 March 2020





## Value added statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	31 December 2019 Rm	*Restated 31 December 2018 Rm
Revenue	17 232	16 614
Income from investments	17	77
Paid to suppliers for materials and services	(5 579)	(5 762)
<b>TOTAL WEALTH CREATED</b>	<b>11 670</b>	<b>10 929</b>
Distributed as follows:		
<b>EMPLOYEES</b>	<b>3 354</b>	<b>3 006</b>
Benefits and remuneration	3 354	3 006
<b>GOVERNMENT</b>	<b>4 671</b>	<b>4 464</b>
Income tax paid	625	711
PAYE	354	351
Levies and VAT on casino revenue	3 537	3 396
Other taxes	155	6
<b>PROVIDERS OF CAPITAL</b>	<b>2 755</b>	<b>4 283</b>
Finance expense	1 176	1 255
Repayment of capital	1 579	3 028
<b>RETAINED FOR GROWTH</b>	<b>1 033</b>	<b>1 526</b>
Depreciation and Amortisation	1 669	1 650
Profit for the year attributable to shareholders of the company	(636)	(124)
	<b>11 813</b>	<b>13 279</b>

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.



# 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 2019, 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 17 to 121 comprise:

- the group and company statements of financial position as at 31 December 2019;
- 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;
- the notes to the financial statements;
- the accounting policies and accounting policy developments.

### 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

### OUR AUDIT APPROACH

#### Overview



#### OVERALL GROUP MATERIALITY

- R120.6 million, which represents 0.7% of consolidated income (comprising net gaming wins and revenue).

#### Group audit scope

- We performed audit procedures over 26 reporting components out of 62 components in total within the Group. The most significant operations are located in South Africa and Latin America.
- The main indicators used to identify significant components are total consolidated revenue and total consolidated assets.
- The Group engagement team visited the component team responsible for the Sun Dreams consolidation.

#### KEY AUDIT MATTERS

- Impairment of non-financial assets.



## Independent auditor's report continued

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.

<i>Overall group materiality</i>	R120.6 million
<i>How we determined it</i>	0.7% of consolidated income (comprising net gaming wins and revenue)
<i>Rationale for the materiality benchmark applied</i>	<p>We selected consolidated income as our materiality benchmark because, in our view, it reflects the operations of the Group and it is a benchmark against which the performance and growth of the Group can be consistently measured in circumstances of volatile year-on-year earnings attributable to fluctuations in interest and impairment charges.</p> <p>We chose 0.7% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply and taking into account the level of debt in relation to the ratio of funding through equity, along with other qualitative considerations.</p>

### How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. This scoping included consideration of financially significant components, risk characteristics 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 component levels included the appropriate skills and competencies, experts in valuations, IT, actuarial, and specialists in 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 62 components. An analysis was performed, taking into account total income and total assets of individual components, in order to determine the group audit scope. Out of the 26 reporting components identified, which comprise the Group's significant operating businesses and centralised functions, 23 were subject to a full scope audit, with an audit of account balances being performed on the 3 remaining reporting components. In addition, analytical procedures were performed on the remaining components not identified as reporting components. The Group engagement team also performed audit and analytical 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 components in order to be satisfied that sufficient and appropriate audit evidence has been obtained at appropriate levels within the Group in order to express an opinion on the consolidated financial statements. 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 between the Sun International group engagement team and component auditors. A comprehensive audit approach and strategy session was held for significant component teams before commencing the audit of their respective components. In addition, various calls and discussions throughout the planning, execution and completion phases of the audit 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.



## Independent auditor's report continued

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters with regard to the audit of the separate financial statements of the Company for the current period to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>IMPAIRMENT OF NON-FINANCIAL ASSETS</b></p> <p>The Group owns casinos and hotels within individual cash generating units ("CGUs") across various territories. The attributable property, plant and equipment and intangible assets amount to R16.9 billion and R2.7 billion, respectively. Due to the business combinations that the Group has entered into in the prior year, included in intangible assets are goodwill and indefinite useful life intangible assets amounting to R1 billion and R233 million, respectively, which are allocated to the CGUs as indicated in note 12 to the consolidated financial statements.</p> <p>An impairment assessment 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 however 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 respective CGU's value in use. The value-in-use is determined by using the discounted cash flow valuation model.</p> <p>Refer to the critical accounting estimates and assumptions section and note 11 to the consolidated financial statements where the impairment of non-financial assets has 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"> <li>■ The significant judgments made by management regarding the discount rates, the terminal growth rates and forecast cash flows included in the analysis used to perform the impairment assessment;</li> <li>■ The magnitude of these balances to the Group;</li> <li>■ The sensitivity in the headroom remaining between the value-in-use and the carrying value for Sun City in the North West; and</li> <li>■ The magnitude of the impairment recognised during the year ended 31 December 2019, which included an impairment charge of R163 million recognised against property, plant and equipment relating to the investment in The Maslow in Sandton.</li> </ul> <p>Refer to note 11 to the consolidated financial statements where the sensitivity and impairment losses have been discussed.</p>	<p>We assessed whether there were any impairment indicators for all non-financial assets by considering the following:</p> <ul style="list-style-type: none"> <li>■ Actual to budgeted performance;</li> <li>■ Return on assets ratio;</li> <li>■ Entities that are in a loss-making position; and</li> <li>■ 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.</li> </ul> <p>Where impairment assessments were performed, we utilised our valuation expertise to test the reasonableness of management's assumptions by performing the following:</p> <ul style="list-style-type: none"> <li>■ Independently calculating the discount rates, taking into account independent data such as the cost of debt, risk-free rates in the market, market risk premiums, the beta of comparable companies, debt/equity ratios, as well as the impact of economies and industry factors within the different countries in which each of the CGUs are located (i.e. country risk premiums). We accepted the discount rates used by management as falling within reasonable ranges;</li> <li>■ Comparing the terminal growth rates to long-term growth rates obtained from independent sources. The year-on-year growth rates were compared to various industry outlooks. The growth rates used by management were accepted as falling within reasonable ranges.</li> </ul> <p>We agreed the forecast cash flows included in the valuation to underlying documentation such as approved budgets for the individual CGUs. We also held discussions with management to understand the basis for the assumptions used.</p> <p>In respect of the budgeting process, we compared the current year actual financial results to the budgeted financial results for the year ended 31 December 2019. We obtained evidence where variances were noted. We accepted the budgeting inputs (such as revenue, EBITDA, capital expenditure, working capital movements) used by management.</p> <p>We tested the mathematical accuracy of the discounted cash flow model and its compliance with market practice and the applicable requirements of International Accounting Standard (IAS) 36: Impairment of Assets. We did not note any aspect which required further consideration.</p> <p>We performed sensitivity analyses to assess the maximum decline that would result in no headroom remaining between the value-in-use and the carrying value. We compared our results to management's sensitivity analyses for purposes of identifying CGUs that are considered to be sensitive or for which the recording of an impairment charge was required. We accepted the impairment charge recorded by management for The Maslow, and noted that Sun City's impairment determination is sensitive to changes in the key assumptions.</p> <p>For The Maslow, we assessed the fair value less costs to sell ("FVLCTS") assumptions applied by management as required by IAS 36 and recalculated the value of the impairment based on the higher of the FVLCTS and the value-in-use. No material differences were noted.</p>



## Independent auditor's report continued

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### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sun International Group Audited Consolidated Financial Statements for the year ended 31 December 2019" and the document titled "Sun International 2019 Integrated Annual Report", which includes the Directors' Report, the Report of the Audit Committee and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the 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.



## Independent Auditor's Report continued

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- 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 36 years.

*PricewaterhouseCoopers Inc.*

**PRICEWATERHOUSECOOPERS INC.**

**DIRECTOR: JOHAN POTGIETER**

*Registered Auditor*

Johannesburg

16 March 2020



# Directors' report

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FOR THE YEAR ENDED 31 DECEMBER 2019

## 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 2019. Kindly take note that the period covered by this directors' report is from 1 January 2019 to 31 December 2019.

### Nature of business

The Sun International group has interests in, and provides management services to businesses in the hotel, resort, casino and gambling industry. There has not been any material changes in the nature of the group's businesses from the prior year save for the transactions as detailed in the summarised consolidated audited financial statements released on SENS on 31 March 2020.

### Financial results

Particulars of the Sun International group's attributable earnings and earnings per share for the year ended 31 December 2019 are included in the statement of comprehensive income, while particulars of the Sun International group headline earnings per share (HEPS) for the year ended 31 December 2019 are provided 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 did not declare an interim or final dividend during the year ended 31 December 2019.

### Associate companies and other investments

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

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

Commentary on the nature of business of the company, and its subsidiaries, acquisitions, future developments and prospects of the group are addressed in the summarised consolidated audited financial statements of the Sun International group, which were released on SENS on 16 March 2020.

### Share plans

Full particulars relating to awards and grants made under the various Sun International share plans are provided in note 21 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 136 730 964 (2018: 109 086 988) ordinary shares. The company has an authorised share capital of 200 000 000 (2018: 200 000 000) ordinary shares.

Further details regarding the authorised and issued share capital appear as note 21 to the group's financial statements.

### Directorate

#### APPOINTMENTS

During the period under review, Mr TR Ngara was appointed as an alternate director to Mr S Sithole on the company's board on 16 September 2019.

#### RESIGNATION

There were no resignations of directors of Sun International during the year under review.



## Directors' report continued

### RETIREMENTS

On 14 May 2019, Mr MV Moosa retired as a non-executive director from the board of Sun International and was succeeded by Mr JA Mabuza as the new Chairman of Sun International.

In addition thereto and in accordance with articles 25.5, 25.6.1 and 25.17 of the company's memorandum of incorporation, Messrs PD Bacon, PL Campher, VP Khanyile, JA Mabuza and S Sithole, as well as Dr NN Gwagwa and Ms ZP Zatu retired from the board at the annual general meeting held on 14 May 2019, but being eligible for election/re-election, were duly elected/re-elected to the company's board.

In terms of the Company's memorandum of incorporation, Messrs PD Bacon, PL Campher, EAMMG Cibie and TR Ngara, as well as Dr NN Gwagwa and Ms 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 12 May 2020 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 31 March 2020 and which can be located on the company's website at <http://www.suninternational.com/investors>.

### Secretary

The secretary's business and postal addresses appear in the annual statutory report posted to shareholders on or about 31 March 2020 and which can be located on the company's website at <http://www.suninternational.com/investors>.

### Directors' interests

At 31 December 2019, the directors of the company held interests in 23 749 739 of the company's issued ordinary shares (31 December 2018: 19 933 167). Details of shares held per individual director and which includes restricted shares held through the various share schemes are listed below.

	Ordinary shares direct beneficial		Ordinary shares indirect beneficial
	Unrestricted	Restricted	Unrestricted
<b>31 December 2019</b>			
N Basthdaw	50 251	7 682	–
NN Gwagwa	–	–	88 019
AM Leeming	189 881	17 652	–
JA Mabuza	12 660	–	–
MV Moosa*	–	–	179 669
S Sithole (alt. TR Ngara)	–	–	23 203 925
<b>TOTAL</b>	<b>252 792</b>	<b>25 334</b>	<b>23 471 613</b>
<b>31 December 2018</b>			
N Basthdaw	29 173	28 760	–
NN Gwagwa	–	–	88 019
AM Leeming	179 692	35 791	–
JA Mabuza	12 660	–	–
DR Mokhobo^	64 900	12 841	–
MV Moosa	–	–	179 669
S Sithole	–	–	19 301 662
<b>TOTAL</b>	<b>286 425</b>	<b>77 392</b>	<b>19 569 350</b>

\* Retired as a non-executive director on 14 May 2019.

^ Resigned as an executive director on 5 September 2018.

On 31 December 2019, VCP acquired 66 476 Sun International ordinary shares, which only reflected in the register in January 2020. Save for this change, there were no other changes between the end of the financial year and date of approval of the annual financial statements.





## Directors' report continued

### Public and non-public shareholders (as at 31 December 2019)

Ordinary shares	Number of shareholders	%	Number of shares	%
<b>NON-PUBLIC SHAREHOLDERS</b>	<b>15</b>	<b>0.47</b>	<b>34 026 284</b>	<b>24.89</b>
Directors and associates of the company	6	0.19	23 749 739	17.37
Sun International Employee Share Trust and Plans*	8	0.25	3 556 786	2.60
Dinokana investments**	1	0.03	6 719 759	4.92
<b>PUBLIC SHAREHOLDERS</b>	<b>3 189</b>	<b>99.53</b>	<b>102 704 680</b>	<b>75.11</b>
<b>TOTALS</b>	<b>3 204</b>	<b>100.00</b>	<b>136 730 964</b>	<b>100.00</b>

\* 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 2019 were the following:

	Number of shares	%
Allan Gray	15 240 061	11.15
Value Capital Partners	14 690 674	10.74
PSG Konsult	14 025 957	10.26
Alexander Forbes Investments	7 825 663	5.72
Old Mutual	7 363 951	5.39

### Special resolutions

The company passed seventeen 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; and
- approving the provision of financial assistance to employee share scheme beneficiaries and related or inter-related companies and corporations.

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 King IV. The board has satisfied itself that throughout the period under review, Sun International has complied in all material aspects with King IV 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/>

### Directors' emoluments

The individual directors' emoluments paid in respect of the financial period under review are contained in the audited financial statements in note 27.

### 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.



## Directors' report continued

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### Borrowing powers and restrictive funding arrangements

In terms of its memorandum of incorporation, Sun International has unlimited borrowing powers. At 31 December 2019, unutilised borrowing facilities amounted to R1,198 billion (31 December 2018: R1,381 billion).

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 2019 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 2020 and signed by:

For: Sun International Limited

**Mr JA MABUZA**

*Chairman*

16 March 2020

**AM LEEMING**

*Chief executive*

**N BASTHDAW**

*Chief financial officer*



# Group statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>CONTINUING OPERATIONS</b>			
Net gaming wins	1	13 777	13 263
Revenue	1	3 455	3 351
<b>INCOME</b>	1	<b>17 232</b>	<b>16 614</b>
Consumables and services		(1 673)	(1 701)
Depreciation	11	(1 404)	(1 447)
Amortisation	12	(265)	(305)
Employee costs	2	(3 601)	(3 240)
Impairment of property, plant and equipment	11	(171)	(306)
Impairment of intangible assets	12	(1)	–
Levies and VAT on casino revenue		(3 537)	(3 396)
LPM <sup>^</sup> site owners commission		(377)	(327)
Promotional and marketing costs		(977)	(1 027)
Property and equipment rentals	3	(66)	(215)
Property costs		(891)	(835)
Net gains on financial assets**	17	28	58
Other operational costs		(1 597)	(1 612)
<b>OPERATING PROFIT</b>		<b>2 700</b>	<b>2 261</b>
Foreign exchange (losses)/gains		(19)	22
Net monetary gain (hyperinflation)		14	15
Finance income	5	17	77
Finance expense	6	(1 176)	(1 255)
Fair value adjustment to put liability	15	44	(27)
Share of profit of investments accounted for using the equity method	13	3	8
<b>PROFIT BEFORE TAX</b>		<b>1 583</b>	<b>1 101</b>
Tax	8	(526)	(545)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>1 057</b>	<b>556</b>
Loss for the year from discontinued operations	20	(3)	(203)
<b>PROFIT FOR THE YEAR</b>		<b>1 054</b>	<b>353</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post employment benefit obligations	16	282	(20)
Tax on remeasurements of post employment benefit obligations	8	(79)	6
<i>Items that may be reclassified to profit or loss</i>			
Net (loss)/profit on cash flow hedges		(18)	26
Foreign currency translation reserve		(351)	195
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>888</b>	<b>560</b>

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets and Liabilities Held for Sale from Discontinued Operations. Refer to note 20.

<sup>^</sup> LPM – Limited pay-out machines.

\*\* The prior year information has been restated to reflect the net gains in financial assets as a separately disclosed item, which was previously disclosed as other operational costs.



## Group statement of comprehensive income continued

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>			
Minorities		401	358
Ordinary shareholders		653	(5)
		<b>1 054</b>	<b>353</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>			
Minorities		258	434
Ordinary shareholders		630	126
		<b>888</b>	<b>560</b>
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ARISES FROM:</b>			
Continuing operations		636	254
Discontinued operations	20	(3)	(128)
		<b>630</b>	<b>126</b>
<b>BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE (CENTS)</b>			
Basic and diluted	9	518	(6)
Continuing operations	9	520	104
Discontinued operations	9	(2)	(110)

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.



# Group statement of financial position

AS AT 31 DECEMBER 2019

	Notes	31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	16 884	17 155
Intangible assets	12	2 698	3 133
Equity-accounted investments	13	51	27
Derivatives financial instruments	14	4	–
Pension fund asset	16	303	33
Deferred tax	8	530	250
Trade and other receivables	17	289	278
		20 759	20 876
<b>CURRENT ASSETS</b>			
Inventory	18	166	171
Trade and other receivables	17	1 113	1 438
Derivative financial instruments	14	–	–
Cash and cash equivalents	19	775	952
		2 054	2 561
<b>ASSETS HELD FOR SALE</b>	20	811	859
<b>TOTAL ASSETS</b>		23 624	24 296
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Ordinary shareholders' equity before put option reserve		3 907	3 764
Put option reserve		(1 286)	(1 286)
Ordinary shareholders' equity	21	2 621	2 478
Minorities' interests		1 614	1 808
		4 235	4 286
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	8	367	445
Borrowings	22	11 620	10 551
Put option liability	15	1 288	1 330
Contract liabilities and other liabilities	23	697	1 049
		13 972	13 375
<b>CURRENT LIABILITIES</b>			
Borrowings	22	2 786	4 132
Trade payables and accruals	24	2 437	2 334
Derivative financial instruments	14	–	8
Contract liabilities and other liabilities	23	172	120
		5 395	6 594
<b>LIABILITIES HELD FOR SALE</b>	20	22	41
<b>TOTAL LIABILITIES</b>		19 389	20 010
<b>TOTAL EQUITY AND LIABILITIES</b>		23 624	24 296

\* The prior year comparative financial information was restated to reflect:

- The operations of Swaziland as continued operations, the published prior year results included Swaziland as held for sale operations as required by IFRS 5: Non Current Assets and Liabilities Held for Sale from Discontinued Operations. Refer to note 20.
- Refer to note 10 for the adjustments relating to the final Mendoza PPA.



# Group statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated by operations before:	25.1	4 379	4 278
Vacation Club timeshare sales		112	145
Tax paid	25.2	(625)	(711)
<i>Net cash inflow from operating activities</i>		<b>3 866</b>	3 712
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	11	(1 105)	(880)
Disposal of property, plant and equipment		15	123
Purchase of intangible assets	12	(75)	(171)
Acquisition of subsidiaries, net of cash acquired	10	–	(586)
Investment income received		17	77
Disposal of shareholding in subsidiaries	10	12	–
<i>Net cash outflow from investing activities</i>		<b>(1 136)</b>	(1 437)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash paid for purchase of treasury shares	21	(1)	(7)
Decrease/(increase) in loan to non-controlling interest	21	272	(673)
Mendoza PPA contingency payment	10	(42)	–
Purchase of additional non-controlling shareholding in subsidiaries	10	(576)	(678)
Interest on purchase price of additional non-controlling shareholding in subsidiaries		(17)	–
Movement in other non-current liabilities	23	–	47
Capital raised through a rights issue	21	–	1 598
Repayment of lease liabilities	22	(162)	–
Additional borrowings	25.4	593	2 428
Repayment of borrowings	25.4	(1 552)	(3 028)
Interest paid	25.3	(1 055)	(1 258)
Dividends paid	9	(373)	(417)
<i>Net cash outflow from financing activities</i>		<b>(2 913)</b>	(1 988)
Effects of exchange rate changes on cash and cash equivalents		(10)	(14)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(193)</b>	273
Cash and cash equivalents at beginning of the year		982	709
Cash held by discontinued operations	20	(14)	(30)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR<sup>^</sup></b>		<b>775</b>	952
Cash flows from discontinued operations	20	(11)	(12)

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.

<sup>^</sup> Refer to note 19.



## Group statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital and premium Rm	Treasury shares and share options Rm	Foreign currency translation reserve Rm	Share based payment reserve Rm	Reserve for non-controlling interests* Rm	Hedging and other reserve Rm	Retained earnings Rm	Ordinary share-holders' equity before put option reserve Rm	Put option reserve Rm	Ordinary share-holders' equity Rm	Minorities' interests Rm	Total equity Rm
<b>BALANCE AT 31 DECEMBER 2017</b>		295	(424)	126	89	(2 386)	5	4 353	2 058	(4 651)	(2 593)	2 899	306
IFRS 9 adjustment		-	-	-	-	-	-	25	25	-	25	-	25
<b>BALANCE AT 1 JANUARY 2018<sup>^</sup></b>		295	(424)	126	89	(2 386)	5	4 378	2 083	(4 651)	(2 568)	2 899	331
(Loss)/profit for the period		-	-	-	-	-	-	(7)	(7)	-	(7)	358	351
Other comprehensive income		-	-	119	-	-	12	-	131	-	131	131	207
Total comprehensive income for the year		-	-	119	-	-	12	(7)	124	-	124	434	558
Treasury shares purchased		-	(7)	-	-	-	-	-	(7)	-	(7)	-	(7)
Employee share schemes		-	-	-	34	-	-	-	34	-	34	-	34
Reclassification of share option reserve		-	37	-	(38)	-	-	1	-	-	-	-	-
Acquisition of minorities' interests <sup>^</sup>		-	-	(134)	-	(117)	-	183	(68)	3 365	3 297	(575)	2 722
Rights issue		1 598	-	-	-	-	-	-	1 598	-	1 598	-	1 598
Capitalisation of loan to minorities interest <sup>#</sup>		-	-	-	-	-	-	-	-	-	-	(533)	(533)
Dividends paid		-	-	-	-	-	-	-	-	-	-	(417)	(417)
<b>BALANCE AT 31 DECEMBER 2018</b>		1 893	(394)	111	85	(2 503)	17	4 555	3 764	(1 286)	2 478	1 808	4 286
Total comprehensive income for the year		-	-	(200)	-	-	177	653	630	-	630	258	888
Treasury shares purchased	22	-	(1)	-	-	-	-	-	(1)	-	(1)	-	(1)
Employee share schemes		-	-	-	18	-	-	-	18	-	18	-	18
Reclassification of share option reserve		-	43	-	(43)	-	-	-	-	-	-	-	-
Acquisition of minorities' interests <sup>^</sup>	10	-	-	-	-	(489)	-	-	(489)	-	(489)	(104)	(593)
Disposal of equity interest	10	-	-	-	-	(15)	-	-	(15)	-	(15)	26	11
Dividends paid		-	-	-	-	-	-	-	-	-	-	(374)	(374)
<b>BALANCE AT 31 DECEMBER 2019</b>		1 893	(352)	(89)	60	(3 007)	194	5 208	3 907	(1 286)	2 621	1 614	4 235

\* 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, where there is no change in control.

<sup>^</sup> Refer to note 10.



# Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 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 2019 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 financial statements were adjusted for the effects of inflation where entities operate in hyperinflationary economies. As the Argentinian economies have been considered to be hyperinflationary, the results, cash flows and financial position of the group's subsidiaries in Argentina have been expressed in terms of the measuring unit current at the reporting date. The methods used to measure fair value and the adjustments made to account for the group's entities that operate in hyperinflationary economies are discussed further in the accounting policies and in the respective notes. 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.

These financial statements were prepared under the supervision of the group chief financial officer – Mr Norman Basthdaw.

## 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 significant changes include the following:

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

## 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 their useful lives 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 reassessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The group has not made any material adjustments to the useful lives and residual values, with the exception of Sun Time Square. Management assessed the residual value in Sun Time Square and revalued the residual value related to its super structure to R1.8 billion from the prior year's R400 million. The recalculation of the residual value was due to reassessment of the valuation of Sun time Square due to the completion of the development in the prior year. This revaluation resulted in a decrease of R30 million relating to depreciation of freehold buildings of Sun Time Square compared to the prior year.

### Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.





## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### Determining the incremental borrowing rate

The incremental borrowing rate used is the rate the individual lessee would have paid to borrow funds necessary to obtain an asset of similar value to the right of use asset in a similar economic, environment with similar terms, security and conditions. Refer to note 22.

### Impairment of non financial assets

Property, plant and equipment and intangible assets other than goodwill 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 CGUs to which the assets have been allocated 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. Impairments recognised are allocated first to goodwill and on a pro rata basis to intangible assets and property, plant and equipment.

Refer to notes 11 and 12.

### Estimated impairment of goodwill

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

### CRITICAL ACCOUNTING JUDGEMENTS:

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.

### 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 (Federal Palace) 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.

### Equity accounting of an entity where the percentage ownership is more than 50%

Management has applied judgement to conclude that the group does not control the newly incorporated Sun Dreams Colombia S.A.S. entity, although the group currently holds a 60% equity stake, the 40% equity holder has broad attributions in the decision making of the company, as well as manages the day to day operations. Sun International only has a significant influence over this operation as decisions are made by the minority shareholder. This resulted in the Colombian entity being accounted for in terms of equity accounting as per IAS 28 from 1 September 2019.

### 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 2019		12 months 31 December 2018	
	Average rate	Closing rate	Average rate	Closing rate
US dollar (USD)	14.48	14.12	13.25	14.43
Chillian peso (CLP)	48.84	52.73	48.53	48.21
Nigerian naira (NGN)	21.16	21.70	23.07	21.24



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. Segmental income analysis

	NET GAMING WINS								Revenue from contracts with customers									
	Total net gaming wins		Tables		Slots		Alternative gaming income		Total revenue		Rooms		Food and beverage		Other		Total income	
	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm
<b>SOUTH AFRICAN OPERATIONS</b>	<b>9 115</b>	8 878	<b>1 467</b>	1 457	<b>6 198</b>	6 182	<b>1 450</b>	1 239	<b>2 905</b>	2 925	<b>971</b>	990	<b>915</b>	903	<b>1 019</b>	1 032	<b>12 020</b>	11 803
GrandWest	2 047	2 121	333	347	1 714	1 774	–	–	97	93	3	2	60	62	34	29	2 144	2 214
Sun City	505	512	109	113	396	399	–	–	1 099	1 160	463	495	363	363	273	302	1 604	1 672
Sibaya	1 290	1 199	328	292	962	907	–	–	78	90	15	18	56	65	7	7	1 368	1 289
Time Square	1 247	1 096	354	314	893	782	–	–	185	151	37	25	103	96	45	30	1 432	1 247
Carnival City	865	891	147	163	718	728	–	–	93	70	11	5	55	46	27	19	958	961
Boardwalk	435	439	50	52	385	387	–	–	92	93	34	38	46	41	12	14	527	532
Wild Coast Sun	379	387	55	68	324	319	–	–	95	111	38	39	40	40	17	32	474	498
Carousel	79	144	2	11	77	133	–	–	16	19	1	5	–	–	15	14	96	163
Meropa	274	271	33	32	241	239	–	–	36	37	9	10	26	26	1	1	310	308
Table Bay	–	–	–	–	–	–	–	–	353	341	274	263	71	70	8	8	353	341
Windmill	236	260	35	45	201	215	–	–	14	13	–	–	13	13	1	–	250	273
Sun Slots	1 310	1 162	–	–	–	–	1 310	1 162	–	–	–	–	–	–	–	–	1 310	1 162
Flamingo	141	150	12	12	129	138	–	–	13	15	–	–	13	13	–	2	154	165
Golden Valley	150	152	9	8	141	144	–	–	20	18	7	5	12	11	1	2	170	170
SunBet	140	77	–	–	–	–	140	77	–	–	–	–	–	–	–	–	140	77
The Maslow	–	–	–	–	–	–	–	–	133	142	77	84	55	54	1	4	133	142
Other operating segments	17	17	–	–	17	17	–	–	3	4	2	1	2	3	(1)	–	20	21
Management and corporate office	–	–	–	–	–	–	–	–	577	568	–	–	–	–	577	568	577	568
<b>SWAZILAND OPERATIONS*</b>	<b>71</b>	64	<b>18</b>	16	<b>53</b>	48	–	–	<b>122</b>	130	<b>52</b>	59	<b>62</b>	64	<b>8</b>	7	<b>193</b>	194
<b>NIGERIAN OPERATIONS – FEDERAL PALACE</b>	<b>59</b>	60	<b>12</b>	11	<b>47</b>	49	–	–	<b>103</b>	88	<b>53</b>	47	<b>51</b>	41	<b>(1)</b>	–	<b>162</b>	148
<b>LATAM OPERATIONS</b>	<b>4 532</b>	4 261	<b>883</b>	798	<b>3 649</b>	3 463	–	–	<b>864</b>	757	<b>392</b>	292	<b>447</b>	450	<b>25</b>	15	<b>5 396</b>	5 018
Monticello	1 736	1 692	505	489	1 231	1 203	–	–	240	212	20	8	210	199	10	5	1 976	1 904
Dreams SCJ licences	1 229	1 227	84	84	1 145	1 143	–	–	331	354	147	159	182	193	2	2	1 560	1 581
Dreams Municipal licences	716	739	73	74	643	665	–	–	78	84	24	27	50	53	4	4	794	823
<b>CHILE TOTAL</b>	<b>3 681</b>	3 658	<b>662</b>	647	<b>3 019</b>	3 011	–	–	<b>649</b>	650	<b>191</b>	194	<b>442</b>	445	<b>16</b>	11	<b>4 330</b>	4 308
Dreams Peru excluding ThunderBird	301	287	95	85	206	202	–	–	1	1	–	–	–	–	1	1	302	288
ThunderBird Peru	293	189	93	56	200	133	–	–	6	5	–	–	5	5	1	–	299	194
Mendoza	257	127	33	10	224	117	–	–	208	101	201	98	–	–	7	3	465	228
<b>INTERCOMPANY MANAGEMENT FEES</b>	<b>–</b>	–	<b>–</b>	–	<b>–</b>	–	<b>–</b>	–	<b>(539)</b>	(549)	<b>–</b>	–	<b>–</b>	–	<b>(539)</b>	(549)	<b>(539)</b>	(549)
<b>TOTAL</b>	<b>13 777</b>	13 263	<b>2 380</b>	2 282	<b>9 947</b>	9 742	<b>1 450</b>	1 239	<b>3 455</b>	3 351	<b>1 468</b>	1 388	<b>1 475</b>	1 458	<b>512</b>	505	<b>17 232</b>	16 614

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets and Liabilities Held for Sale from Discontinued Operations. Refer to note 20.

#### Income streams are reported on separately as below:

Income outside the scope of IFRS 15:

- Tables and slots: income from casino gambling operations.
- Alternative gaming Income: income from Sun Slots and Sun Bet

IFRS 15: revenue from contracts with customers:

- Food and beverage: revenue from bars, restaurant and conferencing operations.
- Rooms: revenue from hotel rooms operations.
- Other: revenue from entertainment, conferencing, Vacation Club and other.



# Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1. Segmental income analysis continued

	Adjusted EBITDAR <sup>^</sup>		Depreciation and amortisation		Adjusted operating profit		Adjusted tax	
	31 Dec 2019 Rm	31 Dec* 2018 Rm	31 Dec 2019 Rm	31 Dec* 2018 Rm	31 Dec 2019 Rm	31 Dec* 2018 Rm	31 Dec 2019 Rm	31 Dec* 2018 Rm
<b>SOUTH AFRICAN OPERATIONS</b>	<b>3 303</b>	3 143	<b>1 012</b>	1 060	<b>2 222</b>	1 925	<b>183</b>	381
GrandWest	831	874	117	141	710	727	201	202
Sun City	152	222	203	213	(57)	(8)	(70)	(56)
Sibaya	496	435	63	70	430	360	118	99
Time Square	452	318	218	236	227	69	(234)	1
Carnival City	236	234	65	68	167	163	30	21
Boardwalk	85	99	58	72	24	23	(8)	(6)
Wild Coast	84	98	48	48	35	47	4	7
Carousel	(19)	(15)	12	18	(31)	(33)	(6)	(3)
Meropa	102	95	20	20	81	74	24	22
Table Bay	115	110	17	19	63	59	–	–
Windmill	85	98	21	20	61	75	15	19
Sun Slots	336	296	82	65	252	222	70	64
Flamingo	35	42	17	14	17	26	3	5
Golden Valley	33	33	13	15	18	17	5	1
SunBet	44	8	3	2	40	6	11	(12)
The Maslow	(9)	8	27	12	(36)	(47)	(36)	(15)
Other operating segments	(2)	(1)	1	2	(3)	(6)	–	(2)
Management and corporate office	247	189	30	25	224	150	57	34
<b>SWAZILAND OPERATIONS</b>	<b>1</b>	2	<b>7</b>	7	<b>(6)</b>	(6)	<b>(1)</b>	(1)
<b>NIGERIAN OPERATIONS – FEDERAL PALACE</b>	<b>12</b>	9	<b>26</b>	25	<b>(14)</b>	(16)	<b>1</b>	1
<b>LATAM OPERATIONS</b>	<b>1 294</b>	1 404	<b>517</b>	456	<b>777</b>	906	<b>194</b>	190
Monticello	539	573	171	168	368	405	71	60
Dreams SCJ licences	573	612	43	38	530	574	46	56
Dreams Municipal licences	266	287	38	37	228	250	53	55
Central Office	(257)	(155)	119	153	(376)	(348)	(20)	(21)
<b>CHILE TOTAL</b>	<b>1 121</b>	1 317	<b>371</b>	396	<b>750</b>	881	<b>150</b>	150
Sun Chile office	(9)	(8)	–	–	(9)	(8)	–	–
Ocean Sun Casino	–	–	–	–	–	–	–	–
Sun Nao Casino	–	–	–	–	–	–	–	–
Dreams Peru excluding ThunderBird	74	32	101	39	(27)	(7)	(11)	6
ThunderBird Peru	31	27	20	11	11	14	5	4
Mendoza	77	36	25	10	52	26	50	30
<b>TOTAL OPERATING SEGMENTS</b>	<b>4 610</b>	4 558	<b>1 565</b>	1 548	<b>2 979</b>	2 810	<b>377</b>	571
<b>OTHER</b>	<b>–</b>	–	<b>104</b>	102	<b>(279)</b>	(550)	<b>149</b>	(26)
PPA adjustment	–	–	104	102	(104)	(102)	(28)	(26)
Exceptional items (refer note 7)	–	–	–	–	(175)	(448)	177	–
<b>TOTAL</b>	<b>4 610</b>	4 558	<b>1 669</b>	1 752	<b>2 700</b>	2 261	<b>526</b>	545

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets and Liabilities Held for Sale from Discontinued Operations. Refer to note 20.

<sup>^</sup> Refer to note 7.



# Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1. Segmental income analysis continued

	Non-current assets		Borrowings*		Capital expenditure <sup>^</sup>	
	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm
<b>SOUTH AFRICAN OPERATIONS</b>	<b>11 831</b>	11 903	<b>9 569</b>	9 172	<b>738</b>	748
GrandWest	1 141	1 131	481	502	108	110
Sun City	2 198	2 155	2 148	2 041	249	134
Sibaya	754	760	215	276	86	72
Carnival City	672	672	538	608	61	49
Emfuleni	679	729	495	507	14	15
Wild Coast Sun	412	387	230	234	28	18
Carousel	73	71	(146)	(183)	27	6
Meropa	202	206	36	74	14	20
Windmill	171	159	76	74	12	15
Table Bay	63	74	177	225	10	8
Morula	–	(4)	–	(2)	–	–
Flamingo	95	94	72	73	10	15
Golden Valley	138	140	(19)	(12)	9	10
Maslow	107	98	516	–	8	8
Sun Slots	959	907	(6)	24	93	105
Time Square	3 607	3 796	4 977	5 070	18	139
Other operating segments	291	375	(7)	27	8	9
Management and corporate office	269	153	(214)	(366)	(17)	15
<b>SWAZILAND OPERATIONS</b>	<b>51</b>	56	<b>19</b>	17	<b>4</b>	4
<b>NIGERIAN OPERATIONS – FEDERAL PALACE</b>	<b>323</b>	343	<b>617</b>	602	<b>13</b>	12
<b>LATAM OPERATIONS</b>	<b>7 428</b>	7 978	<b>4 201</b>	4 890	<b>350</b>	290
<b>TOTAL OPERATING SEGMENTS</b>	<b>19 633</b>	20 280	<b>14 406</b>	14 681	<b>1 105</b>	1 054
<b>OTHER</b>						
Elimination of intragroup	–	8	–	–	–	–
	<b>19 633</b>	20 288	<b>14 406</b>	14 681	<b>1 105</b>	1 054
<b>OTHER NON-CURRENT ASSETS</b>						
Trade and other receivables	289	278	–	–	–	–
Deferred tax	530	250	–	–	–	–
Non-current assets held for sale	811	859	–	–	–	–
Other	307	60	–	–	–	–
<b>TOTAL</b>	<b>21 570</b>	21 735	<b>14 406</b>	14 681	<b>1 105</b>	1 054

\* This includes receivable balances owed to the group's treasury company to operating units, which eliminate on consolidation.

<sup>^</sup> Excluding of goodwill and other intangibles.

The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as held for sale operations as required by IFRS 5: Non Current Assets Held for Sale from Discontinued Operations. Refer to note 20.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 2. Employee costs

	31 December 2019 Rm	Restated* 31 December 2018 Rm
Salaries, wages, bonuses and other benefits	(3 336)	(2 971)
Pension costs – defined contribution plans	(229)	(215)
Other benefits – long service award	(6)	(6)
– post retirement	(11)	(13)
– farewell gifts	(1)	(1)
Employee share-based payments	(18)	(34)
	<b>(3 601)</b>	<b>(3 240)</b>

### 3. Property and equipment rentals

Property and equipment rentals expense is made up of the following short-term, low value and variable rental charges:		
Plant, vehicles and equipment (short-term and low value rentals)	(29)	(59)
Variable rental charges	(37)	(156)
Cash charge	(37)	(143)
Straight line charge	–	(13)
	<b>(66)</b>	<b>(215)</b>
<b>RENTAL COMMITMENTS</b>		
The group has the no material rental agreements as at 31 December 2019, following the adoption of IFRS 16: Leases at 1 January 2019.		
The future aggregate minimum lease payments under non-cancellable leases are as follows:		
No later than one year	(61)	(153)
Later than one year and no later than five years		(725)
Later than five years		(519)
	<b>(61)</b>	<b>(1 397)</b>

Refer to notes 11 and 22, for the IFRS 16 impact on the groups rental commitments, effective from 1 January 2019.

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets and Liabilities Held for Sale from Discontinued Operations. Refer to note 20.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 4. Operating profit is stated after charging the following:

	31 December 2019 Rm	Restated* 31 December 2018 Rm
Auditors' remuneration	(35)	(38)
Audit fees	(31)	(32)
Fees for other services	(4)	(6)
Professional fees	(11)	(12)
Net (loss)/profit on disposal of property, plant and equipment	(21)	12
Insurance premium costs <sup>#</sup>	(15)	(49)
Impairment of assets <sup>^</sup>	(172)	(306)

<sup>#</sup> Insurance premiums relate to the portion of insurance risk that is not retained by SIL's captive insurer (La Coupe PPC Limited) and which is transferred to the insurance markets. From 2019 Sun Dreams did not form part of the SIL groups captive insurer as in prior years, Sun Dreams procured their insurance directly from local insurers. The Sun Dreams insurance premiums are included in other operating cost, resulting in the significant decrease in insurance cost in above note.

<sup>^</sup> Refer to notes 11 and 12.

	31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>5. Finance income</b>		
Interest earned on cash and cash equivalents	17	77
<b>6. Finance expense</b>		
Interest paid on borrowings	(1 013)	(1 179)
Hedge ineffectiveness of interest rate swaps (refer to note 14)	27	(2)
Preference share dividends	(85)	(81)
<sup>^</sup> Interest on lease liabilities	(95)	-
Imputed interest on loans payable	(10)	(3)
Capitalised to property, plant and equipment*	-	10
	(1 176)	(1 255)

The following capitalisation rates were used to determine the amount of borrowing costs to be capitalised.

- Shareholder loan	Not applicable	Three month JIBAR + 4.75% (11.9%)
- Project loan	Not applicable	Sun International blended rate <sup>#</sup> + 0.25% (10.1%)
- Interest rate hedge	Not applicable	Actual hedge expense

<sup>#</sup> Sun International blended rate refers to the weighted cost of the various South African debt facilities.

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 6. Finance expense continued

#### LEASE LIABILITIES

The group has adopted IFRS 16: Leases and applied the simplified transition approach. The group has not restated comparative amounts for the year prior. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) retrospectively from 1 January 2019.

	31 December 2019 Rm	31 December 2018 Rm
<b>INTEREST ON LEASE LIABILITIES</b>		
Buildings	(87)	-
Land	(3)	-
Equipment	(4)	-
Other	(1)	-
	(95)	-



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 7. Adjusted EBITDAR reconciliation

	31 December 2019 Rm	31 December* 2018 Rm
<b>OPERATING PROFIT</b>	<b>2 700</b>	2 261
Depreciation and amortisation	1 669	1 650
Rental expense	66	215
<b>EXCEPTIONAL ITEMS</b>	<b>175</b>	430
Net loss on disposal of property, plant and equipment	21	29
Straight-line adjustment for rentals	–	13
Impairment of non current assets	172	337
Pre-opening expenses	–	3
Insurance claim Sun City	(89)	–
Profit on disposal of interests in associates and subsidiaries	(1)	–
Profit on sale of a management contract	(18)	–
Restructuring cost	55	–
Forward exchange contract losses	4	75
Other <sup>^</sup>	31	(27)
<b>ADJUSTED EBITDAR</b>	<b>4 610</b>	4 556

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets and Liabilities Held for Sale from Discontinued Operations. Refer to note 20.

For users of this group financial statements for the year ending 31 December 2019, we refer to EBITDAR for comparable purposes due to the impact of the adoption of IFRS 16: Leases, as EBITDAR excludes rental expenses both in the prior and current year.

<sup>^</sup> Inclusive of expenses which are of an unusual and infrequent nature as a result of unforeseen and typical events. Refer to Annexure: Accounting Policies.

### 8. Tax

	31 December 2019 Rm	31 December 2018 Rm
<b>(a) STATEMENT OF COMPREHENSIVE INCOME</b>		
<i>Attributable to continued operations</i>	(527)	(547)
Normal tax – South African	(334)	(358)
Normal tax – foreign	(193)	(189)
	(345)	(540)
Current tax – current year	(682)	(711)
– prior years	(17)	62
Deferred tax – current year	93	116
– prior years	28	(7)
– recognition of previously unrecognised tax losses	233	–
CGT	–	(5)
Withholding taxes	(27)	(2)
Lantam income tax provision	(155)	–
	(527)	(547)
Tax losses not recognised as deferred tax assets	79	206





## Notes to the Group Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. Tax continued

#### GROUP RECONCILIATION OF EFFECTIVE TAX RATE

2019	South Africa Rm	Nigeria Rm	Latam Rm	Swaziland Rm	Panama Rm	Colombia Rm	Group Rm
<b>PROFIT/(LOSS) BEFORE TAX – CONTINUING OPERATIONS</b>	<b>1 252</b>	<b>(57)</b>	<b>396</b>	<b>(8)</b>	<b>–</b>	<b>–</b>	<b>1 583</b>
<b>PROFIT/(LOSS) BEFORE TAX – DISCONTINUING OPERATIONS</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>18</b>	<b>(21)</b>	<b>(3)</b>
Tax effects of amounts which are not deductible/(non-taxable) in calculating taxable income:							
Preference share funding (interest)	<b>85</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>85</b>
Depreciation on non-qualifying buildings	<b>73</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>74</b>
Impairment of assets and fair value adjustments	<b>26</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>26</b>
Other non-deductible expenditure (fines and penalties, legal fees and CSI, amortisation costs, IFRS 2, SIEST distributions)	<b>88</b>	<b>–</b>	<b>1</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>91</b>
Fair value adjustment on put options liability	<b>(44)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(44)</b>
Exempt income – dividend income	<b>–</b>	<b>–</b>	<b>41</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>41</b>
Exempt income – other (lessor contribution, associated income and disposal of income earning structure)	<b>(136)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(136)</b>
Tax incentives	<b>(22)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(22)</b>
Recognition previously unrecognised tax losses	<b>(832)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(832)</b>
Chilean capital indexed to inflation tax	<b>–</b>	<b>–</b>	<b>79</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>79</b>
Foreign inflation adjustment	<b>–</b>	<b>–</b>	<b>80</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>80</b>
Losses for which no deferred tax asset raised	<b>143</b>	<b>57</b>	<b>84</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>284</b>
Losses for which no deferred tax asset raised (discontinued operation)	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(18)</b>	<b>21</b>	<b>3</b>
<b>TAXABLE INCOME</b>	<b>633</b>	<b>–</b>	<b>681</b>	<b>(5)</b>	<b>–</b>	<b>–</b>	<b>1 309</b>
Statutory country tax rate	<b>28.0%</b>	<b>30.0%</b>	<b>27.0%</b>	<b>27.5%</b>	<b>25.0%</b>	<b>32.0%</b>	
Tax at standard rate	<b>177</b>	<b>–</b>	<b>184</b>	<b>(1)</b>	<b>–</b>	<b>–</b>	<b>360</b>
Withholding taxes	<b>27</b>	<b>–</b>	<b>(4)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>23</b>
Latam income tax provision	<b>155</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>155</b>
Adjustments for current tax of prior periods	<b>(26)</b>	<b>–</b>	<b>15</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(11)</b>
	<b>333</b>	<b>–</b>	<b>195</b>	<b>(1)</b>	<b>–</b>	<b>–</b>	<b>527</b>
<b>EFFECTIVE TAX RATE</b>	<b>27%</b>	<b>–</b>	<b>49%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>33%</b>



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. Tax continued

#### GROUP RECONCILIATION OF EFFECTIVE TAX RATE continued

2018	South Africa Rm	Nigeria Rm	Latam Rm	Swaziland Rm	Panama Rm	Colombia Rm	Group Rm
<b>PROFIT/(LOSS) BEFORE TAX – CONTINUING OPERATIONS</b>	594	(60)	574	(7)	–	–	1 101
<b>PROFIT/(LOSS) BEFORE TAX – DISCONTINUING OPERATIONS</b>	–	–	–	–	(59)	(144)	(203)
Tax effects of amounts which are not deductible/(non-taxable) in calculating taxable income:							
Preference share funding	92	–	–	–	–	–	92
Depreciation on non-qualifying buildings	75	–	–	–	–	–	75
Impairment of assets and fair value adjustments	8	–	–	–	–	–	8
Non-deductible expenditure – expenses incurred to produce exempt income	4	–	–	–	–	–	4
Other non-deductible expenditure (fines and penalties, legal fees and CSI, amortisation costs, IFRS 2, SIEST distributions)	151	1	2	–	–	–	154
Fair value adjustment on put options liability	27	–	–	–	–	–	27
Exempt income – other (lessor contribution, associated income and disposal of income earning structure)	(13)	–	–	–	–	–	(13)
Tax incentives	(20)	–	–	–	–	–	(20)
Utilisation of tax losses not previously recognised	(79)	–	–	–	–	–	(79)
Chilean capital indexed to inflation tax	–	–	269	–	–	–	269
Tax losses not meeting recognition criteria	464	61	–	7	–	–	532
Discontinued operation (tax losses not meeting recognition criteria)	–	–	–	–	59	144	203
<b>TAXABLE INCOME</b>	<b>1 303</b>	<b>2</b>	<b>845</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 150</b>
Statutory country tax rate	28.0%	30.0%	27.0%	27.5%	25.0%	34.0%	
Tax at standard rate	365	1	228	–	–	–	594
Withholding and other taxes	5	–	–	–	–	–	5
Adjustments for current tax of prior periods	(12)	–	(48)	–	(2)	–	(62)
Rate change	–	–	10	–	–	–	10
	358	1	190	–	(2)	–	547
<b>EFFECTIVE TAX RATE</b>	<b>60%</b>	<b>(2%)</b>	<b>33%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>61%</b>



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. Tax continued

	31 December 2019 Rm	31 December 2018 Rm
<b>DEFERRED TAX</b>		
<b>(b) STATEMENT OF FINANCIAL POSITION</b>		
<b>DEFERRED TAX ASSET</b>		
Balance at beginning of period	196	38
Credited to the statement of comprehensive income	(298)	(109)
– current year credit to profit or loss	(116)	(116)
– prior year under provision	(28)	7
– adjustment due to rate change	–	–
– charged to other comprehensive income	79	–
– recognition of previously unrecognised tax losses	(233)	–
Acquisition of a subsidiary	–	286
Lease liability	22	–
Latam tax credit	–	(9)
PPA adjustment	1	–
Hyperinflation adjustments	(59)	–
Currency Translation adjustments	(25)	(10)
<b>TOTAL DEFERRED TAX ASSET AT END OF YEAR FROM CONTINUING OPERATIONS</b>	<b>(163)</b>	<b>196</b>

Deferred tax arises from the following temporary differences:

	31 December 2019 Rm	31 December 2018 Rm
		Property, plant and equipment/ other receivables
<b>DEFERRED TAX LIABILITIES</b>		
Balance at beginning of period	1 128	493
Credited to statement of comprehensive income	(239)	364
– current year (credit)/charge to profit or loss	(267)	357
– prior year under provision	28	7
Acquisition of subsidiary	–	286
PPA adjustment	1	–
Right-of-use asset	(22)	–
Latam tax credit	–	(9)
Hyperinflationary adjustments	59	–
Foreign currency translation adjustments	25	(6)
<b>BALANCE AT END OF PERIOD</b>	<b>952</b>	<b>1 128</b>
To be recovered after more than 12 months	929	997
To be recovered within 12 months	23	131
	<b>952</b>	<b>1 128</b>



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. Tax continued

	Assessable losses		Contract liabilities		Trade payables and other accruals	
	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm
<b>DEFERRED TAX ASSETS</b>						
Balance at beginning of period	(488)	(454)	(146)	(136)	(298)	135
(Charged)/credited to:	(223)	(34)	(39)	(10)	78	(433)
– current year charge/(credit) to profit or loss	10	(34)	(39)	(10)	(1)	(433)
– recognition of previously unrecognised tax losses	(233)	–	–	–	–	–
– charged to other comprehensive income (remeasurement of post retirement benefit)	–	–	–	–	79	–
<b>BALANCE AT END OF PERIOD</b>	<b>(711)</b>	<b>(488)</b>	<b>(185)</b>	<b>(146)</b>	<b>(220)</b>	<b>(298)</b>

Included in the group's recognised deferred tax assets is an amount of R711 million which is mainly attributable to Sun International South Africa Limited (2018: R488 million), of which the utilisation depends on future taxable profits, based on the approved business plans and budgets for the subsidiary, 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.

In 2019, Sun Time Square recognised a deferred tax asset. Due to the company successfully improving its profitability and funding structure. As a result management revised its estimated future taxable profits and recognised the tax effect of R233 million previously unrecognised tax losses (tax impact: R233 million).

	31 December 2019 Rm	Restated* 31 December 2018 Rm
To be recovered after more than 12 months	(896)	(488)
To be recovered within 12 months	(220)	(444)
	<b>(1 116)</b>	<b>(932)</b>
Net deferred tax (asset)/liability	<b>(163)</b>	196
<b>AGGREGATE ASSETS AND LIABILITIES ON SUBSIDIARY COMPANY BASIS</b>		
Deferred tax assets	<b>(530)</b>	(248)
Deferred tax liabilities	<b>367</b>	444
	<b>(163)</b>	196

Temporary differences include amounts owing on business combinations entered into during the year under review. Refer to note 10.

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 9. Return to shareholders

#### (a) EARNINGS PER SHARE (EPS)

	31 December 2019				31 December 2018			
	Gross Rm	Tax Rm	Minorities Rm	Net Rm	Gross Rm	Tax Rm	Minorities Rm	Net Rm
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>1 054</b>			<b>653</b>	351			(7)
<b>HEADLINE EARNINGS ADJUSTMENTS</b>	<b>140</b>	<b>(43)</b>	<b>11</b>	<b>108</b>	366	(89)	(24)	253
Net loss/(profit) on disposal of property, plant and equipment	21	1	(1)	21	29	(3)	(13)	13
Net profit on disposal of management contract	(18)	4	–	(14)	–	–	–	–
Net (profit)/loss on closure of operations	(1)	–	–	(1)	–	–	–	–
Reversal of prior year Panama impairment	(34)	–	12	(22)	–	–	–	–
Impairment of assets	172	(48)	–	124	337	(86)	(11)	240
<b>HEADLINE EARNINGS</b>				<b>761</b>				<b>246</b>
<b>ADJUSTED HEADLINE EARNINGS ADJUSTMENTS</b>	<b>56</b>	<b>(28)</b>	<b>(26)</b>	<b>2</b>	191	(29)	(43)	119
Straight-line adjustment for rentals	–	–	–	–	13	(4)	–	9
Pre-opening expenses	–	–	–	–	3	(1)	–	2
Sun City insurance claim received	(89)	21	–	(68)	–	–	–	–
Amortisation of Dreams intangibles assets raised as part of PPA	104	(28)	(27)	49	102	(26)	(29)	47
Fair value adjustment on put option liabilities	(44)	–	–	(44)	27	–	–	27
Foreign exchange and net monetary losses/(profit)	4	–	–	4	(44)	13	(1)	(32)
Forward exchange contract losses	4	(1)	–	3	75	–	(11)	64
Onerous lease provision	–	–	–	–	(31)	–	11	(20)
Latam additional income tax	–	155	–	155	–	–	–	–
Latam withholding tax	–	22	–	22	–	–	–	–
Restructuring costs (South Africa)	32	–	–	32	–	–	–	–
Restructuring costs (Latam)	23	–	(8)	15	–	–	–	–
Time Square deferred tax relating to prior years	–	(193)	28	(165)	–	–	–	–
Other	22	(4)	(19)	(2)	46	(11)	(13)	22
<b>ADJUSTED HEADLINE EARNINGS</b>	<b>1 250</b>	<b>(71)</b>	<b>(15)</b>	<b>763</b>	908	(118)	(67)	365



## Notes to the Group Financial Statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 9. Return to shareholders continued

	31 December 2019 Rm	31 December <sup>^</sup> 2018 Rm
<b>NUMBER OF SHARES FOR DILUTED EPS AND HEPS CALCULATION (000's)</b>		
Weighted average number of shares in issue	126 145	115 360
Adjustment for dilutive share awards	–	17
Diluted weighted average number of shares in issue	126 145	115 377
<b>EPS/(LPS) (CENTS)</b>		
Basic	518	(6)
Headline	603	213
Adjusted headline	605	316
Dilutes basic	518	(6)
Diluted headline	603	213
Diluted adjusted headline	605	316
<b>CONTINUED OPERATIONS EPS (CENTS)</b>		
Basic	520	104
Headline	619	281
Adjusted headline	618	405
Dilutes basic	520	104
Diluted headline	619	282
Diluted adjusted headline	618	409
<b>DISCONTINUED OPERATIONS LPS (CENTS)</b>		
Basic	(2)	(110)
Headline	(16)	(68)
Adjusted headline	(13)	(89)
Dilutes basic	(2)	(110)
Diluted headline	(16)	(68)
Diluted adjusted headline	(13)	(93)

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.

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 of an unusual and infrequent 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.

<sup>^^</sup> Refer to Annexure: Accounting policy.

<sup>^</sup> The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.

\* Inclusive of expenses which are of an unusual and infrequent in nature as a result of unforeseen and atypical events.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 9. Return to shareholders continued

#### (b) DIVIDENDS DECLARED AND PAID

No dividends were declared for the period ended 31 December 2019 or for the period ended 31 December 2018.

	31 December 2019 Rm	31 December 2018 Rm
Dividends paid by the company	–	–
Dividends paid to minorities in subsidiaries	(373)	(417)
<b>TOTAL DIVIDENDS PAID BY THE GROUP</b>	<b>(373)</b>	<b>(417)</b>

### 10. Acquisition/disposal of subsidiaries

#### (a) PARK HYATT HOTEL AND CASINO IN MENDOZA ARGENTINA

Sun Dreams S.A. signed a purchase agreement on 29 June 2018, in which it acquired 100% of the ordinary shares of Nuevo Plaza Hotel Mendoza S.A., although control only transferred on 11 July 2018.

This strategic acquisition strengthens Sun Dreams position in Argentina and the Latam continent.

The shares were purchased from Compania Sabama de Inversiones S.A., Soceidad Latinoamericana de Entretenimiento S.A., Guillermo Liberman and Mendoza Investment Company Inc., who jointly owned 100% of the ordinary share capital of Nuevo Plaza Hotel Mendoza S.A.

The agreed purchase price was R333 million (USD24 804 415) plus an additional amount calculated as 5.4 times the EBITDA of Nuevo Plaza Hotel Mendoza S.A. of 2018 minus USD24 million, provided that said amount was neither negative nor exceeds R40 million (USD3 000 000). This additional amount represented a contingent consideration in terms of IFRS 3, management estimated that 90% of this amount would be payable in the future. The fair value of the contingent consideration was calculated as the present value of the estimated value to be paid R35 million (USD2 626 000). The contingent consideration was classified as a liability for the PPA analysis. The determined purchase price was R368 million (USD27 430 415).

The parties agreed to retain part of the purchase price as collateral, in order to guarantee eventual contingencies to the conclusion of the contract. An amount of R12 million (USD 888 888) was placed in an escrow account which will be released on the second anniversary of the closing date.

Based on the estimates and projections provided by management at that point in time, goodwill was determined to be R84mil (USD6 237) which represents 22.7% of the total purchase price.

#### Restatement of 31 December 2018 comparable figures due to the finalisation of the PPA

Subsequent to the audited 31 December 2018 comparable balance sheet, a final PPA 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]."



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 10. Acquisition/disposal of subsidiaries continued

#### (a) PARK HYATT HOTEL AND CASINO IN MENDOZA ARGENTINA continued

	Provisional PPA Rm	Adjustment Rm	Final PPA Rm
<b>ASSETS AND LIABILITIES ACQUIRED</b>			
Property, plant and equipment*	118 710	–	118 710
Intangible assets	273 222	33 158	306 380
Current assets	45 687	–	45 687
Current liabilities	(56 525)	7 243	(49 282)
Deferred tax asset adjustment	(96 806)	1 744	(95 062)
Goodwill recognised	83 647	(42 145)	41 502
<b>NET ASSETS</b>	<b>367 935</b>	<b>–</b>	<b>367 935</b>
Net assets acquired	367 935	–	367 935
Contingent payment	(35 224)	–	(35 224)
Consideration settled in cash	332 711	–	332 711
Cash and cash equivalents in entity	(53 131)	–	(53 131)
<b>NET CASH OUTFLOW</b>	<b>279 580</b>	<b>–</b>	<b>279 580</b>

\* Includes fair value adjustment on assets acquired.





## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 10. Acquisition/disposal of subsidiaries continued

#### (b) PURCHASE OF SHARES IN SUBSIDIARIES

##### Purchase of shares in subsidiaries

During the year the group acquired additional shares in the following companies:

	31 December 2019		31 December 2018	
	Shareholding acquired %	Purchase price Rm	Shareholding acquired %	Purchase price Rm
Afrizun KZN Pty Ltd (Dolcoast)	22.39	535.7	0.63	17.0
Afrizun KZN Pty Ltd (Foromors)	1.50	36.4	–	–
Afrizun KZN Manco Pty Ltd	29.92	3.7	–	–
National Casino Resort Manco Pty Ltd	3.73	0.2	–	–
Sun Dreams	–	–	9.86	832.0
Thunderbird	–	–	100.00	316.7
Mendoza	–	–	100.00	368.0
		576.0		1 533.7

The above noted acquisitions resulted in the group holding the following effective shareholding as at 31 December 2019:

- Afrizun KZN Pty Ltd – 90.67%
- Afrizun KZN Manco Pty Ltd – 87.54%
- National Casino Resort Manco Pty Ltd – 94.10%.

#### (c) TRANSACTIONS WITH NON-CONTROLLING INTEREST

During the year the group disposed of shares in the following company:

	31 December 2019		31 December 2018	
	Shareholding disposed %	Purchase price Rm	Shareholding acquired %	Purchase price Rm
Transkei Sun Pty Ltd	19.9	11.6	–	–
		11.6	–	–

The above noted disposal resulted in the group holding the following effective shareholding as at 31 December 2019:

- Transkei Sun Pty Ltd – 50.12%.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 11. Property, plant and equipment

	Right of use assets <sup>~</sup>	Free-hold land and buildings	Lease-hold land and buildings	Infra-structure	Plant, equipment and machinery	Furniture and fittings	Operating equipment	Capital work in progress	Total Rm
<b>CLOSING BALANCE AS AT 31 DECEMBER 2017</b>	<b>–</b>	<b>9 585</b>	<b>2 285</b>	<b>1 407</b>	<b>2 898</b>	<b>349</b>	<b>821</b>	<b>851</b>	<b>18 196</b>
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)
Reclassification to assets held for sale	–	(528)	–	(208)	(20)	(13)	–	–	(769)
Reclassifications	–	106	(62)	107	176	3	1	(390)	(59)
Exchange rate adjustments	–	199	45	45	13	4	20	7	333
Borrowing cost capitalised	–	–	–	–	–	–	–	10	10
Additions	–	320	55	132	535	99	57	(322)	876
Disposals	–	–	(1)	(39)	(111)	(3)	(1)	–	(155)
Subsidiaries acquired/disposed	–	230	2	54	96	10	–	(3)	389
Operating equipment usage	–	–	–	–	–	–	(54)	–	(54)
Depreciation	–	(304)	(78)	(104)	803	(138)	(13)	–	1 440
Hyperinflation adjustment <sup>#</sup>	–	–	–	9	14	1	–	–	24
Impairments	–	54	(306)	–	–	–	–	–	(252)
<b>CLOSING BALANCE AS AT 31 DECEMBER 2018</b>	<b>–</b>	<b>9 662</b>	<b>1 940</b>	<b>1 403</b>	<b>2 798</b>	<b>312</b>	<b>831</b>	<b>153</b>	<b>17 099</b>
Cost	–	12 634	3 082	2 311	9 124	1 275	978	153	29 557
Accumulated depreciation	–	(2 972)	(1 142)	(908)	(6 326)	(963)	(147)	–	(12 458)
Reclassification from assets held for sale <sup>*</sup>	–	23	–	2	12	11	8	–	56
Cost	–	33	–	4	34	24	10	–	105
Accumulated depreciation	–	(10)	–	(2)	(22)	(13)	(2)	–	(49)

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as held for sale operations as required by IFRS 5: Non Current Assets and Liabilities Held for Sale from Discontinued Operations. Refer to note 20.

<sup>#</sup> The hyperinflation adjustment relating to the Argentinian operations: Refer to Annexure: Accounting Policies.

<sup>^</sup> Included in reclassifications from operating equipment to plant, equipment and machinery to the amount of R598 million, due to the more appropriate classification, however this has no impact on the statement of comprehensive income.

<sup>~</sup> Right-of-use asset: The group has adopted IFRS 16: Leases and applied the simplified transition approach, the group has not restated comparative amounts for the year prior. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 11. Property, plant and equipment continued

	Right of use assets~	Free-hold land and buildings	Lease-hold land and buildings	Infra-structure	Plant, equipment and machinery	Furniture and fittings	Operating equipment	Capital work in progress	Total
<b>RESTATED CLOSING BALANCE AS AT 31 DECEMBER 2018*</b>	–	9 685	1 940	1 405	2 810	323	839	153	17 155
Cost	–	12 667	3 082	2 315	9 158	1 299	988	153	29 662
Accumulated depreciation	–	(2 982)	(1 142)	(910)	(6 348)	(976)	(149)	–	(12 507)
Reclassification to assets held for sale	–	(26)	–	–	–	–	–	–	(26)
Reclassifications^	–	31	(25)	33	598	22	(597)	(73)	(11)
Capitalisation of right-of-use asset as at 1 January 2019	823	–	–	–	–	–	–	–	823
Exchange rate adjustments	(25)	(368)	20	(75)	(58)	(17)	(9)	(10)	(542)
Additions	2	11	107	58	555	100	71	203	1 107
Disposals	–	–	(5)	–	(7)	(6)	–	(18)	(36)
Operating equipment usage	–	–	–	–	–	–	(71)	–	(71)
Depreciation	(105)	(244)	(93)	(101)	(739)	(109)	(13)	–	(1 404)
Hyperinflation adjustment#	–	–	–	18	40	2	–	–	60
Impairments	(163)	–	–	(8)	–	–	–	–	(171)
<b>CLOSING BALANCE AS AT 31 DECEMBER 2019</b>	<b>532</b>	<b>9 089</b>	<b>1 944</b>	<b>1 330</b>	<b>3 199</b>	<b>315</b>	<b>220</b>	<b>255</b>	<b>16 884</b>
Cost	636	12 168	3 075	2 342	9 101	1 225	310	255	29 112
Accumulated depreciation	(104)	(3 079)	(1 131)	(1 012)	(5 902)	(910)	(90)	–	(12 228)

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.

# The hyperinflation adjustment relating to the Argentinian operations: Refer to Annexure: Accounting Policies.

^ Included in reclassifications from operating equipment to plant, equipment and machinery to the amount of R598 million, due to the more appropriate classification, however this has no impact on the statement of comprehensive income.

~ Right-of-use asset: The group has adopted IFRS 16: Leases and applied the simplified transition approach. The group has not restated comparative amounts for the year prior. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 11. Property, plant and equipment continued

#### Right-of-use asset

The group has adopted IFRS 16: Leases and applied the simplified transition approach. The group has not restated comparative amounts for the year prior. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

Amounts recognised in the statement of financial position	31 December 2019 Rm	1 January 2019 Rm
This note provides information for leases where the group is a lessee.		
<b>Right-of-use assets</b>		
Land	47	47
Buildings	459	726
Equipment	20	41
Vehicles	–	2
Other	6	7
	<b>532</b>	<b>823</b>

In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 11. Property, plant and equipment continued

Amounts recognised in the statement of comprehensive income	31 December 2019 Rm	31 December 2018 Rm
Depreciation charge of right of use assets		
Buildings	(80)	–
Land	–	–
Equipment	(21)	–
Vehicles	(2)	–
Others	(2)	–
	(105)	–

The lease liability disclosure relating to IFRS 16: Leases, is included in note 22.

#### IMPAIRMENTS

##### Impairment of cash generating units:

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

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

	<b>The Maslow</b>
Level of testing	CGU
Operating segment	Maslow
Impairment indicator	Underperformance
Method of testing	Value in use – discounted cash flow
Key assumptions:	See below
– discount rate (pre tax)	9.80%
– terminal growth rate	See below
Impairment charge	R163 million

The current Maslow lease is expiring at the end of 2031, and due the current market hotel concentrations in the Sandton area, it is unlikely that the lease will be extended. The valuation model thus used a discounted cash flow period of the full remaining 11 years left of the lease with no perpetual growth rate and a nil terminal value incorporated.

The R163 million impairment was allocated against the right-of-use asset that was capitalised to the balance sheet at 1 January 2019 due to the adoption of IFRS 16: Leases.

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 consider:

- 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.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 11. Property, plant and equipment continued

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 average pre tax discount rate was determined for the South African of between 9.8% and 15.5% and Chilean operations (9.98%).

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 5.50% for both the South African and Chilean operations
- beta co-efficient of 1.4 for the South African operations and Chilean operations, and
- risk free rate of 9.60% and 3.30% for the South African 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.

The terminal growth rate has been determined based on long-term CPI forecasts and real GDP forecasts.

Various strategic initiatives were implemented towards the end of 2019, one of these were to have a dedicated focus on our hospitality and gaming sectors by implementing separate expert hospitality and gaming management teams. A detailed cost analysis per business sectors were started during 2019 with various cost inefficiencies identified that was subsequently corrected. A restructuring of the head office staff compliment and structure was concluded at the end of 2019 with significant cost savings and efficiencies expected, as head office cost are recharged to the operating units the mentioned cost efficiencies are expected to flow through to the operating units. The full impact of the above cost efficiencies implemented will be reflective in the 2020 period.

Revenue year-on-year growth rate has been determined based on past performance and expectation for future growth.

Small individual assets were impaired totalling R8 million, that is attributable to the display fountain at our Boardwalk operation.

#### SENSITIVITY ANALYSIS

The group's impairment reviews are sensitive to changes in the key assumptions described above.

A 1% change in the key assumptions would result in the following additional impairment charges against the carrying value of the identified CGUs in the 2019 financial year:

	31 December 2019 Rm
<b>*Sun City:</b>	
1% decrease in the revenue year-on-year growth rate	88
1% decrease in the terminal growth rate	144
1% increase in the discount rate (pretax)	195
<b>Maslow:</b>	
1% decrease in the revenue year-on-year growth rate	5
1% decrease in the terminal growth rate	N/A
1% increase in the discount rate (pretax)	5

\* A prediscout rate of 12.6% and a terminal growth rate of 5.3% was used as assumptions in the impairment testing of Sun City CGU.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 11. Property, plant and equipment continued

Prior year impairments	Sun City
Level of testing	CGU
Operating segment	Sun City
Impairment indicator	Continued underperformance
Method of testing	Value in use – discounted cash flow
Key assumptions:	
– discount rate (pre tax)	13.34%
– terminal growth rate	5.30%
Impairment charge	R306 million

The R306 million impairment was allocated against leasehold buildings.

Capital commitments	31 December 2019 Rm	31 December 2018 Rm
Authorised by the directors and contracted	206	97
Authorised by the directors but not contracted	1 083	1 399
	1 289	1 496
To be spent in the forthcoming financial year	377	588
To be spent thereafter	912	908
	1 289	1 496

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



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12. Intangible assets

	Computer software Rm	Brands Rm	Bid costs Rm	Management contracts, licenses and exclusivity agreements Rm	Goodwill Rm	Lease premiums Rm	Vacation Club Rm	Restraint of trade, trademarks, customer relationships and concessions* Rm	Total Rm
<b>CLOSING BALANCE AS AT 31 DECEMBER 2017</b>	<b>423</b>	<b>220</b>	<b>47</b>	<b>804</b>	<b>1 056</b>	<b>14</b>	<b>75</b>	<b>56</b>	<b>2 695</b>
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)
Additions	37	–	1	114	–	–	19	–	171
Disposals/scraping	(3)	–	–	–	–	–	–	–	(3)
Reclassification to assets held for sale	(48)	–	–	–	–	–	–	–	(48)
Reclassification	59	–	(1)	3	(1)	1	–	–	61
Hyperinflation adjustment <sup>#</sup>	–	–	–	26	–	–	–	–	26
Acquisition of subsidiaries	–	19	–	306	92	(1)	–	51	467
Exchange rate adjustments	1	3	–	34	38	–	–	2	78
Amortisation	(125)	–	(9)	(150)	–	–	(10)	(11)	(305)
<b>CLOSING BALANCE AS AT 31 DECEMBER 2018</b>	<b>344</b>	<b>242</b>	<b>38</b>	<b>1 137</b>	<b>1 185</b>	<b>14</b>	<b>84</b>	<b>98</b>	<b>3 142</b>
Cost	936	243	543	2 361	1 307	14	113	117	5 634
Accumulated amortisation and impairments	(592)	(1)	(505)	(1 224)	(122)	–	(29)	(19)	(2 492)
Mendoza acquisition PPA finalisation adjustment	–	–	–	–	(42)	–	–	33	(9)
Cost	–	–	–	–	(42)	–	–	33	(9)
Accumulated amortisation and impairments	–	–	–	–	–	–	–	–	–

<sup>#</sup> The hyperinflation adjustment relating to the Argentinian operations. Refer to Annexure: Accounting Policies.

\* Mendoza PPA: Subsequent to the audited 31 December 2018 comparable balance sheet, a final PPA 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]." Refer to note 10.





## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12. Intangible assets continued

	Computer software Rm	Brands Rm	Bid costs Rm	Management contracts, licenses and exclusivity agreements Rm	Goodwill Rm	Lease premiums Rm	Vacation Club Rm	Restraint of trade, trademarks, customer relationships and concessions* Rm	Total Rm
<b>RESTATED CLOSING BALANCE AS AT 31 DECEMBER 2018*</b>	<b>344</b>	<b>242</b>	<b>38</b>	<b>1 137</b>	<b>1 143</b>	<b>14</b>	<b>84</b>	<b>131</b>	<b>3 133</b>
Cost	936	243	543	2 361	1 265	14	113	150	5 625
Accumulated amortisation and impairments	(592)	(1)	(505)	(1 224)	(122)	–	(29)	(19)	(2 492)
Additions	27	–	1	31	–	–	16	–	75
Disposals/scraping	(2)	–	–	(47)	–	–	–	(10)	(59)
Reclassification	2	–	–	(2)	–	–	1	2	3
Hyperinflation adjustment#	–	–	–	40	–	–	–	–	40
Exchange rate adjustments	(1)	(9)	–	(105)	(109)	(1)	–	(3)	(228)
Amortisation	(107)	–	(10)	(110)	–	–	(13)	(25)	(265)
Impairments	(1)	–	–	–	–	–	–	–	(1)
<b>CLOSING BALANCE AS AT 31 DECEMBER 2019</b>	<b>262</b>	<b>233</b>	<b>29</b>	<b>944</b>	<b>1 034</b>	<b>13</b>	<b>88</b>	<b>95</b>	<b>2 698</b>
Cost	893	234	544	2 281	1 155	13	129	137	5 386
Accumulated amortisation and impairments	(631)	(1)	(515)	(1 337)	(121)	–	(41)	(42)	(2 688)

# The hyperinflation adjustment relating to the Argentinian operations. Refer to Annexure: Accounting Policies.

\* Mendoza PPA: Subsequent to the audited 31 December 2018 comparable balance sheet, a final PPA 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]." Refer to note 10.

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

#### 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





## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12. Intangible assets continued

	Sun International Brands			Goodwill – Sun Dreams	Goodwill – Sun Slots
	Sun International African Brand	Sun Slots Brand	Dreams Brand	Latam	South Africa
<b>31 December 2018</b>					
Impairment indicator	Indefinite useful life	Indefinite useful life	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)	Value-in-use (discounted cash flow)
Key assumptions:					
– discount rate (pretax)	16.77%	16.77%	9.11%	9.11%	16.77%
– 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	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	6.50%	6.50%	4.50%	4.50%	6.50%
– after tax cost of debt	7.38%	7.38%	4.64%	4.64%	7.38%
– cost of equity	16.54%	16.54%	10.99%	10.99%	16.54%
– debt/equity ratio	35%/65%	35%/65%	35%/65%	35%/65%	35%/65%
Impairment charge	No impairment charge	No impairment charge	No impairment charge	No impairment charge	No impairment charge

The CGU relating to Thunderbird and Argentina include goodwill from acquisitions made in the prior year based on the value of the recent transactions and the associated cash flows subsequent to the effective date of the acquisition aligning with the cash flows anticipated as part of the acquisitions, no impairment was noted.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 13. Equity-accounted investments

#### COLOMBIAN INVESTMENTS

In October 2019, Sun Dreams acquired a 60% shareholding in the newly formed entity Sun Dreams Colombia S.A.S. via the 100% held entity Sun Casinos Colombia S.A.S. The group has deemed this newly acquired investment as an associate. The group is satisfied with the accounting treatment for this associate due to the participation sale agreement included that the buyer would have broad attributions in the decision making in the newly incorporated operation of the company which resulted in the Colombian entity being accounted for in terms of equity accounting as per IAS 28 from 1 October 2019.

#### FIREFLY INVESTMENTS

FireFly Investments owns the Sun International head office building in Sandton. The group holds a 50% shareholding in FireFly and is classified as a joint venture (jointly controlled entity).

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

	Associate		Joint venture		Total	
	Sun Dreams Colombia S.A.S		FireFly Investments		Total	
	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm
Non-current assets	26	–	252	290	278	290
Current assets	8	–	1	6	9	6
Total assets	34	–	253	296	287	296
Non-current liabilities	–	–	166	174	166	174
Current liabilities	11	–	64	57	75	57
Equity	23	–	23	65	46	65
	34	–	253	296	287	296
Group proportionate share of the equity	14	–	11	32	25	32
<b>GROUP CARRYING AMOUNT OF INVESTMENT</b>	<b>22</b>	<b>–</b>	<b>29</b>	<b>27</b>	<b>51</b>	<b>27</b>
<b>SUMMARISED STATEMENT OF PROFIT AND LOSS:</b>						
Revenue	10	–	32	49	42	49
Expenses	(8)	–	(29)	(29)	(37)	(29)
Profit before tax	2	–	3	20	5	20
Tax	–	–	–	(4)	–	(4)
Profit after tax	2	–	3	16	5	16
Total comprehensive income	2	–	3	16	5	16
<b>GROUP PROPORTIONATE SHARE OF COMPREHENSIVE INCOME</b>	<b>1</b>	<b>–</b>	<b>2</b>	<b>8</b>	<b>3</b>	<b>8</b>

#### 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, however the group applies equity accounting for the period 1 January to 31 December in line with the group's December year end.

No dividends have been received from equity-accounted investments.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 14. Derivative financial instruments

The group had the following derivative financial instruments in the following line items in the balance sheet:

	31 December 2019 Rm	31 December 2018 Rm
<b>ASSETS</b>		
Interest rate swaps	4	(8)
Current assets	–	(8)
Non-current assets	4	–

The interest rate swap was effective as in range of 80% – 125%.

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

#### (a) CLASSIFICATION OF DERIVATIVES

Derivatives are only used for economical hedging purposes and not as speculative investments. However, where derivatives do meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit and loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

#### (b) FAIR VALUE OF DERIVATIVES

Interest rate swap's fair value are determined by using estimated future cash flows based on observable yield curves as valuation techniques.

#### (c) HEDGING RESERVE

	Interest rate swap	
	31 December 2019 Rm	31 December 2018 Rm
<b>Opening balance</b>	5	30
Hedging instrument reaching majority recognised from OCI to profit and loss	(5)	–
Change in fair value of hedging instrument recognised in OCI	18	(25)
<b>Closing balance</b>	18	5

#### (d) AMOUNTS RECOGNISED IN PROFIT AND LOSS

In addition to the amounts disclosed in the reconciliation of hedging reserve above, the following amounts were recognised in profit or loss in relation to derivatives:

	31 December 2019 Rm	31 December 2018 Rm
Hedge ineffectiveness of interest rate swaps – amounts recognised in other gains/(losses)	27	(2)

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that economical relationship exists between the hedge item and hedging instrument.

The group enters into interest rate swaps that have similar critical terms as the hedged items, such as reference rate, reset dates, payments dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economical relationship.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 15. Put option liabilities

	31 December 2019 Rm	31 December 2018 Rm
SunWest put option	1 287	1 330
Menlyn Maine put option	–	–
	<b>1 287</b>	1 330

#### SUN WEST 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 R1.287 billion (31 December 2018: R1.33 billion) in this regard. The liability is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times adjusted EBITDA multiple valuation of the Western Cape assets, less net debt, times the 20% shareholding which Tsogo Sun holds.

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

#### MENLYN MAINE PUT OPTION

As part of the agreement, a subscription option was granted to Menlyn Maine by Times Square whereby Menlyn Maine was given the option to subscribe to 14.25% of the ordinary shares in Times 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 its 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 is 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 adjusted EBITDA of Time Square of the period that the option is exercised multiplied by an adjusted EBITDA multiple of 8, adjusted for cash on hand and net debt. An adjusted 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 33 months, the arena for 26 months and the hotel for 21 months. The fair value will be reassessed at each reporting date.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 16. 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 2018 by an independent firm of consulting actuaries and the fund was found to have a surplus of R413 million, of which R9 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 next valuation will be carried out after year-end based on the fund position at 1 July 2021 although it should be noted that the Fund is in the process of closing down and the expectation is that it will be placed in liquidation before that date.

	31 December 2019 Rm
Present value of funded obligations	–
Fair value of fund assets	454
Surplus before contingency reserve	454
Contingency reserve	(9)
Employer surplus account	(32)
<b>SURPLUS</b>	<b>413</b>

#### IAS 19 VALUATION

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

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm	31 December 2016 Rm
The present value of the retirement surplus of the pension fund for the current and prior years is as follows:				
Present value of funded obligations	–	–	(417)	(425)
Fair value of plan assets	311	444	852	948
Surplus	311	444	435	523
Experience adjustment on plan obligations	0%	0%	16%	(8%)
Experience adjustment on plan assets	10%	14%	9%	(4%)
The present value of the post-retirement medical aid obligation for the current and prior years is as follows:				
Present value of obligation	(85)	(85)	(90)	(99)
Experience adjustment on plan obligations	(17%)	(11%)	(13%)	(3%)

The fund has R303 million (31 December 2018: R33 million) allocated to the employee surplus account, which has been recognised as an asset of the group as the intention is for the surplus to be transferred to the umbrella fund arrangement currently with Sanlam where the provident fund migrated to. The employee surplus account is being used to service the funds ongoing expenses until the point of liquidation.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 16. Retirement benefit information continued

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

	Pension fund liability		Post retirement medical aid liability <sup>1</sup>	
	31 December 2019 Rm	31 December 2018 Rm	31 December 2019 Rm	31 December* 2018 Rm
Present value of funded obligations	–	–	(85)	(92)
Balance at beginning of year	–	(417)	(92)	(93)
Current service cost (recognised through profit or loss)	–	–	(2)	(2)
Interest income/(cost) (recognised through profit or loss)	11	(19)	(9)	(9)
Actuarial (loss)/gain (recognised through OCI)	(234)	(35)	15	10
Gain/(loss) on curtailment <sup>2</sup>	–	29	–	–
Settlement of retirement benefit obligation	–	415	–	–
Risk premium and expenses	–	1	–	–
Benefits paid	223	26	3	2
Fair value of plan assets	311	443		
Balance at beginning of year	443	852		
Expected return on plan assets	32	60		
Actuarial (loss)/gain (recognised through other comprehensive income)	59	(27)		
Settlement of retirement benefit obligation	–	(415)		
Risk premium and expenses	–	(1)		
Benefits paid	(223)	(26)		
Present value of retirement benefit surplus	311	443		
Less: application of asset ceiling	(8)	(410)		
Balance at beginning of year	(411)	(403)		
Interest income (recognised through profit or loss)	(39)	(40)		
Adjustment to asset ceiling (recognised through OCI)	442	33		
Pension fund asset	303	33		

<sup>1</sup> The group has no matched asset to fund these obligations. There are no unrecognised actuarial gains or losses and no unrecognised past service costs. The expected expense to be recognised in the statement of comprehensive income for the year ending 31 December 2020 is R11 million.

<sup>2</sup> The transfer of the pensioner liabilities during the previous financial year resulted in a gain of R29 million in the statement of comprehensive income after transferring the pensioner retirement benefit obligation of R415 million and its related plan assets. Therefore there is a R nil fund obligation relating to the pension fund as at 31 December 2019.

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as discontinued operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations.





## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 16. Retirement benefit information continued

	Pension fund liability		Post retirement medical aid liability <sup>1</sup>	
	31 December 2019 Rm	31 December 2018 Rm	31 December 2019 Rm	31 December 2018 Rm
The net amount recognised in profit or loss for the year	3	3	(11)	(11)
Current service cost	–	–	(2)	(2)
Interest income/(cost)	3	3	(9)	(9)
The amounts recognised in OCI for the year	267	(30)	15	10
Net actuarial (gain)/loss	(175)	(62)	15	10
Effect of asset ceiling	442	32	–	–
The net amount recognised in total comprehensive income for the year	271	(27)	4	(1)
<b>PLAN ASSETS COMPRISE:</b>				
Listed equity investments	–	34%	–	–
Bonds and cash*	100%	36%	–	–
Other	0%	30%	–	–

<sup>1</sup> The group has no matched asset to fund these obligations. There are no unrecognised actuarial gains or losses and no unrecognised past service costs. The expected expense to be recognised in the statement of comprehensive income for the year ending 31 December 2020 is R11 million.

\* The entire fund assets are invested in a money market portfolio.

Management has assessed the risk that the pension plan is exposed to, as low. The Fund's investments are invested in a pure money market portfolio with Investec. There are no investments in the equity of the sponsoring employer.

#### ACTIVE MEMBERS

The 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 FSCA on 2 February 2017. The active members in the Fund are therefore, in effect, defined contribution members with effect from 1 October 2017. Their accrued defined benefit liability as at 1 October 2017, plus an enhancement, was transferred to a defined contribution umbrella fund arrangement, the Retirement-On-Line Pension Fund. These transactions were approved by the FSCA during Q4 2018 and Q1 2019.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 16. Retirement benefit information continued

#### POST RETIREMENT BENEFITS

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

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

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

	Pension fund liability		Post-retirement medical aid liability	
	31 December 2019 %	31 December 2018 %	31 December 2019 %	31 December 2018 %
Discount rate	–	9.55	<b>11.02</b>	9.90
Inflation rate	–	6.20	<b>6.40</b>	5.90
Expected return on plan assets	–	9.55	–	–
Future pension increases	–	6.20	–	–
<b>EXPECTED FUTURE LIFE EXPECTANCY YEARS<sup>^</sup></b>				
Male	–	19.4	<b>19.4</b>	19.4
Female	–	24.2	<b>24.2</b>	24.2

<sup>^</sup> Expected life expectancy of a pension in years, after retiring at the age of 60.

The Fund has no remaining in-service members, paid-up members nor pensioners at the current valuation date and consequently no resultant defined benefit liabilities. Hence there are no actuarial assumptions required for the purposes of the current valuation.

There is no current service cost since there are no benefits accruing over the year following the valuation date.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 16. Retirement benefit information continued

#### SENSITIVITY

	Pension fund liability*		Post retirement medical aid liability	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Current future rate of increase of the liability			5.44%	5.02%
1% increase in rate	–	–	6.44%	6.02%
Impact on the liability	–	–	<b>Increase of R12 million or 14.2%</b>	Increase of R14.1 million or 15.4%
Impact on the service and interest costs	–	–	<b>Increase of R1.7 million or 15.4%</b>	Increase of R1.9 million or 16.7%
1% decrease in rate	–	–	4.44%	4.02%
Impact on the liability	–	–	<b>Decrease of R10 million or 11.7%</b>	Decrease of R11.6 million or 12.6%
Impact on the service and interest costs	–	–	<b>Decrease of R1.4 million or 12.7%</b>	Decrease of R1.5 million or 13.6%

\* The pension fund liability sensitivity has become irrelevant as there are no longer any remaining active members left in the fund.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 17. Trade and other receivables

		31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>FINANCIAL INSTRUMENTS</b>			
Loans	17.1	157	134
Net trade receivables		378	407
Trade receivables		410	434
Less: loss allowance	17.2	(32)	(27)
Net casino debtors		68	46
Casino debtors		213	198
Less: loss allowance	17.3	(145)	(152)
Other receivables <sup>~</sup>		214	257
		<b>817</b>	844
<b>NON-FINANCIAL INSTRUMENTS</b>			
Prepayments <sup>1</sup>		310	579
Interest receivable		5	-
VAT		-	6
Current tax		270	287
		<b>1 402</b>	1 716
Non-current portion of loans		157	131
Non-current receiver of revenue <sup>#</sup>		132	147
		<b>1 113</b>	1 438

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as Held for Sale operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.

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

<sup>~</sup> Other receivables relates to miscellaneous receivables held by the respective subsidiaries, these include amongst other rental and concessionaire receivables and remote point receivables.

<sup>#</sup> 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 of the amount in the short term, hence this portion that is disclosed as non-current.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 17. Trade and other receivables continued

#### 17.1 LOANS

Most of the debt instruments within the group represent intercompany loans that eliminate in these consolidated financial statements. At a group level amortised debt instruments include enterprise development loans and external loans.

In assessing IFRS 9: Financial Instruments, potential impairments over loans receivables were calculated using the IFRS 9 general approach, with inputs obtained directly from a third part actuarial consultant. The IFRS 9 general approach has been set out in detail as part of the group's accounting policies and can be found in Annexure: Accounting Policies. The following impact was noted:

	Instrument value Rm	Probability of default (PD) %	Loss given default (LGD) %	Exposure at default (EAD) Rm	ECL R'000
<b>ECL AS AT 31 DECEMBER 2018</b>					
Instrument					
Enterprise development loans	27	6.85	80.00	27	1 480
Loan with Firefly Investments	14	4.45	80.00	14	498
<b>TOTAL</b>					<b>1 978</b>
<b>ECL AS AT 31 DECEMBER 2019</b>					
Instrument					
Enterprise development loans	<b>38</b>	<b>13.15</b>	<b>65.00</b>	<b>38</b>	<b>3 249</b>
Loan with Firefly Investments	<b>19</b>	<b>2.10</b>	<b>72.08</b>	<b>19</b>	<b>283</b>
<b>TOTAL</b>					<b>3 532</b>
					R'000
Movement during the financial year					(1 554)

Applying the general IFRS 9 expected credit risk model resulted in the recognition of a loss allowance of R2 million 31 December 2019 for debt investments at amortised cost and a increase in the allowance of R1.5 million in the current reporting period.

The remainder of the receivable loan balances have been assessed as fully recoverable both at 1 January 2019 and 31 December 2019, with only a negligible impact noted. Given this, these loans have not been included in the table presented above.

#### 17.2 NET TRADE RECEIVABLES

Due to the intrinsic nature of trade receivables, where they should mature within a period of less than 12 months, the group has adopted the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This approach included the following:

■ **Different categories of trade receivables with similar loss patterns were separated.**

- The group's categories of trade receivables were separated in two classes being trade receivables from food and beverage, rooms revenue and other and casino debtors.
- The two classes of trade receivables were based on the historical risk profile of the classes receivables.
- Management assessed the risks of the individual trade receivables as falling into the above two group's risk profile.

■ **Calculating default rates within specific time frames over a specific year using historical credit loss experience.**

Management determined the historical credit loss, by assessing the previous 24 months trade receivables payment trends as well as receivables written of as unrecoverable.

Default rates were calculated based on the above assessment for each time bucket as indicated below:

- fully performing
- past due by one to 30 days
- past due by 31 to 60 days
- past due by 61 to 90 days
- past due by more than 90 days.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 17. Trade and other receivables continued

■ **An assessment of forward looking macroeconomic forecasts was done to determine a possible adjustment on the historical default rates.**

To determine a correlation between macroeconomic factors and the groups bad debt written off, the following macroeconomic factor changes were compared over the same period of time as the groups bad debt written off:

- disposal Income rate
- unemployment rate
- lending rates
- GDP growth rate
- inflation rate, and
- number of company liquidations.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors from Moody's Analytics Credit Loss and Impairment Analysis Suite affecting the ability of the customers to settle the receivables.

No linear correlation over the period of the assessment was identified between the above macroeconomic factors and the groups actual bad debt written off. Subsequently no significant forward-looking adjustments were made on the default rates.

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.

#### 17.3 NET CASINO DEBTORS

Casino debtors arise from the group's VIP customers. The granting of credit to 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.

##### Trade receivables and casino debtors IFRS 9: Financial Instruments impact

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

	31 December 2019 Rm	31 December 2018 Rm
Balance at the beginning of the year	(206)	(263)
Charge for the year	29	57
<b>BALANCE AT END OF YEAR</b>	<b>(177)</b>	<b>(206)</b>

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



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 17. Trade and other receivables continued

	31 December 2019			31 December 2018		
	Gross Rm	Provision for doubtful debts Rm	IFRS 9 provision matrix* %	Gross Rm	Provision for doubtful debts Rm	IFRS 9 provision matrix* %
<b>NET TRADE RECEIVABLES</b>						
Fully performing	210	(4)	(1.77)	211	–	(0.20)
Past due by one to 30 days	62	(4)	(5.69)	88	(2)	(1.74)
Past due by 31 to 60 days	20	(1)	(4.43)	20	(2)	(7.58)
Past due by 61 to 90 days	21	(1)	(4.77)	20	(1)	(6.78)
Past due by more than 90 days	97	(22)	(22.45)	82	(47)	(57.54)
	<b>410</b>	<b>(32)</b>		<b>421</b>	<b>(52)</b>	
<b>CASINO DEBTORS</b>						
Fully performing	57	(4)	(6.62)	43	(1)	(2.63)
Past due by one to 30 days	14	–	(0.43)	2	–	(10.49)
Past due by 31 to 60 days	1	–	(0.42)	–	–	(42.31)
Past due by 61 to 90 days	–	–	–	3	(3)	(93.54)
Past due by more than 90 days	141	(141)	(100.02)	150	(150)	(99.95)
	<b>213</b>	<b>(145)</b>		<b>198</b>	<b>(154)</b>	

\* Above provision matrix represents a weighted average group factor and has been applied in calculating the credit loss based on historic default rate percentages. As 24-month historic data was used, market information was incorporated to adjust for the forward-looking approach. Data incorporated includes amongst other adjustments relating to possible changes in interest rates, GDP, inflation rate and unemployment rate.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 18. Inventory

	31 December 2019 Rm	Restated* 31 December 2018 Rm
Merchandise	73	76
Consumables and hotel stocks	93	95
	<b>166</b>	171

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as Held for Sale operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Consumables and hotel stocks of R2 million relating to Swaziland was included in the 2018 restated figure.

No material inventory write-off's were incurred during the current or comparative year.

### 19. Cash and cash equivalents

	31 December 2019 Rm	Restated* 31 December 2018 Rm
Cash in the bank	490	618
Cash floats	285	334
	<b>775</b>	952
<b>CASH AT THE BANK IS HELD IN THE FOLLOWING CURRENCIES:</b>		
Rand	127	52
US dollar	46	86
Euro	1	1
Colombian pesos	4	–
Chilean peso	277	404
Naira	13	27
British pound	–	1
Peruvian nuevo sol	10	33
Other	12	14
	<b>490</b>	618

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as Held for Sale operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.

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 low credit risk exposure for cash floats and low probability of default and therefore no ECL. Refer to note 29 which includes the credit ratings of the institutions that holds the group's cash and cash equivalents.





## Notes to the group financial statements continued

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FOR THE YEAR ENDED 31 DECEMBER 2019

### 20. Assets held for sale and discontinued operations

#### (a) SWAZILAND

In the prior year, the group entered into a firm commitment to dispose of 100% of its interest in its' Swaziland operations, which has been delayed pending final regulatory approvals from His Majesty, The King of Swaziland, which is seen to be an event beyond Sun International's control. In the previous published financial statements the results of the Swaziland operations had to be disclosed as profit for the year from discontinued operations in the statement of comprehensive income 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. Although Sun International remain committed to dispose of the Swaziland operations, as at 31 December 2019 the Swaziland operations have not been successfully sold and are therefore disclosed as part of the groups continued operations as it no longer meets the requirements of IFRS 5: Discontinued Operations and Non Current Assets and Liabilities Held for Sale. The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations for comparable purposes.

#### (b) NAO CASINO COLOMBIA SA

In the prior year, Nao Casino Colombia SA was classified as a discontinued operation in terms of IFRS 5: Non Current Assets Held for Sale and Discontinued Operations and as at 30 September 2019 the operation was sold. The results of the Colombia operation have been disclosed as a loss for the year from discontinued operations in the statement of comprehensive income for the current and prior year. The profit on sale of the operation has been correctly recognised in the statement of comprehensive income.

#### (c) PANAMA

During the second half of 2018, management decided to classify Panama as held for sale following a commitment to a formal sale plan. To date there are various offers to purchase some assets of the company and management is in an active process of looking for buyers for the rest of the assets. Management is committed in disposing of its equity investment in Panama during the next 12 months. The results of the Panama 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.

#### (d) CHILEAN LAND

In August 2018, the group's board made the decision to commit to sell land located in the city of Coquimbo in Chile. The decision was made when the tender to operate the casino in that city was not awarded. Management is committed in disposing of the land during the next 12 months. The assets and liabilities relating to this portion of land have been disclosed in the statement of financial position as non-current assets held for sale and non-current liabilities held for sale.

#### (e) SIBAYA LAND

A signed agreement between Sibaya and Oasis (Purchaser) regarding the purchase of a section of land that is owned by Sibaya was concluded in the third quarter of 2019, for a purchase consideration of R45 million. It is probable that the sale will become effective in the first half of the 2020 financial year as most of the special conditions for the sale has been fulfilled. Management is committed in effecting this transaction in the next 12 months.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 20. Assets held for sale and discontinued operations continued

	31 December 2019					31 December 2018				
	Total Rm	Sibaya Land Rm	Nao Casino Colombia SA Rm	Panama Rm	Chile Land Rm	Total Rm	Swaziland* Rm	Nao Casino Colombia SA Rm	Panama Rm	Chile Land Rm
<b>ASSETS OF THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE:</b>										
Property, plant and equipment	780	26	–	664	90	776	–	22	655	99
Other assets	17	–	–	17	–	53	–	11	42	0
Cash and cash equivalents	14	–	–	14	–	30	–	8	22	0
<b>TOTAL ASSETS HELD FOR SALE</b>	<b>811</b>	<b>26</b>	<b>–</b>	<b>695</b>	<b>90</b>	<b>859</b>	<b>–</b>	<b>41</b>	<b>719</b>	<b>99</b>
<b>LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE:</b>										
Borrowings	–	–	–	–	–	–	–	–	–	–
Other non-current liabilities	–	–	–	–	–	–	–	–	–	–
Accounts payable and accruals	(22)	–	–	(22)	–	(41)	–	(3)	(38)	–
<b>TOTAL LIABILITIES HELD FOR SALE</b>	<b>(22)</b>	<b>–</b>	<b>–</b>	<b>(22)</b>	<b>–</b>	<b>(41)</b>	<b>–</b>	<b>(3)</b>	<b>(38)</b>	<b>0</b>
<b>NET ASSETS HELD FOR SALE</b>	<b>789</b>	<b>26</b>	<b>–</b>	<b>673</b>	<b>90</b>	<b>818</b>	<b>–</b>	<b>38</b>	<b>681</b>	<b>99</b>

	31 December 2019					31 December 2018				
	Total Rm	Sibaya Land Rm	Nao Casino Colombia SA Rm	Panama Rm	Chile Land Rm	Total Rm	Swaziland* Rm	Nao Casino Colombia SA Rm	Panama Rm	Chile Land Rm
<b>An analysis of the results of the discontinued operations is as follows:</b>										
Revenue	126	–	12	114	–	111	–	10	101	–
Expenses	(163)	–	(33)	(130)	–	(367)	–	(69)	(298)	–
Impairment Reversal <sup>^</sup>	34	–	–	34	–	54	–	–	54	–
<b>LOSS BEFORE TAX</b>	<b>(3)</b>	<b>–</b>	<b>(21)</b>	<b>18</b>	<b>–</b>	<b>(202)</b>	<b>–</b>	<b>(59)</b>	<b>(143)</b>	<b>–</b>
Tax	–	–	–	–	–	(2)	–	(2)	–	–
<b>LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS</b>	<b>(3)</b>	<b>–</b>	<b>(21)</b>	<b>18</b>	<b>–</b>	<b>(204)</b>	<b>–</b>	<b>(61)</b>	<b>(143)</b>	<b>–</b>
<b>CASH FLOWS OF THE DISCONTINUED OPERATION:</b>										
Operating cash flows	(27)	–	(18)	(9)	–	(153)	–	(54)	(99)	–
Investing cash flows	16	–	13	3	–	–	–	–	–	–
Financing cash flows	–	–	–	–	–	141	–	58	83	–
<b>TOTAL CASH FLOWS</b>	<b>(11)</b>	<b>–</b>	<b>(5)</b>	<b>(6)</b>	<b>–</b>	<b>(12)</b>	<b>–</b>	<b>4</b>	<b>(16)</b>	<b>–</b>

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as Held for Sale operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations.

<sup>^</sup> Reversal of prior year impairments.

#### Panama Property

Level of testing	Fair value less cost to sell
Operating segment	Latam: Panama
Method of testing	Fair value/market value
Key assumptions:	
– discount rate	N/A
Impairment charge reversed	R34 million

A liquidation approach was used to determine the fair value minimum cost to sell, and evaluated at market value. Due to the significant increase in market value of properties in Panama City, a reversal of R34 million prior years impairment was recognised and allocated to the asset class, free hold buildings.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 21. Share capital and premium

	31 December 2019 Rm	31 December 2018 Rm
<b>AUTHORISED</b>		
200 000 000 (31 December 2018: 200 000 000) ordinary shares of no par value		
<b>ISSUED</b>		
Share capital and premium	1 893	1 893
Treasury shares and share options	(352)	(396)
	<b>1 541</b>	1 497

All issued shares are fully paid.

10 780 000 shares (31 December 2018: 10 780 000) were placed under the specific control of the directors to allot and issue in accordance with the share plans.

	31 December 2019		31 December 2018	
	Number of shares	Rm	Number of shares	Rm
<b>SHARES IN ISSUE</b>				
<b>MOVEMENT DURING THE YEAR</b>				
<b>STATUTORY SHARES IN ISSUE</b>	136 730 964	1 893	109 086 988	295
Balance at beginning of year	136 730 964	1 893	109 086 988	295
<b>TREASURY SHARES AND SHARE OPTIONS</b>	(10 325 581)	(352)	(10 854 895)	(396)
Balance at beginning of year	(10 854 895)	(396)	(11 087 469)	(425)
Treasury shares purchased	(14 968)	(1)	(118 959)	(7)
Treasury shares disposed of	105 627	11	65 377	4
Vested share awards	438 655	34	286 156	32
Rights issue shares*	–	–	27 643 976	1 598
<b>CLOSING BALANCE</b>	<b>126 405 383</b>	<b>1 541</b>	125 876 069	1 497
<b>TREASURY SHARES AND SHARE OPTIONS</b>				
Held by Dinokana	6 719 759	170	6 719 759	170
– 73.86% (2018: 73.6%) owned by Sun International	4 963 214	41	4 963 214	41
– 26.14% (2018: 26.4%) owned by Dinokana minorities	1 756 545	129	1 756 545	129
Held by the Sun International Employee Share Trusts	2 597 419	85	2 597 419	85
Treasury shares	1 008 403	97	1 537 716	141
	<b>10 325 581</b>	<b>352</b>	10 854 894	396

\* In June 2018 a successful equity raise of R1.6 billion was concluded, increasing the issued share capital by 27 643 976 number of ordinary no par value shares.

Nil (31 December 2018: nil) RSP, CSP and BMSP shares were purchased during the year under review and 432 847 (31 December 2018: 286 156) 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 believes it has no economic benefit in these shares.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 21. Share capital and premium continued

#### SHARE INCENTIVE SCHEMES

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

- (i) **Restricted share plan and Bonus share matching plan (RSP and BSMP)**  
RSP and BSMP shares are group shares granted to key staff in return for continuing employment with the group. The shares will be forfeited and any dividends received on the RSP shares will be repayable should the employee leave the group prior to the expiry of the vesting period. The vesting period is either three or five years. In the case of a three year award, 100% of the shares awarded will vest after three years and in the case of the five year award, 50% vests after three years, 25% after four years and the remaining 25% after five years.
- (ii) **Deferred bonus plan (DBP)**  
DBP shares are group shares acquired by senior executives with a portion of their declared annual bonus and entitle the participant to receive a matching award (an equal number of group shares as acquired) at the end of a three-year period. The matching award is conditional on continued employment and the DBP shares being held by the participant at the end of the three year period. The DBP is no longer being utilised.
- (iii) **Equity growth plan (EGP)**  
EGP rights provide senior executives with the opportunity to receive shares in the group through the grant of conditional EGP rights, which are rights to receive shares equal in value to the appreciation of the group share price between the date on which the conditional EGP rights are granted and the date on which they are exercised, subject to the fulfilment of predetermined performance conditions over a specified performance period. The performance condition applied to the grants is that the Group's AHEPS should increase by 2% per annum above inflation over a three-year performance period. If the performance condition is not met at the end of three years these awards lapse.
- (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 fulfillment 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 three year period. 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 broad-based black economic empowerment (B-BBEE) rating level of four or better.

No new share awards have been issued under this scheme.

Movement in the number of share rewards for the current year is as follows:

	RSP and BSMP		DBP		EGP		CSP	
	Number of grants	Weighted average grant price	Number of grants	Weighted average grant price	Number of grants	Weighted average grant price	Number of grants	Weighted average grant price
<b>BALANCE AS AT 31 DECEMBER 2018</b>	1 164 107	71.99	4 672	85.47	4 054 700	66.72	1 655	86.55
Granted during the year	432 847	46.10	–	–	–	–	–	–
Sold	(438 655)	78.67	–	–	–	–	–	–
Retained	(110 142)	81.06	–	–	–	–	–	–
Forfeited	(69 314)	68.96	–	–	(1 095 838)	84.72	–	–
Exercised during the year	–	–	–	–	–	–	–	–
<b>BALANCE AS AT 31 DECEMBER 2019</b>	<b>978 843</b>	<b>56.74</b>	<b>4 672</b>	<b>85.47</b>	<b>2 958 862</b>	<b>60.00</b>	<b>1 655</b>	<b>86.55</b>



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 21. 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	
	Number of grants	Weighted average grant price	Number of grants	Weighted average grant price (ZAR)
2020	158 046	55.81	559 894	59.66
2021	333 067	64.73	2 398 968	60.08
2022	430 869	46.08	–	–
	921 982	54.48	2 958 862	60.00

#### VALUATION OF SHARE INCENTIVE GRANTS

The fair value of the EGP's is determined using a binomial tree model. The time period between valuation date and vesting date when the option holders cannot exercise their options is incorporated in the model; and the first node corresponds with the grant date. For the DBP, RSP and BSMP the share awards are valued based on the ruling share price on the date of the award. The table below sets out the valuation of awards granted and the assumptions used to value the awards:

	EGP	RSP/BSMP
<b>DECEMBER 2019</b>		
Weighted average grant price	–	46
Weighted average 400-day volatility	–	n/a
Weighted average long term risk rate	–	n/a
Weighted average dividend yield	–	n/a
Valuation	–	46
<b>DECEMBER 2018</b>		
Weighted average grant price	R60.08	R60.08
Weighted average 400-day volatility	27.35%	n/a
Weighted average long term risk rate	8.15%	n/a
Weighted average dividend yield	0%	n/a
Valuation	R30.34	R60.08

The employee share based payment expense for the 12 months was R18 million (December 2018: R34 million).



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 22. 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.

December 2019	Rand		Chilean Peso (CLP52.72:R1)		US Dollar (R14.12:USD1)		Swazi Lilangeni (R 1:SZL 1)		Total
	Interest rate %	Rm	Interest rate %	Rm	Interest rate %	Rm	Interest rate %	Rm	Rm
<b>NON CURRENT BORROWINGS</b>		7 914		3 706		–			11 620
Term facilities	9.04%	4 450	5.61	3 460		–			7 910
Revolving credit facility	8.70%	1 000		–		–			1 000
Redeemable preference shares	7.51%	1 586		–		–			1 586
V&A loan	12.21%	114		–		–			114
Lease liabilities (IFRS 16)	9.50%	728		246		–			974
Shareholder loan from non-controlling interest	10.63%	36		–		–			36
<b>CURRENT BORROWINGS</b>		1 655		495		617		19	2 786
Term facilities	9.04%	440	5.61	441		–			881
Redeemable preference shares	7.51%	–		–		–			–
V&A loan	12.21%	62		–		–			62
Lease liabilities (IFRS 16)	9.50%	51		54		–			105
Shareholder loan from non-controlling interest	10.63%	–		–	5.00	617			617
Short-term banking facilities	7.50%	1 102		–		–	9.50	19	1 121
<b>TOTAL BORROWINGS</b>		9 569		4 201		617		19	14 406

Below breakdown of the groups fixed/variable facilities:

Fixed/variable

#### TERM FACILITIES

Five year bullet loan

Three-month JIBAR plus margin

Five year bullet loan

Three-month JIBAR plus margin

#### REDEEMABLE PREFERENCE SHARES

Sun Treasury

Prime

SISA

Fixed

SISA

Prime and JIBAR

#### SHORT-TERM BANKING FACILITIES

Prime less margin

#### OTHER FACILITIES

Revolving credit facility

Fixed plus variable margin

V&A loan

Fixed

Lease liabilities

Weighted average

Minority debenture

JIBAR plus margin

Vacation Club

Fixed



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 22. Borrowings continued

Sun International embarked on re-financing its total Sound African debt during the 2019 period, this process was concluded at the end of November 2019. The overall debt facilities did not change materially, although there were a reduction of the various facilities interest rates as noted in the below table. The tenure of the re-financed term facilities were extended to be paid various instalments over the next five years, the payment profile is noted further in this section. The majority of the previous term facilities were payable within the next two years.

The group considers both quantitative and qualitative factors when assessing renegotiated loans for extinguishment or modification in IFRS 9. B3.36. The group renegotiated the term facilities and revolving credit facility with lenders resulting in the group obtaining more favourable interest rates, decrease on quarterly capital repayments and extended repayment period.

The changes to the term facilities and revolving credit facility loan terms were accounted for as an extinguishment of the original loan and recognition of a new loan facility. Qualitative factors such as a change in the lenders and levels of exposure to each lender resulted in an extinguishment. The impact of the restructure resulted in R12 million recognised in the statement of comprehensive income.

		Rand		Chilean Peso (CLP48.21:R1)		US Dollar (R14.43:USD1)		Swazi Lilangeni (R1:SZL1)		Total
	Interest rate	Rm	Interest rate	Rm	Interest rate	Rm	Interest rate	Rm	Rm	
<b>December 2018</b>										
<b>NON CURRENT BORROWINGS</b>		<b>6 340</b>		<b>4 211</b>		<b>–</b>				<b>10 551</b>
Term facilities	10.28%	4 800	4.9%	4 211		–				9 011
Revolving credit facility	8.80%	551		–		–				551
Redeemable preference shares	7.78%	771		–		–				771
V&A loan <sup>1</sup>	12.21%	177		–		–				177
Lease liabilities	5.80%	5		–		–				5
Shareholder loan from non-controlling interest	11.66%	36		–		–				36
Vacation Club members	10.90%	–		–		–				–
<b>CURRENT BORROWINGS</b>		<b>2 834</b>		<b>679</b>		<b>602</b>		<b>17</b>		<b>4 132</b>
Term facilities	10.28%	800	4.9%	679		–				1 479
Redeemable preference shares	7.70%	270		–		–				270
V&A loan	12.21%	49		–		–				49
Lease liabilities	5.80%	1		–		–				1
Minority interest loans		–		–	5.00%	602				602
Vacation Club members	11.66%	47		–		–				47
Short-term banking facilities*	8.25%	1 667		–		–	9.75%	17		1 684
<b>TOTAL BORROWINGS</b>		<b>9 174</b>		<b>4 890</b>		<b>602</b>		<b>17</b>		<b>14 683</b>

<sup>1</sup> The fair value of the borrowings approximates their carrying values except for the V&A loan which has a fair value of R208 million (31 December 2018: R250 million). The fair value has been determined on a discounted cash flow basis using a discount rate of 9% (31 December 2018: 9%).

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as Held for Sale operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 22. Borrowings continued

The borrowings are repayable as follows

	Rand		Chilean Peso		US Dollar		Swazi Lilangeni		Total	
	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm	31 Dec 2019 Rm	31 Dec 2018 Rm
6 months or less	297	741	145	353	617	602	19	17	1 078	1 713
6 months – 1 year	1 415	2 094	350	326	–	–	–	–	1 765	2 420
1 – 2 years	1 641	1 793	559	443	–	–	–	–	2 200	2 236
2 – 3 years	565	4 510	333	649	–	–	–	–	898	5 159
3 – 4 years	764	36	259	248	–	–	–	–	1 023	284
4 years and onwards	4 886	–	2 555	2 871	–	–	–	–	7 442	2 871
	9 568	9 174	4 201	4 890	617	602	19	17	14 406	14 683
Secured									3 901	4 551
Unsecured									10 505	10 132
									14 406	14 683
Net book value of property, plant and equipment encumbered by secured loans									2 264	2 997

As at 31 December 2019, interest rates on 2% (31 December 2018: 6%) of the group's borrowings were fixed, 35% (31 December 2018: 22%) of these fixed borrowings were for periods longer than 12 months. The interest rates other than on the V&A loan, approximate those currently available to the group in the market.

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

The group had unutilised borrowing facilities of R1 198 billion (31 December 2018: R1 381 million) at 31 December 2019. None of the undrawn borrowing facilities have fixed interest rates.

#### LEASE LIABILITIES<sup>A</sup>

The group has adopted IFRS 16: Leases and applied the simplified transition approach. The group has not restated comparative amounts for the year prior. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses) retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

	31 December 2019 Rm	1 January 2019 Rm
<b>LEASE LIABILITIES</b>		
Opening balance	1 145	–
Acquisition of lease	–	1 145
Add: lease interest	95	–
Less: lease payments	(162)	–
Closing balance	1 078	1 145
Of which are:		
Current	105	120
Non-current	974	1 025

The group debt is ring-fenced to each of Latin America, South Africa and Nigeria.

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

The Sun Dreams Latam statement of financial position ring-fenced from the rest of the group. Based on the current pipeline of opportunities there is no foreseeable need for further funding from the group/South African statement of financial position.

In South Africa, the group has R10 billion funding facilities from a consortium of South African funders. The covenants allow for a maximum debt to EBITDA ratio of 3.50x at 31 December 2019, excluding the effect of the adoption of IFRS 16. The Nigerian debt has always been (and remains) ring-fenced to the Federal Palace, without recourse to the group balance sheet.





## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 22. Borrowings continued

#### 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 after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	31 December 2019 Rm	31 December 2018 Rm
Profit after tax	(104)	(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 ratios as agreed upon with our lenders as at 31 December 2019:

- Loan covenant (debt/EBITDA) may not exceed 3.5x for South Africa and 4.50x for Latam
- EBITDA/interest cover may not be less than 3.0x (only South Africa).

	South Africa		Latam	
	Covenant	Actual	Covenant	Actual
Current gearing ratios				
Debt to EBITDA	3.5x	2.8x	4.5x	2.5x
EBITDA/interest cover	3.0x	3.9x	–	–

The group complied with the above loan covenants through 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)
- 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 maximise 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, or
- if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 23. Contract liabilities and other liabilities

	31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>NON FINANCIAL INSTRUMENTS</b>		
Straight lining of operating leases	–	236
Contract liability	622	675
Sun City Vacation Club <sup>1</sup>	594	572
Other deferred liabilities	28	103
DTI grant	13	10
Discounted slot machines	15	15
Lessor contribution <sup>2</sup>	–	78
Post-retirement medical aid liability (refer to note 16)	90	98
Long service award <sup>3</sup>	33	36
Accrual for farewell gifts <sup>4</sup>	5	5
Progressive jackpots provision <sup>5</sup>	69	83
Municipal concessions <sup>6</sup>	26	36
Other liabilities	25	–
	870	1 169
Current portion relating to the deferred payment	(103)	(37)
Current portion relating to the progressive jackpot provision	(69)	(83)
	698	1 049
	31 December 2019 Rm	31 December 2018 Rm
<b>CONTRACT LIABILITY OPENING BALANCE<sup>1</sup></b>	<b>572</b>	<b>511</b>
Increase in contract liability due to sales of timeshare (refer to the statement of cash flows).	112	145
Revenue recognised due to amortised of time share (refer to note 23).	(84)	(72)
Other movements in contract liability, due to termination of contracts.	(6)	(12)
<b>CONTRACT LIABILITY CLOSING BALANCE</b>	<b>594</b>	<b>572</b>

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as Held for Sale operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.

<sup>1</sup> The Sun City Vacation Club Sales revenue is recognised over the ten year period of the members' contracts, the liability increases/ decreases as new membership contracts are entered into or terminated respectively.

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

<sup>3</sup> The group offers employees a long service award. Employees are eligible for such benefits based upon the number of completed years of service. The method of accounting and valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

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

<sup>5</sup> This is the provision for wide area progressive jackpots.

<sup>6</sup> The Municipal concessions relate to a fixed contractual amount that is payable to the municipalities within which Dreams operates in Iquique and Puerto Varas in Chile.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 24. Trade payables and accruals

	31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>FINANCIAL INSTRUMENTS</b>		
Trade payables	722	777
Other payables	83	54
	<b>805</b>	831
<b>NON-FINANCIAL INSTRUMENTS</b>		
VAT	82	86
Employee related accruals	313	296
Accrued expenses	865	964
Bonus accrual	95	98
Interest payable	–	17
Latam gaming tax provision	155	–
Capital creditors	38	22
Current tax	84	20
	<b>2 437</b>	2 334

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as Held for Sale operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.

The fair value of all non-derivative financial instruments approximates their carrying value due to its short term nature.

The adoption of IFRS 9: Financial Instruments from 1 January 2018 has no impact on the recognition or classification of trade payables classified as financial instruments. Refer to Annexure: Accounting policies.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 25. Cash flow information

	31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>25.1 CASH GENERATED FROM OPERATIONS</b>		
Operating profit – continuing operations	2 700	2 260
Operating profit – discontinued operations	(3)	(203)
Adjustments for non-cash transactions	1 794	2 080
Depreciation and amortisation (including discontinued operations)	1 688	1 752
Profit/(loss) on disposal of assets of continued operations	2	(12)
Impairment of assets	172	306
Reversal of impairment of assets on discontinued operations	(34)	(54)
Abandonment of discontinued operations, assets	–	41
Reversal of onerous lease provision relating to Colombia	–	(31)
Net monetary (gain)/loss (hyperinflation)	(14)	(15)
Foreign exchange loss	19	44
Deferred Vacation Club revenue recognised	(84)	(72)
Operating equipment usage (including discontinued operations)	60	54
Employee share based payments	18	34
Expected credit loss provision adjustment	(31)	–
Foreign exchange cover loss	4	–
Other non-cash movements	(6)	33
Working capital changes	(112)	141
Inventory	5	–
Accounts receivable	24	(85)
Accounts payable	(141)	226
	<b>4 379</b>	<b>4 278</b>
<b>25.2 TAX PAID</b>		
Asset at beginning of year	112	57
Current tax provided	(682)	(650)
CGT and other taxes	(155)	(6)
Non-cash Latam additional tax	155	–
Asset at end of year	(55)	(112)
	<b>(625)</b>	<b>(711)</b>



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 25. Cash flow information continued

	31 December 2019 Rm	Restated* 31 December 2018 Rm
<b>25.3 INTEREST PAID</b>		
Interest expense – continuing operations	(1 176)	(1 253)
Interest expense – discontinuing operations	16	–
Interest expense – lease liabilities (IFRS 16)	95	–
Interest capitalised	–	(8)
Imputed interest on loans payable	10	3
	<b>(1 055)</b>	<b>(1 258)</b>
<b>25.4 RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES</b>		
Opening debt balance	14 683	15 008
Cash flows		
Additional borrowings	593	2 428
Repayment of borrowings	(1 552)	(3 028)
Imputed interest	(10)	(3)
Net cash flows	(969)	(603)
Foreign currency movements	(387)	278
Closing debt balance	13 327	14 683
Continuing operations (excluding IFRS 16 lease liabilities)	13 327	14 683
Discontinued operations	–	–

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as Held for Sale operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 26. Subsidiaries with non-controlling interests

#### (a) DISPOSALS AND ACQUISITIONS

Refer to notes 10 and 20 regarding acquisitions and disposals made.

#### (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 2019	South Africa						Nigeria	Latan America
	Afrisun Gauteng Rm	Afrisun KZN Rm	Emfuleni Resorts Rm	SunWest International Rm	Sun Slots Rm	Time Square Rm	Federal Palace (Nigeria) Rm	Sun Dreams Rm
<b>STATEMENT OF COMPREHENSIVE INCOME</b>								
Profit/(loss) after tax	81	289	(19)	500	180	(1)	(57)	248
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	81	289	(19)	500	180	(1)	(57)	248
Non-controlling interest	5.35%	9.44%	14.93%	35.10%	30.00%	14.20%	50.67%	35.56%
Profit/(loss) after tax	4	74	(3)	176	54	(0)	(29)	88
Total comprehensive income	4	74	(3)	176	54	(0)	(29)	88
<b>STATEMENT OF FINANCIAL POSITION</b>								
Current assets	81	126	58	215	234	151	89	1 468
Non-current assets	681	790	657	1 223	963	3 613	323	3 382
Current liabilities	(686)	(468)	(620)	(795)	(219)	(4 215)	(71)	(806)
Non-current liabilities	(29)	(58)	29	(273)	(82)	(904)	(944)	(3 233)
Net assets	47	390	124	370	896	(1 355)	(603)	811
Net assets attributable to non-controlling interests	3	37	19	130	269	(192)	(306)	288
<b>STATEMENT OF CASH FLOWS</b>								
Cash flows from operating activities	225	408	95	709	256	598	(1)	940
Cash flows used in investing activities	(62)	(84)	(19)	(125)	(122)	(13)	(6)	(416)
Cash flows used in financing activities	(165)	(275)	(69)	(627)	(21)	(550)	–	(683)
Net (decrease)/increase in cash and cash equivalents	(2)	49	7	(43)	113	35	(7)	(159)
Dividends paid to non-controlling interests	2	50	–	149	19	–	–	112

Dividends paid to the remaining non-controlling interests amounted to R32 million.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 26. Subsidiaries with non-controlling interests continued

December 2018	South Africa					Time Square Rm	Nigeria	Latan America
	Afrisun Gauteng Rm	Afrisun KZN Rm	Emfuleni Resorts Rm	SunWest International Rm	Sun Slots Rm		Federal Palace (Nigeria) Rm	Sun Dreams Rm
<b>STATEMENT OF COMPREHENSIVE INCOME</b>								
Profit/(loss) after tax	84	234	(12)	500	156	(437)	(59)	176
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	84	234	(12)	500	156	(437)	(59)	176
Non-controlling interest	5.35%	33.33%	14.93%	35.10%	30.00%	14.20%	50.67%	35.56%
Profit/(loss) after tax	4	78	(2)	176	47	(62)	(30)	102
Total comprehensive income	4	78	(2)	176	47	(62)	(30)	102
<b>STATEMENT OF FINANCIAL POSITION</b>								
Current assets	84	68	48	248	117	129	99	2 008
Non-current assets	681	767	706	1 219	911	3 801	343	8 174
Current liabilities	(734)	(441)	(628)	(864)	(191)	(4 148)	(79)	(1 654)
Non-current liabilities	(20)	(53)	17	(307)	(31)	(1 136)	(922)	(4 301)
Net assets	11	341	143	296	806	(1 354)	(559)	4 227
Net assets attributable to non-controlling interests	1	114	21	104	242	(192)	(283)	1 503
<b>STATEMENT OF CASH FLOWS</b>								
Cash flows from operating activities	180	314	96	755	251	67	(9)	1 202
Cash flows (used in)/from investing activities	(46)	(61)	61	(104)	(96)	(65)	(11)	(790)
Cash flows used in financing activities	(160)	(268)	(150)	(603)	(148)	(22)	(4)	(191)
Net (decrease)/increase in cash and cash equivalents	(26)	(15)	7	48	7	(20)	(24)	221
Dividends paid to non-controlling interests	5	70	–	147	30	–	–	130

Dividends paid to the remaining non-controlling interests amounted to R34 million.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 26. Subsidiaries with non-controlling interests continued

#### (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 concluding to consolidate SIEST:

Relevant activity	Control
Determination of the benefits to and the 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 Sun International controls the benefits through the employment of the individuals.
Acquisition and disposals of investments	Sun International has set up the structure so that no acquisitions or disposals of investment may occur without the approval of Sun International. Furthermore, the composition of the Trustees consist of fifteen Trustees of which one is appointed by Sun International Limited, two of the Trustees are independent from the group and twelve are employees of the group companies. The SIEST key management are the Trustees and majority of the Trustees are employees of the Sun International Group. FRS 10 B51 an investor shall consider the involvement and decisions made at the investee's inception as part of its design and evaluate whether the transaction terms and features of the involvement provide the investor with rights that are sufficient to give it power. Being involved in the design of an investee alone is not sufficient to give an investor control. However, involvement in the design may indicate that the investor had the opportunity to obtain rights that are sufficient to give it power over the investee. Sun International has set up the SIEST so that no decisions can be made without the approval of Sun International Limited. Investments the SIEST holds are controlled by Sun International and therefore indirectly the value of the investments is as a result of the control Sun International exerts over the underlying operations. Sun International has control over the relevant activity.
Funding of SIEST Trust	No funding may be obtained without Sun International approving. Sun International provides all funding to the SIEST. Sun International has control over the relevant activity.

Sun International controls the SIEST. Sun International has the ability to direct the relevant activities (control), obtain 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.

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

	31 December 2019 %	31 December 2018 %
Afrisun Gauteng	3.5	3.5
Emfuleni Resorts	3.5	3.5
SunWest	3.3	3.3
Meropa	3.5	3.5
Teemane	3.5	3.5
Afrisun KZN	3.5	3.5
Mangaung Sun	3.5	3.5
Worcester	3.5	3.5
Sun International Limited – direct	1.9	1.9
– indirect	0.9	0.9
Sun Time Square	3.5	3.5





## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 27. 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 related parties 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

	31 December 2019 R'000	31 December 2018 R'000
<b>NON-EXECUTIVE DIRECTORS FEES</b>		
JA Mabuza (Chairman)	2 365	142
PDS Bacon	632	555
ZBM Bassa <sup>1</sup>	–	44
PL Campher	1 095	1 002
NN Gwagwa	491	420
BLM Makgabo-Fiskerstrand	466	413
MV Moosa <sup>2</sup>	540	1 385
GR Rosenthal <sup>3</sup>	–	205
EAMMG Cibie	631	546
CM Henry	782	554
GW Dempster	605	417
VP Khanyile	412	127
S Sithole	493	222
ZP Zatu	441	30
	<b>8 953</b>	<b>6 062</b>

1. Retired in 2018.

2. Retired in 2019.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 27. Related party transactions continued

Executive directors and key management remuneration

December 2019	Basic remuneration R'000	Bonuses/ performance related payments R'000	Retirement contributions R'000	Other benefits R'000	Total remuneration excluding share awards R'000	Fair value of share awards expensed R'000	Total remuneration inclusive of share awards R'000
<b>FULL TIME DIRECTORS</b>							
AM Leeming	7 021	5 849	961	584	14 415	5 464	19 879
N Basthdaw	3 618	2 264	613	417	6 911	2 396	9 307
	10 639	8 113	1 574	1 001	21 326	7 860	29 186
<b>PRESCRIBED OFFICERS</b>							
R Collins	1 422	–	336	459	2 217	1 228	3 445
AG Johnston	2 694	1 376	385	208	4 663	1 287	5 950
MZ Miller	2 709	1 722	638	840	5 909	1 313	7 222
TF Mosololi	3 817	2 553	513	52	6 935	2 576	9 511
C Nyathi	2 828	1 555	375	370	5 128	1 063	6 191
VL Robson	2 630	1 641	453	158	4 882	1 020	5 902
DR Mokhobo	2 487	1 560	554	328	4 929	1 042	5 971
J Wilhelm <sup>^</sup>	6 016	4 393	–	390	10 799	–	10 799
<b>SUB TOTAL</b>	<b>24 603</b>	<b>14 800</b>	<b>3 254</b>	<b>2 805</b>	<b>45 462</b>	<b>9 529</b>	<b>54 991</b>
<b>TOTAL</b>	<b>35 242</b>	<b>22 913</b>	<b>4 828</b>	<b>3 806</b>	<b>66 788</b>	<b>17 389</b>	<b>84 177</b>

<sup>^</sup> The only director or prescribed officer that is paid by a subsidiary of the group is J Wilhelm. The rest of the directors and prescribed officers are paid by SIML.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 27. Related party transactions continued

December 2018	Basic remuneration R'000	Bonuses/ performance related payments R'000	Retirement contributions R'000	Other benefits R'000	Total remuneration excluding share awards R'000	Fair value of share awards expensed R'000	Total remuneration inclusive of share awards R'000
<b>FULL TIME DIRECTORS</b>							
AM Leeming	6 677	4 507	914	696	12 794	4 414	17 208
N Basthdaw	3 365	1 720	570	192	5 847	2 132	7 979
DR Mokhobo <sup>#</sup>	2 424	945	550	404	4 323	1 164	5 487
	12 466	7 172	2 034	1 292	22 924	7 710	30 674
<b>PRESCRIBED OFFICERS</b>							
R Collins	3 587	–	818	402	4 807	3 087	7 894
AG Johnston	2 533	1 131	366	253	4 283	1 086	5 369
MZ Miller	2 584	1 043	607	321	4 555	1 765	6 320
TF Mosololi	3 631	1 546	488	156	5 821	2 935	8 756
C Nyathi	2 689	1 102	356	28	4 175	1 239	5 414
VL Robson	2 498	924	431	203	4 056	1 548	5 605
J Wilhelm <sup>^</sup>	5 876	4 372	–	1 658	11 906	–	11 906
<b>SUB TOTAL</b>	<b>23 398</b>	<b>10 118</b>	<b>3 066</b>	<b>3 021</b>	<b>39 603</b>	<b>11 660</b>	<b>51 263</b>
<b>TOTAL</b>	<b>35 864</b>	<b>17 290</b>	<b>5 100</b>	<b>4 313</b>	<b>62 527</b>	<b>19 370</b>	<b>81 937</b>

<sup>#</sup> DR Mokhobo resigned as director in September 2018.

<sup>^</sup> The only director or prescribed officer that is paid by a subsidiary of the group is J Wilhelm. The rest of the directors and prescribed officers are paid by SIML.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 27. Related party transactions continued

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

	31 December 2019		31 December 2018	
	Executive and other management	Average grant price (ZAR)	Executive and other management	Average grant price (ZAR)
<b>EGP</b>				
Opening balance	2 540 292	64.29	925 860	82.45
Lapsed: vesting condition not met	(365 102)	87.73	(200 014)	110.05
Granted	–	–	1 814 446	60.07
<b>CLOSING BALANCE</b>	<b>2 175 190</b>	<b>60.01</b>	<b>2 540 292</b>	<b>64.29</b>
<b>RSP AND BSMP</b>				
Opening balance	313 410	75.59	412 618	85.35
Vested	(117 929)	80.02	(141 896)	99.30
Granted	–	–	42 688	60.08
<b>CLOSING BALANCE</b>	<b>195 481</b>	<b>69.90</b>	<b>313 410</b>	<b>75.59</b>

Share awards held by executive directors by scheme

	31 December 2019		31 December 2018		
	AM Leeming	N Basthdaw	AM Leeming	DR Mokhobo	N Basthdaw
<b>EGP</b>	<b>869 525</b>	<b>373 319</b>	237 946	99 949	82 414
<b>RSP AND BSMP</b>	<b>36 910</b>	<b>28 760</b>	48 170	18 184	30 080
<b>OPENING BALANCE</b>	<b>906 435</b>	<b>402 079</b>	286 116	118 133	112 494
Vested	(18 139)	(21 078)	(23 048)	(8 196)	(6 539)
Lapsed: vesting conditions not met	(74 497)	(27 335)	(55 340)	(27 602)	(20 685)
Granted	–	–	698 707	88 081	316 809
<b>CLOSING BALANCE</b>	<b>813 799</b>	<b>353 666</b>	906 435	170 416	402 079
<b>EGP</b>	<b>795 028</b>	<b>345 984</b>	869 525	157 575	373 319
<b>RSP AND BSMP</b>	<b>18 771</b>	<b>7 682</b>	36 910	12 841	28 760



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 27. Related party transactions continued

Share awards held by prescribed officers by scheme

	31 December 2019						
	R Collins	AG Johnston	MZ Miller	TF Mosololi	C Nyathi	VL Robson	DR Mokhobo
<b>EGP</b>	<b>243 921</b>	<b>123 245</b>	<b>172 353</b>	<b>299 867</b>	<b>141 741</b>	<b>158 746</b>	<b>157 575</b>
<b>RSP AND BSMP</b>	<b>48 906</b>	<b>25 130</b>	<b>34 765</b>	<b>88 956</b>	<b>26 040</b>	<b>11 102</b>	<b>12 841</b>
<b>OPENING BALANCE</b>	<b>292 827</b>	<b>148 375</b>	<b>207 118</b>	<b>388 823</b>	<b>167 781</b>	<b>169 848</b>	<b>170 416</b>
Vested	–	(18 656)	(28 142)	–	(20 224)	(4 988)	(6 702)
Lapsed: vesting conditions not met	(59 033)	–	(38 269)	(46 200)	(34 551)	(40 801)	(44 416)
<b>CLOSING BALANCE</b>	<b>233 794</b>	<b>129 719</b>	<b>140 707</b>	<b>342 623</b>	<b>113 006</b>	<b>124 059</b>	<b>119 298</b>
<b>EGP</b>	<b>184 888</b>	<b>123 245</b>	<b>134 084</b>	<b>253 667</b>	<b>107 190</b>	<b>117 945</b>	<b>113 159</b>
<b>RSP AND BSMP</b>	<b>48 906</b>	<b>6 474</b>	<b>6 623</b>	<b>88 956</b>	<b>5 816</b>	<b>6 114</b>	<b>6 139</b>

	31 December 2018					
	R Collins	AG Johnston	MZ Miller	TF Mosololi	C Nyathi	VL Robson
<b>EGP</b>	<b>148 911</b>	<b>27 153</b>	<b>96 534</b>	<b>82 404</b>	<b>61 009</b>	<b>89 540</b>
<b>RSP AND BSMP</b>	<b>104 447</b>	<b>21 936</b>	<b>40 189</b>	<b>83 462</b>	<b>23 337</b>	<b>42 813</b>
<b>OPENING BALANCE</b>	<b>253 358</b>	<b>49 089</b>	<b>136 723</b>	<b>165 866</b>	<b>84 346</b>	<b>132 353</b>
Vested	(60 746)	–	(8 599)	–	–	(34 768)
Lapsed: vesting conditions not met	(44 673)	–	(28 960)	–	–	(22 754)
Granted	144 888	99 286	107 954	222 957	83 435	95 017
<b>CLOSING BALANCE</b>	<b>292 827</b>	<b>148 375</b>	<b>207 118</b>	<b>388 823</b>	<b>167 781</b>	<b>169 848</b>
<b>EGP</b>	<b>243 921</b>	<b>123 245</b>	<b>172 353</b>	<b>299 867</b>	<b>141 741</b>	<b>158 746</b>
<b>RSP AND BSMP</b>	<b>48 906</b>	<b>25 130</b>	<b>34 765</b>	<b>88 956</b>	<b>26 040</b>	<b>11 102</b>



## 27. Related party transactions continued

### (II) SHAREHOLDING OF KEY MANAGEMENT

	Holding by key management		Dividends received by key management	
	31 December 2019 %	31 December 2018 %	31 December 2019 R'000	31 December 2018 R'000
<b>EXECUTIVE DIRECTORS:</b>	<b>0.18%</b>	0.20%	–	–
AM Leeming	<b>0.14%</b>	0.16%	–	–
N Basthdaw	<b>0.04%</b>	0.04%	–	–
<b>KEY MANAGEMENT</b>	<b>0.88%</b>	1.01%	–	–

### (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 R19 million loan to FireFly Investments.

SIML has a rental agreement with Firefly to the amount of R21 million per annum, while the group has a 50% equity stake in Firefly that is accounted as a joint venture in the group results. .

The group also has a shareholder loan with the minority interest of Time Square, with the initial loan amounting to R186 million, and subsequently R150 million was repaid by Time Square. The amount outstanding at year end amounts to R36 million.

## 28. Contingent liabilities

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. The group has the following exposures:

### NIGERIA

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.

### LATAM (CHILEAN TAX AUTHORITY):

The previously disclosed contingent liability relating to disallowed complimentary expenditure that was provided to our customers during the 2011 to 2013 years of assessment was provided for in the current year (R155 million).



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 29. 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 14
- Trade and other receivables – refer to note 17
- Cash and cash equivalents – refer to note 19.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset determined to be exposed to credit risk.

The company has no significant concentrations of credit risk with respect to trade receivables due to a widely dispersed customer base. Credit risk with respect to loans and receivables is disclosed in note 17.

Wherever a reference is made to trade receivables, as part of the note it includes both classes of trade receivables as set out in note 17, namely net trade receivables and casino debtors.

#### Impairment of financial assets

The group has two types of financial assets that are subject to the ECL model:

- trade receivables – net receivables and casino debtors
- financial instruments carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9: Financial Instruments, the identified impairment loss was immaterial.

#### Trade receivables and casino debtors

The group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 (on adoption of IFRS 9: Financial Instruments) was determined as follows for trade receivables. Refer to note 17 for the analysis of net receivables and casino debtors presented separately.

	Current	Past due by 1 to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	Past due by more than 90 days	Total
<b>31 DECEMBER 2019</b>						
Expected loss rate (%)	2.84	4.72	4.44	5.20	68.30	28.41
Gross carrying amount – trade receivables (Rm)	267	76	21	21	238	623
<b>LOSS ALLOWANCE (Rm)</b>	<b>(8)</b>	<b>(4)</b>	<b>(1)</b>	<b>(1)</b>	<b>(163)</b>	<b>(177)</b>
<b>31 DECEMBER 2018</b>						
Expected loss rate (%)	0.63	1.91	7.58	19.11	85.02	33.33
Gross carrying amount – trade receivables (Rm)	254	90	20	23	232	619
<b>LOSS ALLOWANCE (Rm)</b>	<b>(1)</b>	<b>(2)</b>	<b>(2)</b>	<b>(4)</b>	<b>(197)</b>	<b>(206)</b>



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 29. Financial risk management continued

Trade receivables and casino debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and casino debtors are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### 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.

	31 December 2019 Rm	31 December* 2018 Rm
<b>BANKING FACILITIES:</b>		
Total banking facilities	14 525	16 047
Less: drawn down portion	(13 327)	(14 683)
<b>TOTAL UNDRAWN BANKING FACILITIES</b>	<b>1 198</b>	<b>1 364</b>
Available cash balances	775	952

\* The prior year comparative financial information was restated to reflect the operations of Swaziland as continued operations, the published prior year results included Swaziland as Held for Sale operations as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations. Refer to note 20.

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

The following tables compare the contractual cash flows of debt owed at 31 December 2019 and 31 December 2018, with the carrying amount in the consolidated statement of financial position, 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.





## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 29. Financial risk management continued

	On demand or not exceeding six months Rm	More than six months but not exceeding one year Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding four years Rm	More than four years Rm	Imputed interest Rm
<b>DECEMBER 2019</b>						
Term facilities	668	860	1 543	2 368	6 025	2 674
Minority shareholder loans	632	–	–	–	–	15
V&A loan	40	43	92	42	–	39
Redeemable preference shares	60	60	119	119	1 824	596
Minority debenture	2	2	40	–	–	9
Lease liabilities	127	135	228	217	717	344
Vacation Club members	–	–	–	–	–	–
Short-term banking facilities*	86	1 205	1 087	–	–	258
Derivative financial instruments	–	–	–	–	4	–
Trade payables	722	–	–	–	–	–
Accrued expenses	960	–	–	–	–	–
Capital creditors	38	–	–	–	–	–
Other payables	83	–	–	–	–	–
	<b>3 418</b>	<b>2 305</b>	<b>3 109</b>	<b>2 746</b>	<b>8 570</b>	<b>3 935</b>
<b>DECEMBER 2018</b>						
Term facilities	1 160	1 104	2 343	5 205	3 011	2 334
Minority shareholder loans	617	–	–	–	–	15
V&A loan	36	40	84	134	–	69
Redeemable preference shares	311	31	552	304	–	157
Minority debenture	2	2	40	–	–	8
Lease liabilities	1	–	5	–	–	1
Vacation Club members	50	–	–	–	–	3
Short-term banking facilities*	94	1 778	49	601	–	286
Derivative financial instruments	6	2	–	–	–	–
Trade payables	775	–	–	–	–	–
Accrued expenses	1 062	–	–	–	–	–
Interest payable	17	–	–	–	–	–
Capital creditors	22	–	–	–	–	–
Other payables	20	–	–	–	–	–
	<b>4 173</b>	<b>2 957</b>	<b>3 073</b>	<b>6 244</b>	<b>3 011</b>	<b>2 873</b>

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



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 29. Financial risk management continued

#### MARKET RISK – INTEREST RATE 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.

#### 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 interest rate swaps, the details of which are set out below:

	31 December 2019	31 December 2018
	<b>Sun Treasury interest rate swaps</b>	Sun Treasury interest rate swaps
Notional amount	<b>R5 billion</b>	R3 billion
Fixed exchange rate		
Fixed interest rate	<b>6.61%</b>	7.68%
Variable rate	<b>Linked to quarterly JIBAR</b>	Linked to quarterly JIBAR
Fair value asset/(liability)	<b>R4 million</b>	(R8 million)
Net profit/(loss) on cash flow hedges	<b>R27 million</b>	(R2 million)

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

	31 December 2019 Rm	31 December 2018 Rm
Profit after tax	<b>(104)</b>	(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 presentation currency of the group (ZAR).

A 10% strengthening in the ZAR against the currencies that the underlying balances are denominated in at 31 December 2019 would increase/(decrease) profit before tax by the amounts shown on the following page. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 31 December 2018.



## Notes to the group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 29. Financial risk management continued

	31 December 2019 Rm	31 December 2018 Rm
US dollar	(15)	(7)
Chilean peso	45	5
Colombian peso	–	–
Nigerian Naira	(14)	(0)
Peruvian nuevo sol	(1)	(2)

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

#### MARKET RISK – PRICE RISK

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market. The group doesn't have significant price risk exposure.

#### 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

The table below depicts the credit rating of our various lenders.

Institution	Credit rating
Nedbank	AA+
Standard Bank	A
ABSA Bank Ltd	AA+
Investec	AA
Sanlam	AAA
Rand Merchant Bank (RMB)	AA+
BCI	A
Banco Consorcio	BBB
BancoEstado	A+
Banco de Chile	A
Interbank	BBB
Banco de la Nacion	A-
BBVA Continental	BBB+

The BBVA Continental Bank holds cash pertaining to the Peru operations. Due to the immaterial cash balance held in Peruvian Nuevo Sol, the credit risk is assessed as low.

### 30 Subsequent events

Except for the below matters, no significant subsequent events after 31 December 2019 and before the date of the annual financial statements being signed were noted.

- The Wildcoast current casino licence which expired in August 2019 has been extended to 31 March 2020, while the gaming board finalises its adjudication of our bid.
- The group is in the process to increase its equity interest in Sun Slots to 100% by effectively acquiring the 30% minority equity interest from Grand Parade Investments. While this acquisition has received GPI's shareholders approval, it is still awaiting approval from certain of the gambling boards in South Africa.

While it is still too early to forecast what impact the Coronavirus might have, we are taking all necessary precautions to ensure the least amount of disruption.



## Annexure: accounting policies

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FOR THE YEAR ENDED 31 DECEMBER 2019

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

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company 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 remeasured 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.



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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 investors' 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 ventures

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. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. 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 CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

### OTHER INTANGIBLE ASSETS

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

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

	Lease period
Leasehold premiums	Period of the lease
Gaming license bids	Period of the license and/or up to a maximum of 25 years
Management contracts	Period of initial contract
Computer software	Four to 15 years
Brands	Indefinite life
Goodwill	Indefinite life

The above intangible assets are accounted for at cost less accumulated amortisation and impairment losses.



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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 group and which have probable economic benefits exceeding the costs beyond one year are recognised as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of the relevant overheads.

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

### Inventory

Inventory comprises merchandise, consumables and food and beverage stock. Merchandise and consumables are valued at the lower of cost and net realisable value on a first-in, first-out 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 Rand 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 or payment date. Gains or losses arising on translation are credited to or charged to the statement of comprehensive income.

### FOREIGN ENTITIES

The financial statements of foreign entities which are not accounted for as entities operating in hyperinflationary economies, that have a functional currency different from the presentation currency are translated into South African Rands as follows:

- assets and liabilities (including fair value adjustments arising from the acquisition of a foreign entity), at exchange rates ruling at the last day of the reporting period
- income, expenditure and cash flow items at the weighted average exchange rates, and
- transactions with minorities and other equity items are reported using the exchange rate at the date of the transaction.

The results, cash flows and financial position of the group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the group or that of the immediate parent is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year.

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:

	Usefull lives
Freehold and leasehold buildings	Ten to 50 years
Infrastructure	Five to 50 years
Plant and machinery	Four to 25 years
Furniture and fittings	Five to 15 years
Operating equipment <sup>1</sup>	Based on usage (between one to three years)
Right of use assets held under leases	Shorter of the asset's useful life and the term of the lease

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



## Annexure: accounting policies continued

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FOR THE YEAR ENDED 31 DECEMBER 2019

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 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.

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 (CGUs).

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.

### IFRS 9: Financial instruments

It is noted that management have not applied IFRS 9: Hedge Accounting and have opted to continue using the IAS 39 requirements for fair value macro-hedges until such time as the macro-hedges project is finalised by the IFRS board.



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### CLASSIFICATION AND MEASUREMENT

Financial instruments have been classified into the appropriate IFRS 9 categories.

	<u>Measurement category</u>	Notes
<b>NON-CURRENT FINANCIAL ASSETS</b>		
Loan receivables	Amortised cost	17, a
<b>CURRENT FINANCIAL ASSETS</b>		
Loan receivables	Amortised cost	17, a
Other receivables	Amortised cost	17, b
Trade receivables	Amortised cost	17, c
Casino receivables	Amortised cost	17, d
Cash and cash equivalents	Amortised cost	19
<b>NON-CURRENT FINANCIAL LIABILITIES</b>		
Borrowings	Amortised cost	22
Forward purchase liability	FVPL	15
Derivative financial instrument	FVOCI	14
<b>CURRENT FINANCIAL LIABILITIES</b>		
Trade and other payables	Amortised cost	24, e
Derivative financial instrument	FVOCI	14
Borrowings	Amortised cost	22

**Notes:**

- a Loan receivables consists of loans with a contractual period greater than 12 months. These are represented by mainly preference shares issued within the group and enterprise development loans.
- b Other receivables relates to miscellaneous receivables held by the respective subsidiaries, these include amongst other rental and concessionaire receivables, sundry receivables and remote point receivables.
- c Trade receivables consists mainly of large tour operators.
- d Casino receivables consists of a selection of VIP casino customers.
- e Trade and other payables consists of standard operational payables, contract and concessionaire payables.





## Annexure: accounting policies continued

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FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. Impairment of financial assets

The group has complied with all IFRS 9: Financial Instruments impairments requirements, refer to note 17.

The IFRS 9 three-stage impairment approach was followed:

- stage 1 covers instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk. Twelve-month ECLs are recognised
- stage 2 covers financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event. Lifetime ECLs are recognised in this stage, and
- stage 3 covers financial assets that have objective evidence of impairment at the reporting date. Lifetime ECLs are recognised in this stage.

A detailed assessment was performed and all the group's financial assets were assessed as a 'stage 1 instrument'. Subsequently no further assessment was needed in terms of the stage 2 and 3 approach.

#### CATEGORIES

The group has the following types of financial assets that are subject to IFRS 9's ECL model:

- trade receivables
  - net trade receivables
  - casino debtors
- debt instruments carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was considered immaterial given the low probability of default of the group's banking partners.

#### (i) Trade receivables

Due to the intrinsic nature of trade receivables, where they should mature within a period of less than 12 months, the group follows the general approach to measuring ECLs which uses a lifetime ECL allowance for all trade receivables. This approach included the following:

- separating different categories of trade receivables with similar loss patterns
- calculating default rates within specific time frames over a specific year using historical credit loss experience, and
- adjusting the default rates with forward looking macroeconomic forecasts.

This resulted in a decrease of the loss allowance on 31 December 2019 by R3 million for trade and other receivables. Note 17 provides details about the calculation of the allowance.



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### (ii) Debt instruments carried at amortised cost

Most of the debt instruments within the group represent inter-company loans that eliminate in these consolidated financial statements. At a group level amortised debt instruments include enterprise development loans. The process described below has been consistently applied to loans and other receivables as described above.

#### Loans with a contractual period

Debt investments held at amortised cost with fixed maturity dates.

Management have assessed the credit risk of these loans and based upon the factors listed below, considered them to be low risk and that there has not been a significant increase in credit risk relating to these loans.

- there have been no significant financial difficulties noted with the issuer or the borrower
- there have been no breach of contracts or defaults by the borrower
- it is not probable that any of the borrowers will enter bankruptcy or other financial reorganisation
- there is still an active market for the borrowers, and
- no existence of deep discounts on the financial assets concerned.

Therefore these loans are considered to be stage 1 loans i.t.o. IFRS 9 and the impairment provision is determined as 12 month's expected credit losses using the simplified approach using the formula  $PD\% \times LGD\% \times EAD$ .

- the PD (probability of default) – that is, the likelihood that the borrower would not be able to repay in the very short payment period
- the LGD (loss given default) – that is, the loss that occurs if the borrower is unable to repay in that very short payment period, and
- the EAD (exposure at default) – that is, the outstanding balance at the reporting date.

The PD percentage was supplied by external actuarial consultants. The process and model used in determining these percentages were fully in compliance with the Moody's risk model.

The LGD was calculated after considering the existence of collateral, guarantees and letters of support given by group companies. The EAD is simply the outstanding balance at the reporting date.

#### *Loans repayable on demand*

For loans that are repayable on demand, ECLs are based on the assumption that repayment of the loan is demanded at the reporting date.

Management has assessed the credit risk of these loans and based upon the same factors listed above, considered them to be low risk and that there has not been a significant increase in credit risk relating to these loans.

The first step in the process is to assess whether or not the borrower has sufficient accessible highly liquid assets to repay the loan if demanded at the reporting date. If this is proved to be the case then the ECL was considered to be immaterial.

However, if the borrower could not repay the loan if demanded at the reporting date, the lender considered the following recovery strategies in determining the ECLs.

The maximum period over which expected impairment losses should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of loans repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded (that is typically one day or less). Therefore the impairment provision is based on the assumption that the loan is demanded at the reporting date, and reflects the losses (if any) that have resulted from this.

Where the cash of the borrower was not considered adequate for the lender to fully recover the outstanding balance, the sale of the liquid assets was then considered. Where the liquid assets less the current liabilities indicated that the lender would fully recover the outstanding balance, of the loan, the ECL was considered to be immaterial.

Lastly, where both the available cash and the sale of the liquid assets were not considered adequate for the lender to fully recover the outstanding balance; a fire sale of less liquid assets was then considered and used in calculating the LGD percentage to be used in calculating the ECL using the formula  $PD\% \times LGD\% \times EAD$ .

The PD percentage was supplied by external actuarial consultants as described above.

The LGD was calculated using the results of a fire sale of all the assets as well as considering the existence of collateral, guarantees and letters of support given by group companies. The EAD is simply the outstanding balance at the reporting date.



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### (iii) Debt instruments carried at FVPL and FVOCI

The group does not have any debt instruments that are carried at FVPL or FVOCI.

## 2. Cash and cash equivalents

IAS 7 defines cash equivalents as 'short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value'. That is, it should be 'held for purpose of meeting short-term cash commitments'

## 3. Financial liabilities

### (i) 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.

### (ii) Trade payables

Trade payables of the group are unsecured and carried at amortised cost. Trade payables are classified as current liabilities and are usually settled within 60 days of recognition.

### (iii) Derivative financial instrument

IFRS 9 provides an accounting policy choice allowing entities to continue with the hedge accounting requirements of IAS 39 until such time as the macro-hedging project is finalised. As of the date of the financial statements, the group has opted to continue in the application of IAS 39 for hedge accounting practices.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships and the movements in the hedging reserve in shareholders' equity are shown in note 14. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss

### 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

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets

Income tax credits related to assets are presented in the statement of financial position by deducting the income tax credit in arriving at the asset's carrying amount. The income tax credit income is recognised in the same period in which the asset is depreciated. This relates to our Latam operations.

### Leases

The group has adopted IFRS 16: Leases and applied the simplified transition approach, the group will not restate comparative amounts for the year prior. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17: Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied across the group to the lease liabilities on 1 January 2019 was at a range of between 9% and 10%. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In applying IFRS 16 for the first time, the group has used in determining the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- to elect not to separate non-lease components from lease components and instead account for each lease component and any associated non-lease components as a single lease component
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- accounting for leases defined as a low value asset.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The group leases various land, buildings, hotels, and equipment. Rental contracts are typically made for fixed periods of six months to 20 years, but may have extension options. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. IAS 1(117) IFRS 16(27)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option. IFRS 16(18) IFRS 16(26)

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less that comprises of gaming equipment and vehicles as well as low-value assets comprise IT equipment, small items of office furniture and equipment.

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Measurement of lease liabilities	R'000
Operating lease commitments disclosed as at 31 December 2018	1 397
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1 303
Less: short-term and low value leases not recognised as a liability	(65)
Less: variable leases not recognised as a liability	(93)
<b>LEASE LIABILITY RECOGNISED AS AT 1 JANUARY 2019</b>	<b>1 145</b>
Of which are:	
Current lease liabilities	120
Non-current lease liabilities	1 026



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on the simplified retrospective approach. All right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right of use asset included in property, plant and equipment – increase by R823 million
- accruals and other liabilities decrease by R314 million
- lease liabilities included in borrowings – increase by R1 145 million.

The net impact on retained earnings on 1 January 2019 was nil.

### Impact for the 12 month period 31 December 2019:

As a result of adopting IFRS 16, in relation to the leases that were previously classified as operating leases, the group's right-of-use assets carrying value as at 31 December 2019 was R532 million after accounting for depreciation (R105 million) and impairment (R163 million) charges during the 2019 period. Refer to note 11.

In relation to the leases under IFRS 16, the group has recognised depreciation and interest costs, instead of operating lease expense. During the 31 December 2019 period, the group recognised R105 million of depreciation charges and R95 million of interest costs from these leases.

The impact of IFRS 16 on segment information and EBITDA was R162 million.

### Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

## 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.



## Annexure: accounting policies continued

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FOR THE YEAR ENDED 31 DECEMBER 2019

### 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.

### Long service awards and farewell function and gifts

The group recognises a liability and an expense for long-service awards as well as farewell functions and gifts where cash is paid, or a gift is provided to employees at certain milestone dates in their careers within the group. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually. This liability has been disclosed under contract liabilities and other liabilities in the balance sheet.

### 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.

### 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, reissued or disposed of. Where such shares are subsequently sold or reissued, 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.

### Change in ownership interest

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Sun International.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### INCOME RECOGNITION

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Management performed a detail assessment of each revenue stream in terms of the following criteria:

- the unique contract with the customer was identified
- the various performance obligations in the contract were separately identified
- the transaction price for the contract was determined
- the transaction price was allocated to the various separately identifiable performance obligations, and
- we were satisfied that revenue is recognised once the relevant performance obligations are met.

The following income streams were identified and assessed against the scope of IFRS 15:

#### Net gaming win, including Limited pay-out machines (LPM's) and SunBet income

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, income 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 wins and provincial gaming levies are calculated on a similar basis, hence the treatment of VAT and levies as direct costs. These costs are disclosed separately on the face of the income statements as direct costs.

Fixed-odds wagering contracts are typically outside the scope of the revenue standard for IFRS reporting entities. Under IFRS, when a gaming entity takes a position against its customer, the resulting unsettled position is likely to meet the definition of a derivative. Therefore, those contracts should be accounted for under the financial instruments standards rather than the revenue standard. This is further supported by the FASB/IASB paper 47, whereby the IASB employees noted that wagering contracts (or parts thereof) that meet the definition of a financial instrument within the scope of IFRS 9 (or IAS 39), are excluded from the scope of IFRS 15. The gross gaming revenue itself is treated as an IFRS 9 derivative financial instrument and only the net income (net amount retained after deducting the cash pay-outs from the LPM) is recognised as income.

#### Hotel and conferencing

The revenue derived from rooms trading and conferencing is included in revenue. Revenue is recognised as performance obligations are met over time as services are rendered.

Payments for the above services rendered are either received in advance, upon check out or through the utilisation of customer loyalty programme.

#### Food and beverage

The revenue derived from food and beverage sales is included in revenue. Revenue is recognised at a point in time, when the goods are provided to the customer.

Payments for the above services rendered are either received in advance, upon check out, upon purchase of product or through the utilisation of customer loyalty programmes.





## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### Other revenue streams

The revenue derived from the below revenue streams are included in 'other revenue' streams and not considered the main activities of the entity. Revenue is recognised as performance obligations are met over time, and include the following:

- conferencing and entertainment revenue
- management fees income
- membership revenue
- merchandise revenue
- entrance fee revenue, and
- time share income.

### Contract liability

The Vacation Club provides services where it receives upfront fixed contract income from a customer in exchange for the specific use of timeshare units at the Sun City entity over a period of time. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As the upfront payments exceed the initial services rendered, a contract liability is recognised.

The following income streams are excluded from the scope of IFRS 15:

- net gaming wins (included in total 'income')
- rental income (included in 'other income')
- dividend income (included in 'other income'), and
- concessionaire income (included in 'other income').

### 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.

Dividends are recognised as other income in profit or loss when the right to receive payment is established.

### SEGMENTAL REPORTING

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

The group uses adjusted EBITDAR as a profit measure.



## Annexure: accounting policies continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### HYPERINFLATION

IAS 29: Financial reporting in Hyperinflationary Economies has been applied by Nuevo Plaza Hotel Mendoza S.A., a subsidiary of Sun International, whose functional currency is the Argentine peso. The economy of Argentina was assessed to be hyperinflationary, effective 1 July 2018, and hyperinflation accounting has been applied since, as if the economy has always been hyperinflationary. The results of this entity have been adjusted in terms of the measuring unit current at the end of the year. The monetary gains or losses were immaterial for the current year.

The financial statements of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period. As the presentation currency of the group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. Differences between these comparative amounts and current year hyperinflation adjusted equity balances are recognised in other comprehensive income. The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred. At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Accordingly, the results, cash flows and financial position of the group's subsidiary Nuevo Plaza Hotel Mendoza S.A have been expressed in terms of the measuring unit current at the reporting date.

The group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy. Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency
- prices are quoted in a relatively stable foreign currency
- sales or purchase prices take expected losses of purchasing power during a short credit period into account
- interest rates, wages and prices are linked to a price index, and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%. Management exercises judgement as to when a restatement of the financial statements.

The results, cash flows and financial positions of Nuevo Plaza Hotel Mendoza S.A have been expressed in terms of the measuring units current at the reporting date.

The economy of Argentina was assessed to be hyperinflationary effective 1 July 2018, and hyperinflation accounting has been applied since.

The Government Board of the Argentine Federation of Professional Councils of Economic Sciences (FACPCE) issued Resolution JG 539/18, which prescribes the indices to be used by entities with a functional currency of the Argentine peso for hyperinflationary purposes. These indices are largely based on the Wholesale Price Index for periods up to 31 December 2016 and the Retail Price Index thereafter. The detailed table of indices is published monthly by the FACPCE and was used in our assessment.

Date	Base year	General price index	Inflation rate (%)
31 December 2019	31 December 2018	2462.05	53.80

As at 31 December 2019, R100 million of assets have been written up for hyperinflation.



## Annexure: accounting policies continued

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FOR THE YEAR ENDED 31 DECEMBER 2019

### ADJUSTED EBITDA

Adjusted EBITDA is defined as earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation, amortisation and is also presented before recognising expenses which are of an unusual and infrequent nature as a result of unforeseen and atypical events. Examples of adjusted expenses are noted below:

- loss on disposal of property, plant and equipment
- straight line adjustment for rentals
- impairment of non current assets
- pre-opening expenses
- foreign exchange cover losses
- other non-recurring expenses which are of an unusual and infrequent in nature as a result of unforeseen and atypical events.

### Accounting policy developments

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards applicable to the group.

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The group are still assessing 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.



## Annexure: accounting policies continued

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FOR THE YEAR ENDED 31 DECEMBER 2019

### 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 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, 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.



## Company statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 Rm	31 December 2018 Rm
<b>DIVIDEND INCOME</b>	1	<b>130</b>	8
Operational costs	1	(7)	(77)
<b>OPERATING PROFIT/(LOSS)</b>	1	<b>123</b>	(69)
Impairment of inter-company investment	6	–	(448)
Reversal of impairment – loans to subsidiaries	7	(1)	–
Foreign exchange (loss)/gain		(12)	45
Interest income	2	124	109
Interest expense	3	(87)	(96)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>147</b>	(459)
Tax	4	(2)	(27)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>145</b>	(486)
Other comprehensive income/(loss)		–	–
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR</b>		<b>145</b>	(486)
<b>Earnings per share (cents)</b>			
– Basic	14	<b>106</b>	(423)
– Diluted	14	<b>106</b>	(423)



# Company statement of financial position

AS AT 31 DECEMBER 2019

	Notes	31 December 2019 Rm	31 December 2018 Rm
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	6	6 628	6 523
Loans and receivables	7	201	113
Deferred tax	8	6	8
		6 835	6 644
<b>CURRENT ASSETS</b>			
Loans and receivables	7	930	844
Tax		7	-
Cash and cash equivalents		4	4
		941	848
<b>TOTAL ASSETS</b>		<b>7 776</b>	<b>7 492</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Ordinary shareholders' equity		7 201	7 056
		7 201	7 056
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	10	77	161
		77	161
<b>CURRENT LIABILITIES</b>			
Accounts payable, accruals and other	11	453	275
Borrowings	10	45	-
		498	275
<b>TOTAL LIABILITIES</b>		<b>575</b>	<b>436</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7 776</b>	<b>7 492</b>



## Company statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 Rm	31 December 2018 Rm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated/(utilised) by operations	12.1	2	(30)
Tax paid	12.2	(11)	(25)
<i>Net cash outflow from operating activities</i>		(9)	(55)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of additional investment in Sun Treasury (RF) (Pty) Limited	6	–	(1 095)
Investment income	12.3	75	79
Other non-current and current investments and loans	12.4	–	(42)
Decrease in non-current loans to subsidiaries		–	5
Decrease in current loans to subsidiaries		161	–
Increase in current loans to subsidiaries	13	(161)	(47)
<i>Net cash inflow/(outflow) from investing activities</i>		75	(1 058)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of loan from related party	12.5	(11)	(521)
Related party loans received	12.5	6	43
Rights issue proceeds		–	1 598
Interest paid	12.6	(49)	(66)
<i>Net cash (outflow)/inflow from financing activities</i>		(54)	1 054
Effects of exchange rate changes on cash and cash equivalents		(12)	45
<b>NET CASH AND CASH EQUIVALENTS MOVEMENT FOR THE YEAR</b>		–	(14)
Cash and cash equivalents at beginning of year		4	18
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		4	4



## Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital Rm	Share premium Rm	Share based payment reserve Rm	Retained earnings Rm	Total equity Rm
<b>BALANCE AT 1 JANUARY 2018</b>	8	287	242	5 407	5 944
Total comprehensive loss for the year	–	–	–	(486)	(486)
Release of share option reserve*	–	(178)	(242)	420	–
Issue of shares – rights issue	–	1 598	–	–	1 598
<b>BALANCE AT 31 DECEMBER 2018</b>	<b>8</b>	<b>1 707</b>	<b>–</b>	<b>5 341</b>	<b>7 056</b>
Total comprehensive profit for the year	–	–	–	145	145
<b>BALANCE AT 31 DECEMBER 2019</b>	<b>8</b>	<b>1 707</b>	<b>–</b>	<b>5 486</b>	<b>7 201</b>

\* This represents the release of the historic share option reserve, which was previously kept open until all options were exercised. The last options were exercised in the prior financial year and therefore the reserve has been released through retained earnings as at 31 December 2018.





# Notes to the company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1. Operating profit is stated after the following:

	31 December 2019 Rm	31 December 2018 Rm
<b>DIVIDEND INCOME</b>		
Dividends received from subsidiaries	130	8
<b>OPERATIONAL COSTS</b>		
Professional fees	(5)	(2)
Write-off of SME investment	(2)	–
Underwriting professional fees for rights issue	–	(9)
Impairment – loans to subsidiaries	–	(66)
	123	(69)
<b>2. Interest income</b>		
Interest earned on loans and receivables	87	79
Imputed interest on loans receivable	37	30
	124	109
<b>3. Interest expense</b>		
Interest paid on borrowings	(50)	(66)
Imputed interest on V&A loan	(37)	(30)
	(87)	(96)
<b>4. Tax</b>		
Current tax – current year	(3)	(23)
– prior year	4	–
Deferred tax – current year	(1)	(3)
– prior year	(1)	–
Withholding tax	(1)	(1)
	(2)	(27)
Standard rate of tax	28.0%	28.0%
Tax at standard rate	41	3
Adjusted for:	–	–
Exempt income <sup>^</sup>	(40)	2
Prior year – current tax	(4)	–
Prior year – deferred tax	(1)	–
Disallowable expenses <sup>*</sup>	1	(31)
Withholding tax	1	(1)
<b>TAX PER STATEMENT OF COMPREHENSIVE INCOME</b>	<b>(2)</b>	<b>(27)</b>

<sup>^</sup> Exempt income relates to dividend income.

<sup>\*</sup> Disallowable expenses include non-deductible professional and legal fees, fines and penalties and expenses not incurred to produce exempt income.



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 5. Dividends paid

	31 December 2019 Rm	31 December 2018 Rm
No dividends were paid during the current and prior year	–	–

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	6 523	5 876
Additional investment in Sun Treasury <sup>#</sup>	–	1 095
Additional investment in Sun International (South Africa) Limited <sup>*</sup>	2 344	–
Additional investment in Sun International Chile SpA <sup>~</sup>	177	–
Disposal of Stardust Enterprises Inc <sup>^</sup>	(1 754)	–
Return on Investment from Sun International Incorporated <sup>+</sup>	(662)	–
Impairment of intercompany investment	–	(448)
<b>BALANCE AT END OF YEAR</b>	<b>6 628</b>	<b>6 523</b>

<sup>^</sup> Stardust Enterprises Incorporated Investment was disposed of during the year as part of the restructure and is currently deregistered. See additional disclosure of restructure information below.

<sup>#</sup> The company subscribed to a rights issue in Sun Treasury RF (Pty) Limited to the value of R1.1 billion. No change in shareholding was noted and the entity remains a wholly owned subsidiary as at 31 December 2018.

<sup>\*</sup> Additional investment acquired in Sun International (South Africa) Limited as part of the restructure. See additional disclosure of restructure information below.

<sup>~</sup> In the current year Sun International Limited advanced R177 million to Sun International Chile SpA to settle its tax expense within Chile. This advance is deemed as a capital contribution with no obligation to repay the amounts.

<sup>+</sup> See additional disclosure of restructure information below.

The interests of the company in the aggregate pre tax net profits and losses of its subsidiaries amounted to R2 427 million (31 December 2018: R1 450 million) and R2 015 million (31 December 2018: R1 101 million) respectively and post tax net profits and losses of its subsidiaries amounted to R1 940 million (31 December 2018: R1 012 million) and R1 816 million (31 December 2018: R966 million) respectively.

#### Restructure information

Sun International embarked on a group rationalisation process in order to simplify its group structure by deregistering or liquidating dormant entities and, where possible, transferring the assets/business of its foreign incorporated (but South African tax resident) entities to South African incorporated and tax resident entities. This process took place on 28 February 2019.

The substance of the restructure was deemed to be a return of capital due to the deregistration or liquidation of the dormant entities and its foreign incorporated (but South African tax resident) entities after the distribution (a reduction of the cost of investment) as per IFRS 9 requirements. Section 47 and 46 of the Income Tax Act was also applied in the restructuring process.

The restructure resulted in the 30% investment (previously held by other group companies within Sun International) in Sun International (South Africa) Limited being unbundled from the group companies to enable Sun International Limited to directly gain a 100% ownership in Sun International (South Africa) Limited. This resulted in the return of investment in Sun International Incorporated to Sun International Limited.

The result of the restructure was the acquisition of 100% of Sun International (South Africa) Limited by Sun International Limited and the deregistration of Stardust Enterprises Incorporated within Sun International Limited.



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 7. Loans and receivables

	31 December 2019 Rm	31 December 2018 Rm
<b>LOANS</b>		
Share option schemes	–	66
Preference shares in Dinokana Investments (Pty) Ltd <sup>^</sup>	<b>125</b>	113
Loans to subsidiaries <sup>^</sup>	<b>1 007</b>	844
	<b>1 132</b>	1 023
Current year IFRS 9 adjustment	<b>(1)</b>	–
Less: write-off of loan receivable	–	(66)
	<b>1 131</b>	957
Current portion	<b>(930)</b>	(844)
	<b>201</b>	113
Loans are due over the following periods:		
Less than one year	<b>930</b>	844
One year to four years	<b>54</b>	–
Two – three years	<b>23</b>	–
Three – four years	–	–
Four years and onwards	<b>124</b>	113
	<b>1 131</b>	957
The weighted average interest and dividend rates were as follows:		
Share incentive schemes	<b>NIB</b>	NIB
Preference share investments	<b>6.6%</b>	6.0%
Loans to subsidiaries	<b>(10.4%)</b>	(9.4%)
Weighted average	<b>(1.9%)</b>	(1.7%)
<i>NIB – non interest bearing</i>		
The carrying amounts of the loans to subsidiaries are denominated in the following currencies:		
US dollar	<b>334</b>	326
Chilean pesos	<b>358</b>	358
South African rand	<b>122</b>	161
	<b>814</b>	845

<sup>^</sup> Applying the expected credit risk model for the year ended 31 December 2019 (as described in the group accounting policies – Annexure: Accounting Policies); resulted in a total loss allowance for the company of R1 million (31 December 2018: R2 million) for debt investments at amortised cost. This is an R1 million decrease in the allowance in the current reporting period.



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

The adjustment noted on the previous page has been determined as follows:

Adjustments were calculated using the IFRS 9: General Approach, using inputs obtained directly from a third part actuarial consultant. This approach remains consistent with the approach applied as part of the group's accounting policies as at 31 December 2019. In applying the general IFRS 9: General Approach, the following was noted:

ECL AS AT 31 DECEMBER 2019:	Instrument Value Rm	Probability of default (PD) %	Loss given default (LGD) %	Through cycle loss before forward adjustment %	ECL % Forward looking %	ECL Rm
<b>INSTRUMENT</b>						
Dinokana Preference Shares and Cumulative Dividends	125	2.13%	5.00%	0.11%	0.21%	0.3
Table Bay Loan	191	0.38%	49.25%	0.19%	0.35%	0.7
<b>TOTAL</b>						<b>1</b>

ECL AS AT 31 DECEMBER 2018:	Instrument Value Rm	Probability of default (PD) %	Loss given default (LGD) %	Exposure at default (EAD)^ Rm	ECL Rm
<b>INSTRUMENT</b>					
Dinokana Preference Shares and Cumulative Dividends	115	3.86%	37.93%	115	1
Table Bay Loan	191	1.40%	37.33%	191	1
<b>TOTAL</b>					<b>2</b>
<b>MOVEMENT DURING THE FINANCIAL YEAR</b>					<b>(1)</b>

^ Use of IFRS 9 practical expedient applied.

The remainder of the receivable loan balances have been assessed as fully recoverable both at 31 December 2019, with only a negligible IFRS 9 impact noted. Given this, these loan have not been included in the table presented above.

Other than the impaired loans, the loans are fully performing with the associated credit risk considered to be low and carrying values approximate the fair values of the loans.

The loans and receivables are classified as level 3 financial instruments and there have been no changes or transfers between levels during the year. Refer to Annexure: Accounting policies in the group audited consolidated financial statements.



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. Deferred tax

	31 December 2019 Rm	31 December 2018 Rm
Balance at beginning of year	(8)	(11)
Statement of comprehensive income charge for the year	2	3
<b>BALANCE AT END OF YEAR</b>	<b>(6)</b>	<b>(8)</b>
Deferred tax arises from the following temporary differences:		
<b>DEFERRED TAX ASSETS</b>		
Fair value adjustments	(8)	(8)
Balance at beginning of year	(8)	(12)
Prior year adjustments	–	2
Charged to statement of comprehensive income	–	2
Assessed losses	–	–
Balance at beginning of year	–	–
Prior year adjustments	–	(2)
Charged to statement of comprehensive income	–	2
Provisions and accruals	2	–
Balance at beginning of year	–	–
Charged to statement of comprehensive income	2	–
<b>DEFERRED TAX LIABILITIES</b>		
Doubtful debts and prepayments	–	–
Balance at beginning of year	–	1
Charged to statement of comprehensive income	–	(1)
<b>NET DEFERRED TAX ASSET</b>	<b>(6)</b>	<b>(8)</b>

Included in the company's recognised deferred tax assets is an amount of R6 million (2018: R8 million). The deferred tax asset arises from various taxable temporary differences, all of which are expected to be realised in future periods due to the company successfully improving its margins and having future taxable profits available.

### 9. Share capital and premium

	31 December 2019 Rm	31 December 2018 Rm
<b>AUTHORISED</b>		
200 000 000 (31 December 2018: 200 000 000) ordinary shares of 8 cents each	16	16
100 000 000 (31 December 2018: 100 000 000) variable rate cumulative redeemable preference shares of 1 cent each	1	1
<b>ISSUED</b>		
Share capital	8	8
Share premium	1 707	1 707
	<b>1 715</b>	<b>1 715</b>



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 9. Share capital and premium continued

	31 December 2019		31 December 2018	
	Number of shares	Rm	Number of shares	Rm
<b>MOVEMENT DURING THE YEAR</b>				
Balance at beginning of year	136 730 964	1 715	109 086 988	295
Reversal of the share option reserve	–	–	–	(178)
Rights issue	–	–	27 643 976	1 598
<b>STATUTORY SHARES IN ISSUE AT END OF YEAR</b>	<b>136 730 964</b>	<b>1 715</b>	<b>136 730 964</b>	<b>1 715</b>

### 10. Borrowings

	31 December 2019 Rm	31 December 2018 Rm
V&A loan	122	161
Current portion	45	–
<b>NON-CURRENT PORTION</b>	<b>77</b>	<b>161</b>

All borrowings are unsecured.

The V&A loan is carried at R122 million (31 December 2018: R161 million) and is held at amortised cost, which approximates the fair value thereof. The loan had an initial interest rate of 4% p.a. with an escalation of 9% p.a. and the fair value was determined using a discounted cash flow rate of 8.3%. The loan is classified as a level 3 borrowing. Refer to Annexure: Accounting policies in the group audited consolidated financial statements.

The carrying amount of the borrowings are denominated in ZAR.

The borrowings are repayable over the following periods:

	31 December 2019 Rm	31 December 2018 Rm
Less than six months	21	17
Six months – one year	24	20
One – two years	54	45
Two – three years	23	54
Three – four years	–	25
	<b>122</b>	<b>161</b>



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 10. Borrowings continued

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

	On demand or not exceeding six months Rm	More than six months but not exceeding one year Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm	Total Rm
<b>31 DECEMBER 2019</b>						
Borrowings	26	28	58	25	–	137
Accounts payable and accruals	6	–	–	–	–	6
	<b>32</b>	<b>28</b>	<b>58</b>	<b>25</b>	<b>–</b>	<b>143</b>
<b>31 DECEMBER 2018</b>						
Borrowings	24	25	54	58	25	186
Accounts payable and accruals	8	–	–	–	–	8
	<b>32</b>	<b>25</b>	<b>54</b>	<b>58</b>	<b>25</b>	<b>194</b>

	31 December 2019	31 December 2018
Interest rates		
Year end interest and dividend rates as follows:		
V&A loan	8.3%	8.3%
Weighted average	8.3%	8.3%

As at 31 December 2019, interest rates on all external company borrowings were fixed.

A change of 1% in interest rates at the reporting date would have (decreased)/increased profit after 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 2018.

	31 December 2019 Rm	31 December 2018 Rm
Increase of 1%	(0.1)	(2)
Decrease of 1%	0.1	2

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.



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 11. Accounts payable, accruals and other

	31 December 2019 Rm	31 December 2018 Rm
Accrued expenses	4	6
Other payables	2	2
	<b>6</b>	<b>8</b>
The fair value of accounts payable and accruals approximate their carrying value.		
<b>AMOUNT OWING TO RELATED PARTIES</b>		
Sun Treasury (RF) (Pty) Limited	18	23
Sun Dreams SA	155	–
Sun International Trust	20	20
Sun International Incorporated	221	221
Sun International (South Africa) Limited	33	3
	<b>447</b>	<b>267</b>
<b>TOTAL ACCOUNTS PAYABLE, ACCRUALS AND OTHER</b>	<b>453</b>	<b>275</b>





## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12. Cash flow information

	31 December 2019 Rm	31 December 2018 Rm
<b>12.1 CASH GENERATED/(UTILISED) BY OPERATIONS</b>		
Operating profit/(loss)	123	(69)
Non-cash items and items dealt with separately:		
Dividends in specie received	(121)	–
Write off of SME investment	2	–
Impairment of loans to subsidiaries	–	66
Cash generated by operations before working capital changes	4	(3)
Working capital changes		
Accounts payable and accruals	(2)	(27)
	2	(30)
<b>12.2 TAX PAID</b>		
Asset at beginning of year	–	(1)
Current year tax charged to statement of comprehensive income (refer note 4)	(3)	(23)
Withholding tax	(1)	(1)
Asset at end of year	(7)	–
	(11)	(25)
<b>12.3 INVESTMENT INCOME</b>		
Interest income	124	109
Preference dividends – non-cash	(12)	–
Imputed interest on loans receivable	(37)	(30)
	75	79
<b>12.4 OTHER NON-CURRENT INVESTMENTS AND LOANS MADE</b>		
Repayment of non-current loans by subsidiaries	–	5
Increase in current loans granted to subsidiaries	–	(39)
Increase in preference share investments	–	(8)
	–	(42)
<b>12.5 REPAYMENT OF BORROWINGS</b>		
(Increase)/decrease in non-current borrowings	(11)	30
Imputed interest on V&A loan	–	(30)
Increase in current borrowings	6	–
	(5)	–
<b>12.6 INTEREST PAID</b>		
Interest expense	(87)	(96)
Non-cash interest	1	–
Imputed interest on V&A loan	37	30
	(49)	(66)



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 13. Related party

The following transactions were carried out with related parties:

	31 December 2019 Rm	31 December 2018 Rm
<b>LOANS TO RELATED PARTIES</b>		
<i>Loan to Sun Chile Spa:</i>		
Balance at beginning of the year	342	342
Loans advanced during the year	16	-
Balance at end of the year	358	342
The loan does not bear interest and has no fixed repayment terms.		
<i>Loan to SunWest International (Pty) Limited:</i>		
Balance at beginning of the year	161	192
Fair value adjustment	(39)	(31)
Balance at end of the year	122	161
The loan carries an initial interest rate of 4.8% p.a. with an escalation of 9% p.a. and the fair value was determined using a discounted cash flow rate of 8.28%. This loan is repayable in May 2022.		
<i>Loan to The Tourist Company of Nigeria Plc:</i>		
Balance at beginning of the year	326	267
Interest for the year	17	15
Withholding taxes	(1)	(1)
Foreign exchange loss	(8)	45
Balance at end of the year	334	326
The loan is denominated in US dollars and bears interest at 5% and has no fixed repayment terms.		
<i>Loan to Sun Nao Casino Columbia SA:</i>		
Balance at beginning of the year	16	16
Loan written off	(16)	-
Balance at end of the year	-	16
<i>Loan to Sun International (South Africa) Limited:</i>		
Balance at beginning of the year	-	-
Loans advanced during the year	32	-
Balance at end of the year	32	-
The loan does not bear interest and has no fixed repayment terms.		
<i>Loan to Sun Time Square (Pty) Limited:</i>		
Loans advanced during the year	161	-
Balance at end of the year	161	-

The loan does not bear interest and has no fixed repayment terms.



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 13. Related party continued

	31 December 2019 Rm	31 December 2018 Rm
<b>LOANS FROM RELATED PARTY</b>		
<i>Loan from Sun Treasury (RF) (Pty) Limited:</i>		
Balance at beginning of the year	22	499
Interest for the year	1	21
Repayments made during the year	(11)	(521)
Loans received during the year	6	23
Balance at end of the year	18	22
The loan bears interest at 9% and has no fixed repayment terms.		
<i>Loan from Sun International Incorporated:</i>		
Balance at beginning of the year	221	221
Balance at end of the year	221	221
The loan does not bear interest and has no fixed repayment terms.		
<i>Loan from Sun International (South Africa) Limited:</i>		
Balance at beginning of the year	3	3
Loans received during the year	30	-
Balance at end of the year	33	3
The business of Sun International Management Limited was sold to Sun International (South Africa) Limited on 28 February 2019. The result is the loan previously held by Sun International Management Limited is now held by Sun International (South Africa) Limited. The loan does not bear interest and has no fixed repayment terms.		
<i>Loan from Sun International Trust:</i>		
Balance at beginning of the year	20	20
Balance at end of the year	20	20
The loan does not bear interest and has no fixed repayment terms.		
<i>Loan from Sun Dreams SA:</i>		
Loans received during the year	155	-
Balance at end of the year	155	-

The loan does not bear interest and has no fixed repayment terms.



## Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

### 14. Return to shareholders

	31 December 2019 Rm	31 December 2018 Rm
<b>EARNINGS PER SHARE (EPS)</b>		
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>145</b>	(486)
<b>NUMBER OF SHARES FOR DILUTED EPS CALCULATION (millions)</b>		
Weighted average number of shares in issue	<b>137</b>	115
Diluted weighted average number of shares in issue	<b>137</b>	115
<b>EPS/(LPS) (CENTS)</b>		
Basic	<b>106</b>	(423)
<b>DILUTED EPS/(LPS) (CENTS)</b>		
Basic	<b>106</b>	(423)

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

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.

### 15. Subsequent events

No material events having an effect on the financial position and results of the company have occurred between 31 December 2019 and the date of this report.

**SUN INTERNATIONAL LIMITED**

(Incorporated in the  
Republic of South Africa)

Registration number:

1967/007528/06

Share code: SUI ISIN:

ZAE 000097580

("Sun International" or  
"the company")

**[www.suninternational.com](http://www.suninternational.com)**