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)

suninternational.com

Sun International

GROUP AUDITED CONSOLIDATED FINANCIAL STATEMENTS '18

CONTENTS

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2018

I am pleased to present the report of the Sun International audit committee for the year ended 31 December 2018.

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 per annum as per the committee mandate and terms of reference. The Sun International chief executive, chief financial officer, chief audit executive of Group Internal Audit (GIA), 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.

	Mar 2018	Sep 2018	Nov 2018	Mar 2019
Member	In attendance			
GR Rosenthal[1]	√	n/a	n/a	n/a
PD Bacon	√	√	√	√
PL Campher	√	√	√	√
EAMMG Cibie	√	√	√	√
CM Henry (chairperson)[2]	√	√	√	√
ZP Zatu[3]	√	√	√	√

[1] *GR Rosenthal was chairman and retired effective 12 May 2018.*
[2] *CM Henry was appointed chairperson effective 15 May 2018.*
[3] *ZP Zatu was appointed a member of the committee effective 23 November 2018.*

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

The committee's terms of reference prescribe that the effectiveness of the committee, its chairperson and members should be assessed annually. In 2017 the committee's evaluation assessment was conducted internally. The results of the assessment reflected that the committee was performing its functions effectively and there were limited areas for improvement.

Following the assessment of the effectiveness of the committee as conducted by the nomination committee, the members of the committee are nominated by the board for re-election to the committee in the forthcoming financial year. Shareholders will vote on this recommendation at the upcoming 2019 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.

REPORT OF THE AUDIT COMMITTEE CONTINUED

FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The committee assessed the group's accounting policies and consolidated annual financial statements for the year ended 31 December 2018. 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 2019 annual general meeting.

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

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

At the committee meetings held during November 2018 and March 2019, the committee, after considering the reports of the external auditor and internal audit, concluded that there was no reason to believe that there had been any material breaches of financial reporting procedures throughout the group which warranted being brought to the attention of the board or shareholders.

EXTERNAL AUDITOR APPOINTMENT, 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 2018 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 2019 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.

SIGNIFICANT MATTERS AND QUALITY OF THE EXTERNAL AUDIT

Sun City 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 the assessment described above and extensive discussions with the auditors, Sun International was required to take an impairment charge of R306 million against the R2.3 billion carrying value of Sun City.

The R306 million impairment was allocated against leasehold buildings, as this asset class is representative of the majority of the current fair value of the net asset value of Sun City, which arose from the 2016 refurbishments.

In the prior year of assessment, Sun City indicated a possible impairment. Although extremely sensitive to the analysis, no impairment was necessary at that stage. However, due to the continued underperformance during the 2018 period under review, it was prudent to recognise the impairment charge.

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 on page 8 to 14 for a detailed description of the key audit matters.

GOVERNANCE OF RISK

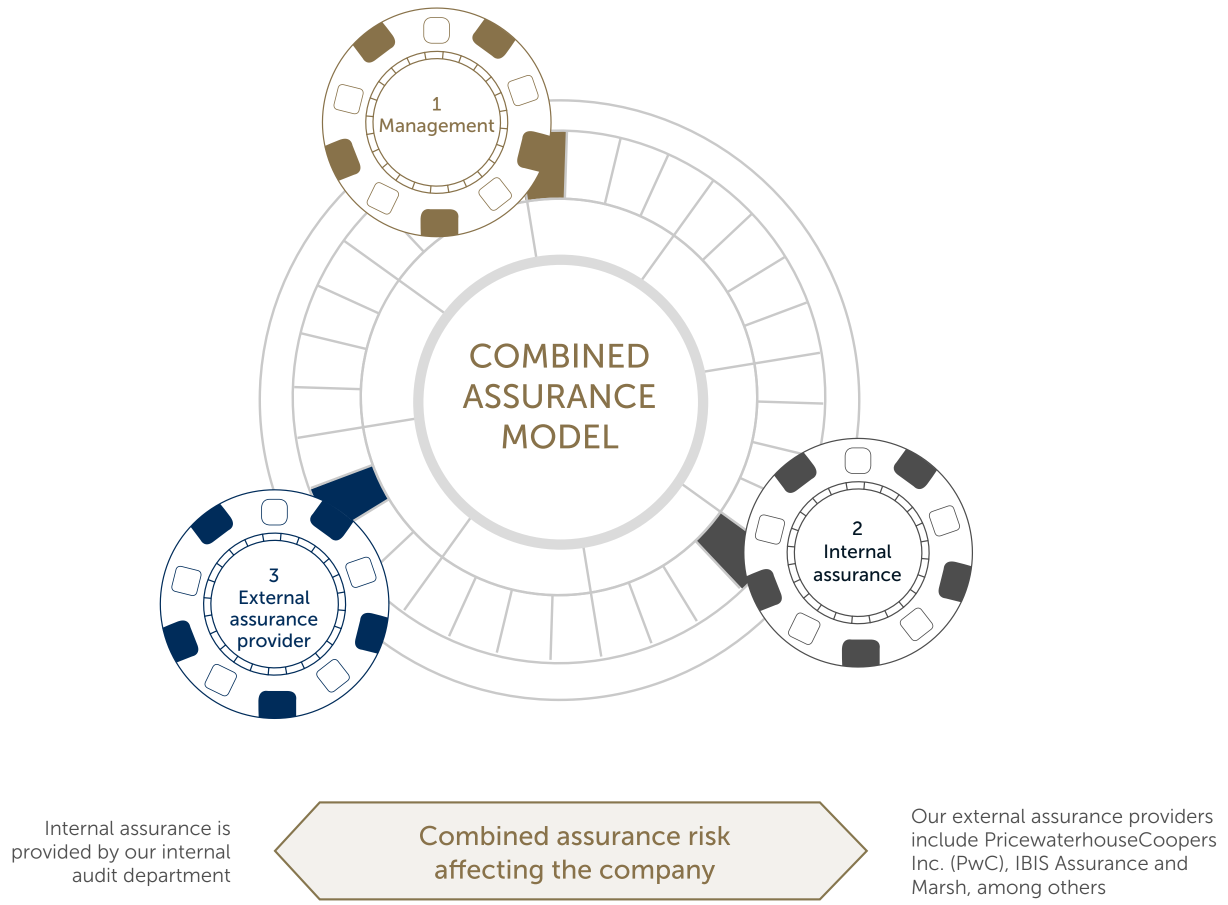
The committee's chairperson is a member of the risk committee and the chairman of the risk committee is a member of the audit committee. This provides the audit committee with oversight of the group's risk management function, including the risks relating to operational, financial reporting, fraud, internal 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.

COMBINED ASSURANCE MODEL



REPORT OF THE AUDIT COMMITTEE CONTINUED

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 2019.

The purpose, authority and responsibilities of GIA are formally defined in an internal audit charter, which is reviewed and approved by the committee annually. GIA is designed to maintain an appropriate degree of independence from management in order to render impartial and unbiased 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; and
- to review and provide opinions on the effectiveness of the group's risk management processes and internal financial controls.

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

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

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

INTERNAL FINANCIAL CONTROLS

The board of directors is responsible for the group's systems of internal financial controls. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the 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 going concern of the group and was comfortable in recommending to the board that the group will be a going concern for the next financial year, and that the going concern basis of accounting was appropriately applied.

The committee, having fulfilled its responsibilities, has recommended the audited consolidated annual financial statements for the year ended 31 December 2018 for approval by the board of directors.

CM Henry
Chairperson
29 March 2019

COMPANY SECRETARY'S CERTIFICATE

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 2018 and that all such returns are true, correct and up to date.

AG Johnston
Company secretary
15 March 2019

VALUE ADDED STATEMENT

	31 December 2018 Rm	31 December 2017 Rm
Revenue	**16 420**	15 609
Income from investments	**77**	34
Paid to suppliers for materials and services	**(5 625)**	(5 341)
Total wealth created	**10 872**	10 302
Distributed as follows:		
Employees	**2 960**	2 701
Benefits and remuneration	**2 960**	2 701
Government	**4 462**	4 248
Income tax	**705**	763
PAYE	**358**	322
Levies and VAT on casino revenue	**3 393**	3 157
Other taxes	**6**	6
Providers of capital	**4 281**	1 425
Finance expense	**1 253**	1 095
Repayment of capital	**3 028**	330
Retained for growth	**1 519**	1 816
Depreciation and amortisation	**1 643**	1 593
(Profit)/loss for the year attributable to shareholders of the company	**(124)**	223
	13 223	10 191

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 2018, 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 (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Sun International Limited consolidated and separate financial statements set out on pages 20 to 128 comprise:

- the group and company statements of financial position as at 31 December 2018;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Overall group materiality

- R114 940 000, which represents 0.7% of total revenue*.

Group audit scope

- There are 28 reporting components within the group with the most significant operations located in South Africa and Latin America;
- The main indicators used to identify significant components are total revenue and total assets; and
- The group engagement team visited the component team responsible for the Sun Dreams consolidation.

Key audit matters

- Impairment of non-financial assets; and
- Business Combinations – purchase price allocation (PPA).

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

Materiality

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

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

Overall group materiality	R114 940 000
How we determined it	0.7% of total revenue* for the group
Rationale for the materiality benchmark applied	We selected revenue as our materiality benchmark because, in our view, it reflects the activity levels 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 interest and impairment charges. We chose 0.7% based on our professional judgement, after consideration of the range of qualitative materiality thresholds that we would typically apply and taking into account the level of debt in relation to the ratio of funding through equity.

* *Revenue – includes net gaming wins and revenue from contracts from customers.*

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 – Latam America and Africa. The group financial statements are a consolidation of 28 reporting components, comprising the group's significant operating businesses and centralised functions. An analysis was performed, taking into account total revenues and total assets of individual components, in order to identify significant components on which full scope audits were performed. In addition, specified audit procedures were performed on certain account balances for additional components. The group engagement team also performed audit and analytical review procedures over the remaining balances and the consolidation process.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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

INDEPENDENT AUDITOR'S REPORT CONTINUED

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.

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 to communicate in our report with regard to the audit of the separate financial statements of the company for the current period.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-financial assets 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 R17.1 billion and R3.1 billion respectively. Due to the business combinations that the group has entered into, included in intangible assets are goodwill and indefinite useful life intangible assets amounting to R1.2 billion and R242 million respectively, which are allocated to the CGUs as indicated in note 12. An impairment assessment of a CGU is generally 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. 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. Refer to the critical accounting estimates and assumptions section, note 11 and note 12 to the consolidated financial statements where the impairment of non-financial assets has been discussed. The impairment of non-financial assets was a matter of most significance to our current year audit due to: • the significant judgements made by management regarding the discount rate, the terminal growth rates and forecast cash flows included in the analysis used to perform the impairment assessment; • the magnitude of these balances to the group; and • the magnitude of the impairment recognised during the year ended 31 December 2018 as further outlined below, which included an impairment charge of R306 million recognised against property, plant and equipment relating to the investment in Sun City in the North West. Refer to note 11 where the impairment losses have been discussed in detail.	We assessed whether there were any impairment indicators for all non-financial assets by considering the following: • actual to budgeted performance; • return on assets ratio; • entities that are in a loss making position; and • 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. We utilised our valuations expertise to test the reasonableness of management's assumptions by performing the following: • 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, debt/equity ratios, the beta of comparable companies, as well as the impact of economic and industry factors within the different countries in which each of the CGUs are located (i.e. country risk premiums). We found the discount rates used by management to be within a reasonable range; and • 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. We found the growth rates used by management to be within a reasonable range. We agreed the forecast cash flows included in the valuation to supporting documentation such as the approved budgets for the individual components within the group. We also held discussions with management to understand the basis for the assumptions used and found the forecast cash flows to be reasonable. In respect of the budgeting process, we compared the current year actual financial results to the budgeted results for the year ended 31 December 2018. We obtained corroborating evidence where variances were noted. We found the budgeting inputs (such as revenue, adjusted EBITDA, capex, working capital movements) used by management to be reasonable.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-financial assets continued	We tested the mathematical accuracy of the discounted cash flow model and we found the approach adopted by management in the valuation models to be in line with the market practice and the applicable requirements of IAS 36: Impairment of Assets. We performed sensitivity procedures to determine 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 analysis for purposes of identifying CGUs that are considered to be sensitive or for which the recording of an impairment charge was required. We found the impairment charge recorded for Sun City by management to be reasonable. For Sun City, we assessed the fair value less cost to sell (FVLCTS) assumptions applied by management as required by IAS 36 and recalculated the value of the impairment based on the lower of the FVLCTS and the value in use. No material differences were noted.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Key audit matter	How our audit addressed the key audit matter
Business combinations – purchase price allocation (PPA) The group acquired a 100% interest in each of the following entities during 2018: • Thunderbird Resorts in Peru consisting of the following properties: – Thunderbird Fiesta Benavides Casino S.A.; – Sun Nippon Company S.A.C.; – Interstate Gaming del Peru S.A.; and – Thunderbird Salsa's S.A. • Park Hyatt Hotel and Casino in Argentina consisting of: – Nuevo Plaza Hotel Mendoza S.A. The allocation of the purchase price as a result of the acquisitions within the group to the identified assets and liabilities acquired, specifically in relation to the identification of intangible assets, contingent assets and contingent liabilities was a matter of most significance to our current year audit due to the following: • the significant judgements made by management regarding the discount rate, royalty rates and forecast cash flows included in the valuation models; • the significant judgements made by management regarding the useful lives of the intangible assets; and • the magnitude of the assets and liabilities recognised in the Purchase Price Allocation (PPA) process. The group performed a PPA for each acquisition separately with the assistance from an external valuation expert in order to value the identifiable assets and liabilities, and specifically in relation to the intangible assets, contingent assets and contingent liabilities acquired as part of the acquisition. The acquisition of Thunderbird Resorts resulted in the recognition of newly identified intangible assets of R118 million and goodwill amounting to R6.9 million. The acquisition of Park Hyatt Hotel and Casino in Argentina resulted in the recognition of newly identified intangible assets of R273 million and goodwill amounting to R83.6 million. Refer to note 10 where the business combinations have been discussed in detail.	We obtained the report issued by the external valuation expert engaged by management to perform the PPA and to assist management with the identification of identifiable assets and liabilities in the respective business combinations. We assessed the competence, capabilities and objectivity of management's external valuation expert. We made use of our valuation expertise to assess the asset identification process, the methodology adopted by management's external valuation expert and the assumptions applied, which included the discount rate and royalty rates used in the models. We found the asset identification process, methodology and assumptions to be reasonable. We made use of our valuation expertise to recalculate the discount rates, taking into account independent data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios, the beta of comparable companies, as well as the impact of economic and industry factors within the different countries in which each of the CGUs are located (i.e. country risk premium). We found the discount rates used by management's external valuation expert to be within a reasonable range. We agreed the royalty rates to observable royalty rates present in the market for assets with similar characteristics and found the rates used by management's external valuation expert to be within a reasonable range. We agreed the forecast cash flows included in the valuation models to supporting documentation such as approved budgets for the individual components within the group. We also held discussions with management to understand the basis for the assumptions used and found the forecast cash flows to be reasonable. We tested the mathematical accuracy of the valuation models for each of the significant intangible assets acquired. No material differences were noted. We assessed the reasonableness of the assumptions used in determining the useful lives of the intangible assets acquired against those determined by the external valuation experts by benchmarking them to similar intangible assets of similar businesses within the industry. We found the useful lives to be reasonable.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 2018 Group Consolidated Financial Statements and the 2018 Integrated Annual Report, which includes the Directors' Report, the Report of the Audit Committee and the Company Secretary Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern;

INDEPENDENT AUDITOR'S REPORT CONTINUED

- 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; and
- 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 35 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Johan Potgieter
Registered Auditor
Johannesburg
18 March 2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018. Kindly take note that the period covered by this directors' report is from 1 January 2018 to 31 December 2018.

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 18 March 2019.

FINANCIAL RESULTS

Particulars of the Sun International group's attributable earnings and earnings per share for the year ended 31 December 2018 are given in the statement of comprehensive income, while particulars of the Sun International group headline earnings per share for the year ended 31 December 2018 are given in note 9 of the financial statements.

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

DIVIDENDS

The company has not declared an interim or final dividend for the year ended 31 December 2018.

ASSOCIATE COMPANIES AND OTHER INVESTMENTS

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

CORPORATE ACTIVITY DURING THE YEAR AND AFTER THE BALANCE SHEET DATE

Commentary on the nature of business of the company, and its subsidiaries, acquisitions, future developments and prospects of the group are addressed in the summarised consolidated audited financial statements of the Sun International group, which were released on SENS on 18 March 2019.

SHARE PLANS

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

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

SHARE CAPITAL

The total issued share capital of the company for the period under review constitutes 136 730 964 (2017: 109 086 988) ordinary shares. The company has an authorised share capital of 200 000 000 (2017: 200 000 000) ordinary shares.

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

DIRECTORATE

Appointments
During the period under review, Mr S Sithole was appointed as a non-executive director to the company's board on 20 June 2018.

On 5 September 2018, Messrs VP Khanyile and JA Mabuza were appointed as non-executive directors of Sun International, while on 23 November 2018, Ms ZP Zatu was appointed as a non-executive director to the company's board.

Resignation
On 5 September 2018, Mr DR Mokhobo resigned as an executive director of Sun International.

Ms ZBM Bassa resigned as a non-executive director of Sun International on 12 February 2018.

Retirements
On 15 May 2018, Mr GR Rosenthal retired as a non-executive director from the board of Sun International.

DIRECTORS' REPORT CONTINUED

Post the financial year-end, Mr MV Moosa announced his retirement as chairman and non-executive director of Sun International with effect from 14 May 2019.

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, GW Dempster and MV Moosa, as well as Dr NN Gwagwa, Ms CM Henry and Ms BLM Makgabo-Fiskerstrand retired from the board at the annual general meeting held on 15 May 2018, 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, VP Khanyile, JA Mabuza and S Sithole, as well as Dr NN Gwagwa and Ms ZP Zatu are required to retire in accordance with the company's memorandum of incorporation at the upcoming annual general meeting to be held on 14 May 2019 and, being eligible, offer themselves for election/re-election, as the case may be.

Their profiles appear in the annual statutory report posted to shareholders on or about 29 March 2019 and which can be located on the company's website at http://www.suninternational.com/investors.

SECRETARIES

The secretaries' business and postal addresses appear in the annual statutory report posted to shareholders on or about 29 March 2019 and which can be located on the company's website at http://www.suninternational.com/investors.

DIRECTORS' INTERESTS

At 31 December 2018, the directors of the company held interests in 19 933 167 of the company's issued ordinary shares (31 December 2017: 501 616). 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
31 December 2018	**Unrestricted**	**Restricted**	**Unrestricted**
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**
Total	**286 425**	**77 392**	**19 569 350**

** Resigned as an executive director on 5 September 2018.*

	Ordinary shares direct beneficial		Ordinary shares
31 December 2017	Unrestricted	Restricted	Unrestricted
N Basthdaw	11 977	30 080	–
NN Gwagwa	–	–	70 224
AM Leeming#	121 452	47 051	–
IN Matthews	2 723	–	–
DR Mokhobo	56 580	18 184	–
MV Moosa	–	–	143 345
Total	192 732	95 315	213 569

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

PUBLIC AND NON-PUBLIC SHAREHOLDERS (AS AT 31 DECEMBER 2018)

Ordinary shares	Number of shareholders	%	Number of shares	%
Non-public shareholders	**26**	**0.78**	**30 684 416**	**22.44**
Directors and associates of the company	**17**	**0.51**	**19 933 167**	**14.58**
Sun International Employee Share Trust and Plans*	**8**	**0.24**	**4 031 490**	**2.95**
Dinokana investments**	**1**	**0.03**	**6 719 759**	**4.91**
Public shareholders	**3 292**	**99.22**	**106 046 548**	**77.56**
Totals	**3 318**	**100.00**	**136 730 964**	**100.00**

** The Sun International Employee Share Trust and Plans have been adjusted by deducting a portion of shares allocated to directors.*
*** Dinokana Investments is a subsidiary of Sun International Limited and its holding of Sun International ordinary shares qualifies as treasury shares.*

MATERIAL SHAREHOLDERS

Beneficial shareholders (excluding directors) holding 5% or more of the company's listed ordinary shares as at 31 December 2018 were the following:

	Number of shares	%
Allan Gray	15 278 061	11.17
Value Capital Partners	13 536 953	4.94
PSG Konsult	12 370 669	9.05
Old Mutual	8 964 463	6.56

SPECIAL RESOLUTIONS

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

- approving the acquisition by the company or any of its subsidiaries of the company's shares;
- approving the remuneration of the non-executive directors;
- approving the provision of financial assistance to employee share scheme beneficiaries and related or inter-related companies and corporations; and
- authorisation to issue additional shares under Section 41 of the Companies Act.

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 28.

REPURCHASED EQUITY SECURITIES

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

DIRECTORS' REPORT CONTINUED

BORROWING POWERS AND RESTRICTIVE FUNDING ARRANGEMENTS

In terms of its memorandum of incorporation, Sun International has unlimited borrowing powers. At 31 December 2018, unutilised borrowing facilities amounted to R1.381 billion (31 December 2017: R737 million).

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

ISSUES FOR CASH

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

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated financial statements of Sun International, comprising the statements of financial position at 31 December 2018 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 IFRS 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.

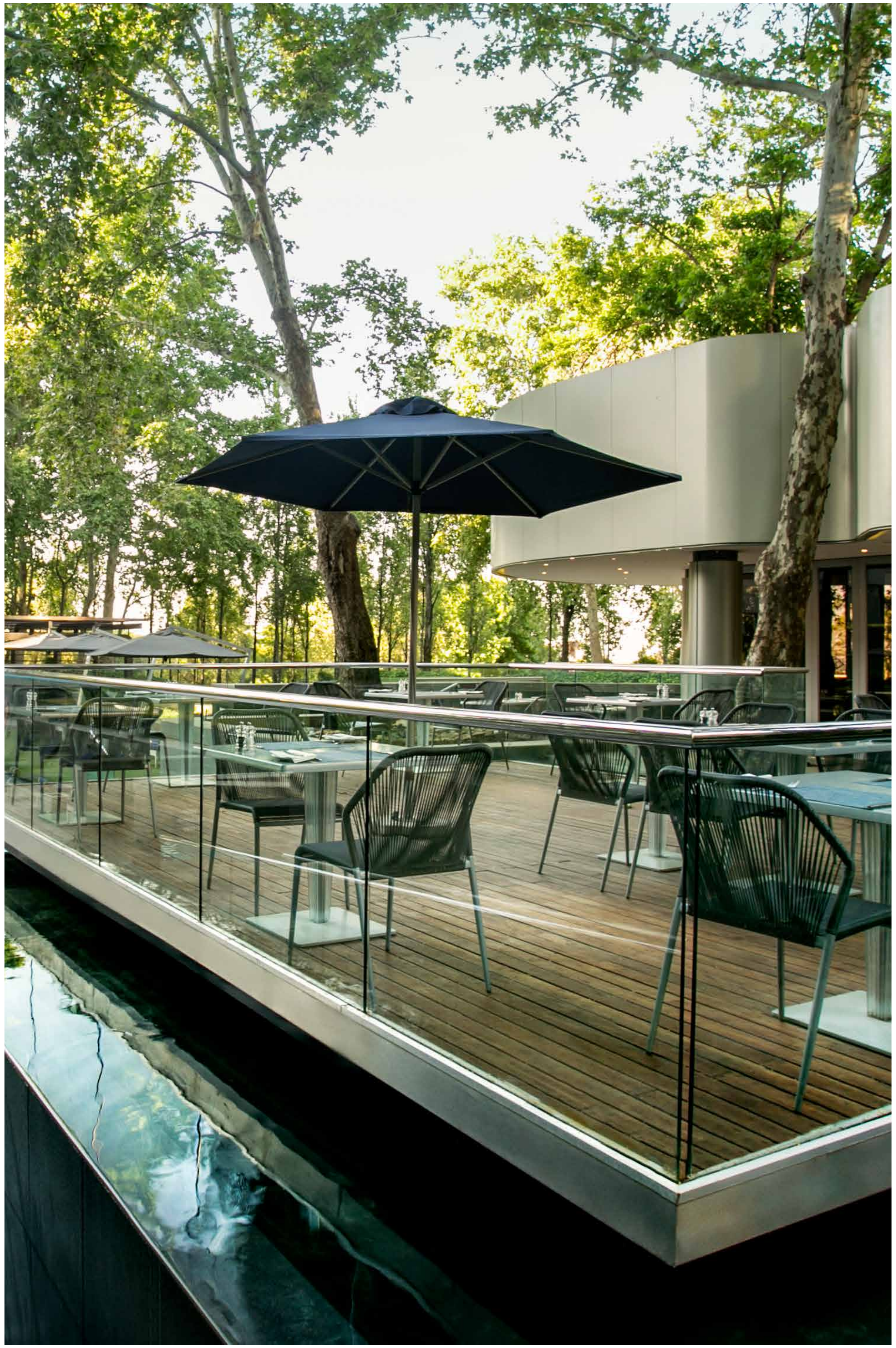
The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

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 15 March 2019 and signed by:

For Sun International Limited

Mr MV Moosa	**AM Leeming**	**N Basthdaw**
Chairman	*Chief executive*	*Chief financial officer*
15 March 2019		



GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 Rm	31 December 2017* Rm
Continuing operations			
Net gaming wins	1	**13 199**	12 336
Revenue	1	**3 221**	3 015
Income	1	**16 420**	15 351
Consumables and services		**(1 633)**	(1 649)
Depreciation	11	**(1 338)**	(1 243)
Amortisation	12	**(305)**	(350)
Employee costs	2	**(3 187)**	(2 923)
Impairment of property, plant and equipment	11	**(306)**	(40)
Impairment of intangible assets	12	**–**	(53)
Levies and VAT on casino revenue		**(3 393)**	(3 089)
LPM site owners commission		**(327)**	(299)
Promotional and marketing costs		**(1 015)**	(998)
Property and equipment rentals	3	**(215)**	(187)
Property costs		**(806)**	(722)
Other operational costs		**(1 629)**	(1 638)
Operating profit		**2 266**	2 160
Foreign exchange gains/(losses)		**37**	(111)
Finance income	5	**77**	34
Finance expense	6	**(1 253)**	(1 088)
Fair value adjustment to put liability	16	**(27)**	(223)
Share of profit of investments accounted for using the equity method	13	**8**	2
Profit before tax		**1 108**	774
Tax	8	**(547)**	(495)
Profit for the year from continuing operations		**561**	279
Loss for the year from discontinued operations	21	**(210)**	(291)
Profit/(loss) for the year		**351**	(12)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	17	**(20)**	51
Tax on remeasurements of post-employment benefit obligations	8	**6**	(14)
Net loss on Time Square hedge		**–**	66
Items that may be reclassified to profit or loss			
Net profit/(loss) on cash flow hedges		**26**	(27)
Currency translation reserve		**195**	(78)
Total comprehensive income for the year		**558**	(14)

* *The prior year comparative financial information was restated to reflect the discontinued operations of Panama and Colombia as required by IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 21.*

	Notes	31 December 2018 Rm	31 December 2017* Rm
Profit/(loss) for the year attributable to:			
Minorities		**358**	231
Ordinary shareholders		**(7)**	(243)
		351	(12)
Total comprehensive profit/(loss) for the year attributable to:			
Minorities		**434**	210
Ordinary shareholders		**124**	(224)
		558	(14)
Total comprehensive profit/(loss) attributable to ordinary shareholders arises from:			
Continuing operations		**258**	(43)
Discontinued operations	21	**(134)**	(181)
		124	(224)
^Basic and diluted (loss)/earnings per share (cents)			
Basic and diluted	9	**(6)**	(243)
Continuing operations		**110**	(62)
Discontinued operations		**(116)**	(181)

* *The prior year comparative financial information was restated to reflect the discontinued operations of Panama and Colombia as required by IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 21.*

^ *The group has restated the prior years comparative number of weighted average number of shares in issue used in the earnings per share to reflect the effect of the rights issue as required by IAS 33: Earnings per share.*

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31 December 2018 Rm	31 December 2017 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	11	**17 099**	18 196
Intangible assets	12	**3 142**	2 695
Equity-accounted investments	13	**27**	18
Pension fund asset	17	**33**	32
Deferred tax	8	**248**	912
Trade and other receivables	18	**278**	214
		20 827	22 067
Current assets			
Inventory	19	**170**	170
Trade and other receivables	18	**1 418**	1 333
Cash and cash equivalents	20	**938**	696
		2 526	2 199
Assets held for sale	21	**946**	170
Total assets		**24 299**	24 436
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity before put option reserve		**3 764**	2 058
Put option reserve		**(1 286)**	(4 651)
Ordinary shareholders' equity/(deficit)	22	**2 478**	(2 593)
Minorities' interests		**1 808**	2 899
		4 286	306
Non-current liabilities			
Deferred tax	8	**444**	950
Borrowings	23	**10 551**	11 737
Derivative financial instruments	15	**–**	14
Put option liability	16	**1 331**	4 838
Contract liabilities and other liabilities	24	**1 054**	993
		13 380	18 532
Current liabilities			
Borrowings	23	**4 115**	3 259
Trade payables and accruals	25	**2 292**	1 970
Derivative financial instruments	15	**8**	20
Contract liabilities and other liabilities	24	**120**	216
		6 535	5 465
Liabilities held for sale	21	**98**	133
Total liabilities		**20 013**	24 130
Total equity and liabilities		**24 299**	24 436

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 Rm	31 December 2017^ Rm
Cash flows from operating activities			
Cash generated by operations before:	26.1	**4 278**	3 602
Vacation Club timeshare sales		**145**	158
Tax paid	26.2	**(711)**	(769)
Net cash inflow from operating activities		**3 712**	2 991
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(880)**	(2 558)
Disposal of property, plant and equipment		**123**	32
Purchase of intangible assets	12	**(171)**	(43)
Acquisition of subsidiaries, net of cash acquired	10	**(586)**	–
Disposal of investment in joint venture	27	**–**	121
Investment income received		**77**	34
Other non-current loans repaid			–
Net cash outflow from investing activities		**(1 437)**	(2 414)
Cash flows from financing activities			
Cash paid for purchase of treasury shares	22	**(7)**	(11)
Increase in loan to non-controlling interest	10	**(673)**	–
Purchase of additional non-controlling shareholding in subsidiaries	10	**(678)**	–
Movement in other non-current liabilities	24	**47**	90
Capital raised through a rights issue	22	**1 598**	–
Additional borrowings	26	**2 428**	842
Repayment of borrowings	26	**(3 028)**	(355)
Interest paid	26	**(1 258)**	(1 204)
Dividends paid	9	**(417)**	(330)
Increase in minority funding			
Net cash outflow from financing activities		**(1 988)**	(968)
Effects of exchange rate changes on cash and cash equivalents		**(14)**	(34)
Net increase/(decrease) in cash and cash equivalents		**273**	(425)
Cash and cash equivalents at beginning of the year		**709**	1 134
Cash held by discontinued operations	21	**(44)**	(40)
Cash and cash equivalents at end of year^		**938**	669
Cash flows from discontinued operations	21	**(11)**	5

^ *The prior year comparable cash generated from operations, cash held and cash flow from discontinued operations were restated to reflect the discontinued operations of Panama and Colombia as required by IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Refer to note 21.*

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital and premium Rm	Treasury shares and share options Rm	Foreign currency translation reserve Rm	Share-based payment reserve Rm	Available-for-sale investment reserve Rm	Reserve for non-controlling interests* Rm	Hedging and other reserve Rm	Retained earnings Rm	Ordinary shareholders' equity before put option reserve Rm	Put option reserve Rm	Ordinary shareholders' equity Rm	Minorities' interests Rm	Total equity Rm
Balance at 31 December 2016		295	(604)	165	116	4	(2 045)	(54)	4 502	2 379	(4 651)	(2 272)	2 936	664
Profit for the period		–	–	–	–	–	–	–	(243)	(243)	–	(243)	231	(12)
Other comprehensive income		–	–	(39)	–	–	–	59	–	20	–	20	(22)	(2)
Total comprehensive profit for the period		–	–	(39)	–	–	–	59	(243)	(223)	–	(223)	209	(14)
Treasury shares sold	22	–	(11)	–	–	–	–	–	–	(11)	–	(11)	–	(11)
Employee share schemes	22	–	27	–	(27)	–	–	–	1	1	–	1	–	1
Release of share options reserve		–	164	–	–	–	–	–	(164)	–	–	–	–	–
Fair value adjustment on investments held for sale		–	–	–	–	(4)	–	–	–	(4)	–	(4)	–	(4)
Time Square SPV#		–	–	–	–	–	(84)	–	–	(84)	–	(84)	84	–
Disposal of Botswana, Namibia and Lesotho operations		–	–	–	–	–	(257)	–	257	–	–	–	–	–
Dividends paid	9	–	–	–	–	–	–	–	–	–	–	–	(330)	(330)
Balance at 31 December 2017		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
Balance at 1 January 2018^		**295**	**(424)**	**126**	**89**	**–**	**(2 386)**	**5**	**4 378**	**2 083**	**(4 651)**	**(2 568)**	**2 899**	**331**
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^		**–**	**–**	**(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#		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**	**(533)**	**(533)**
Dividends paid		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(417)**	**(417)**
Balance at 31 December 2018		**1 893**	**(394)**	**111**	**85**	**–**	**(2 503)**	**17**	**4 555**	**3 764**	**(1 286)**	**2 478**	**1 808**	**4 286**

** 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.*

^ Refer to notes 10 and 16.

 # Refer to note 28.

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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

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

Critical accounting estimates and assumptions

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

Hyperinflation

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 of a group entity becomes necessary. Following management's assessment, the group's subsidiary in Argentina has been accounted for as an entity operating in hyperinflationary economies.

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 2018	11 July 2018	2 178.61	12.70%

As at 31 December 2018, R50 million of assets have been adjusted for.

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.

Impairment of 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

CRITICAL ACCOUNTING JUDGEMENT

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%

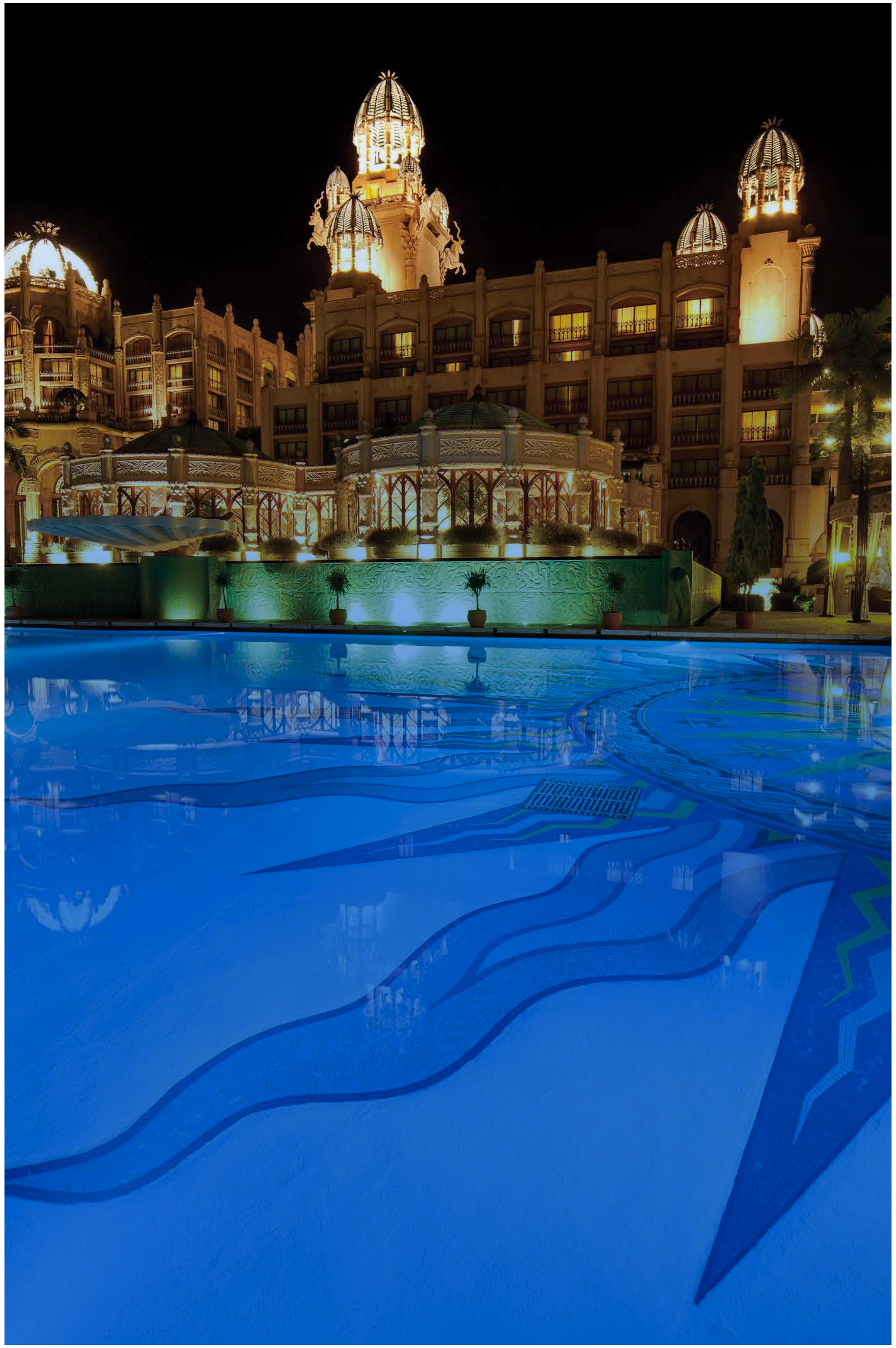
Management has applied judgement to conclude that the group has control over the Tourist Company of Nigeria Plc (Federal Palace) even though it has less than 50% of the voting rights. Control is determined by applying the application guidance of IFRS 10, which includes an assessment of various factors 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.

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 2018		12 months 31 December 2017	
	Average rate	Closing rate	Average rate	Closing rate
US dollar (US$)	**13.25**	**14.43**	13.29	12.38
Chilean peso (CLP)	**48.53**	**48.21**	48.71	49.68
Nigerian naira (NGN)	**23.07**	**21.24**	22.97	24.67
Argentine peso (Th$)	**2.09**	**2.62**	–	–



NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

1. SEGMENTAL INCOME ANALYSIS

NET GAMING WINS

	Total net gaming wins		Tables		Slots		Alternative gaming income	
	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm
South African operations	**8 878**	8 520	**1 457**	1 343	**6 182**	6 068	**1 239**	1 109
GrandWest	**2 121**	2 066	**347**	327	**1 774**	1 739	**–**	–
Sun City	**512**	577	**113**	127	**399**	450	**–**	–
Sibaya	**1 199**	1 183	**292**	289	**907**	894	**–**	–
Time Square	**1 096**	744	**314**	223	**782**	521	**–**	–
Carnival City	**891**	901	**163**	162	**728**	739	**–**	–
Boardwalk	**439**	452	**52**	48	**387**	404	**–**	–
Wild Coast Sun	**387**	373	**68**	52	**319**	321	**–**	–
Carousel	**144**	225	**11**	19	**133**	206	**–**	–
Meropa	**271**	275	**32**	29	**239**	246	**–**	–
Table Bay	**–**	–	**–**	–	**–**	–	**–**	–
Windmill	**260**	243	**45**	45	**215**	198	**–**	–
Sun Slots	**1 162**	1 060	**–**	–	**–**	–	**1 162**	1 060
Morula	**–**	36	**–**	4	**–**	32	**–**	–
Flamingo	**150**	158	**12**	10	**138**	148	**–**	–
Golden Valley	**152**	160	**8**	8	**144**	152	**–**	–
SunBet	**77**	49	**–**	–	**–**	–	**77**	49
Maslow	**–**	–	**–**	–	**–**	–	**–**	–
Other operating segments	**17**	18	**–**	–	**17**	18	**–**	–
Management and corporate office	**–**	–	**–**	–	**–**	–	**–**	–
Nigerian operations – Federal Palace	**60**	57	**11**	10	**49**	47		–
Latam operations	**4 261**	3 759	**798**	720	**3 463**	3 039		–
Monticello	**1 692**	1 546	**489**	466	**1 203**	1 080		–
Dreams SCJ licences	**1 227**	1 180	**84**	86	**1 143**	1 094		–
Dreams Municipal licences	**739**	756	**74**	87	**665**	669		
Chile total	**3 658**	3 482	**647**	639	**3 011**	2 843		–
Sun Chile office	**–**	–	**–**		**–**			
Dreams Peru excluding Thunderbird	**287**	277	**85**	81	**202**	196		–
Thunderbird Peru	**189**	–	**56**	–	**133**	–		
Mendoza	**127**	–	**10**	–	**117**	–		
Inter-company management fees	**–**	–	**–**	–	**–**	–	**–**	–
Total	**13 199**	12 336	**2 266**	2 073	**9 694**	9 154	**1 239**	1 109

REVENUE FROM CONTRACTS WITH CUSTOMERS

	Total Revenue		Rooms		Food and beverage		Other		Total income	
	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm
South African operations	**2 925**	2 910	**990**	976	**903**	921	**1 032**	1 013	**11 803**	11 430
GrandWest	**93**	89	**2**	2	**62**	61	**29**	26	**2 214**	2 155
Sun City	**1 160**	1 154	**495**	498	**363**	388	**302**	268	**1 672**	1 731
Sibaya	**90**	86	**18**	14	**65**	62	**7**	10	**1 289**	1 269
Time Square	**151**	83	**25**	–	**96**	66	**30**	17	**1 247**	827
Carnival City	**70**	79	**5**	6	**46**	50	**19**	23	**961**	980
Boardwalk	**93**	100	**38**	36	**41**	50	**14**	14	**532**	552
Wild Coast Sun	**111**	108	**39**	39	**40**	37	**32**	32	**498**	481
Carousel	**19**	21	**5**	6	**–**	–	**14**	15	**163**	246
Meropa	**37**	27	**10**	4	**26**	21	**1**	2	**308**	302
Table Bay	**341**	354	**263**	270	**70**	76	**8**	8	**341**	354
Windmill	**13**	12	**–**	–	**13**	12	**–**	–	**273**	255
Sun Slots	**–**	–	**–**	–	**–**	–	**–**		**1 162**	1 060
Morula	**–**	2	**–**	–	**–**	2	**–**	–	**–**	38
Flamingo	**15**	14	**–**	–	**13**	14	**2**	–	**165**	172
Golden Valley	**18**	16	**5**	3	**11**	12	**2**	1	**170**	176
SunBet	**–**	–	**–**	–	**–**	–	**–**	–	**77**	49
Maslow	**142**	148	**84**	88	**54**	57	**4**	3	**142**	148
Other operating segments	**4**	24	**1**	10	**3**	13	**–**	1	**21**	42
Management and corporate office	**568**	593	**–**	–	**–**	–	**568**	593	**568**	593
Nigerian operations – Federal Palace	**88**	86	**47**	41	**41**	41	**–**	4	**148**	143
Latam operations	**757**	567	**292**	224	**450**	334	**15**	9	**5 018**	4 326
Monticello	**212**	127	**8**	16	**199**	111	**5**	–	**1 904**	1 673
Dreams SCJ licences	**354**	352	**159**	178	**193**	174	**2**	–	**1 581**	2 367
Dreams Municipal licences	**84**	79	**27**	30	**53**	49	**4**		**823**	
Chile total	**650**	558	**194**	224	**445**	334	**11**	–	**4 308**	4 040
Sun Chile office	**–**	9	**–**		**–**		**–**	9	**–**	9
Dreams Peru excluding Thunderbird	**1**	–	**–**	–	**–**	–	**1**	–	**288**	277
Thunderbird Peru	**5**	–	**–**	–	**5**	–	**–**	–	**194**	–
Mendoza	**101**	–	**98**	–	**–**	–	**3**	–	**228**	–
Inter-company management fees	**(549)**	(548)	**–**	–	**–**	–	**(549)**	(548)	**(549)**	(548)
Total	**3 221**	3 015	**1 329**	1 241	**1 394**	1 296	**498**	478	**16 420**	15 351

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 SunBet.

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.
Refer to Annexure: Accounting Policies on the implication of IFRS 15.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

1. SEGMENTAL INCOME ANALYSIS CONTINUED

	Adjusted EBITDA*		Adjusted depreciation and amortisation		Adjusted operating profit		Adjusted tax	
	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm
South African operations	**2 985**	2 920	**1 059**	998	**1 926**	1 919	**382**	417
GrandWest	**868**	850	**141**	129	**727**	721	**202**	203
Sun City	**205**	237	**213**	211	**(8)**	26	**(56)**	(41)
Sibaya	**430**	439	**70**	54	**360**	385	**99**	105
Time Square	**305**	184	**236**	158	**69**	26	**1**	13
Carnival City	**231**	254	**68**	92	**163**	162	**21**	33
Boardwalk	**95**	95	**72**	68	**23**	27	**(6)**	(18)
Wild Coast	**95**	93	**48**	47	**47**	46	**7**	5
Carousel	**(15)**	28	**18**	18	**(33)**	10	**(3)**	7
Meropa	**94**	96	**20**	21	**74**	75	**22**	12
Table Bay	**78**	89	**19**	19	**59**	70	**–**	–
Windmill	**95**	79	**20**	22	**75**	57	**19**	14
Sun Slots	**287**	249	**65**	83	**222**	166	**64**	46
Morula	**(1)**	(4)	**–**	1	**(1)**	(5)	**–**	8
Flamingo	**40**	47	**14**	14	**26**	33	**5**	8
Golden Valley	**32**	39	**15**	16	**17**	23	**1**	7
SunBet	**8**	2	**2**	2	**6**	–	**(12)**	–
Maslow	**(35)**	(22)	**12**	18	**(47)**	(40)	**(15)**	(6)
Other operating segments	**(2)**	(28)	**1**	3	**(3)**	(31)	**(1)**	1
Management and corporate office	**175**	193	**25**	22	**150**	168	**34**	20
Nigerian operations – Federal Palace	**9**	8	**25**	30	**(16)**	(22)	**1**	1
Latam operations	**1 363**	1 215	**457**	416	**906**	801	**190**	115
Monticello	**573**	417	**168**	153	**405**	265	**60**	39
Dreams SCJ licences	**612**	586	**38**	35	**574**	551	**56**	66
Dreams municipal licences	**287**	303	**37**	47	**250**	256	**55**	57
Central office	**(194)**	(132)	**154**	145	**(348)**	(276)	**(20)**	(52)
Chile total	**1 278**	1 174	**397**	380	**881**	796	**151**	110
Sun Chile office	**(8)**	8	**–**	–	**(8)**	8	**–**	
Ocean Sun Casino	**–**	–	**–**	–	**–**	–	**–**	–
Sun Nao Casino	**–**	–	**–**	–	**–**	–	**–**	–
Dreams Peru excluding Thunderbird	**32**	33	**39**	36	**(7)**	(3)	**6**	5
Thunderbird Peru	**25**	–	**11**		**14**		**4**	
Mendoza	**36**	–	**10**	–	**26**	–	**29**	–
Total operating segments	**4 357**	4 143	**1 541**	1 444	**2 816**	2 698	**573**	533
Other	**–**	–	**102**	149	**(550)**	(538)	**(26)**	(38)
PPA adjustment			**102**	149	**(102)**	(149)	**(26)**	(38)
Exceptional items (refer to note 7)					**(448)**	(389)		
Total	**4 357**	4 143	**1 643**	1 593	**2 266**	2 160	**547**	495

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

1. SEGMENTAL INCOME ANALYSIS CONTINUED

	Non-current assets		Borrowings*		Capital expenditure^	
	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2018 Rm	31 Dec 2017 Rm
South African operations	**11 914**	12 252	**9 174**	11 424	**748**	2 174
GrandWest	**1 131**	1 166	**502**	578	**110**	128
Sun City	**2 155**	2 530	**2 041**	2 008	**134**	99
Sibaya	**760**	763	**276**	284	**72**	81
Carnival City	**672**	696	**608**	580	**49**	39
Emfuleni	**729**	848	**507**	610	**15**	14
Wild Coast Sun	**387**	419	**234**	280	**18**	14
Carousel	**71**	83	**(183)**	(180)	**6**	5
Meropa	**206**	208	**74**	131	**20**	58
Windmill	**159**	165	**74**	102	**15**	10
Table Bay	**74**	88	**225**	290	**8**	11
Morula	**(4)**	(4)	**(2)**	(1)	**–**	1
Flamingo	**94**	94	**73**	75	**15**	5
Golden Valley	**140**	146	**(12)**	(11)	**10**	8
Maslow	**98**	105	**–**	–	**8**	5
Sun Slots	**907**	575	**24**	70	**105**	95
Time Square	**3 796**	3 992	**5 070**	4 669	**139**	1 594
Other operating segments	**386**	208	**29**	41	**9**	1
Management and corporate office	**153**	170	**(366)**	1 898	**15**	6
Nigerian operations – Federal Palace	**343**	312	**602**	493	**12**	10
Latam operations	**7 978**	8 025	**4 890**	3 078	**290**	408
Total operating segments	**20 235**	20 589	**14 666**	14 995	**1 050**	2 592
Other						
Elimination of intra-group	**8**	302	**–**	–	**–**	–
	20 243	20 891	**14 666**	14 995	**1 050**	2 592
Other non-current assets						
Trade and other receivables	**278**	214	**–**	–	**–**	–
Deferred tax	**248**	912	**–**	–	**–**	–
Non-current assets held for sale	**946**	170	**–**	–	**–**	–
Other	**58**	50	**–**	–	**–**	–
Total	**21 773**	22 237	**14 666**	14 995	**1 050**	2 592

** This includes receivable balances owed by the group's treasury company to operating units, which eliminate on consolidation.*
^ Excluding of goodwill and other intangibles.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

2. EMPLOYEE COSTS

	31 December 2018 Rm	31 December* 2017 Rm
Salaries, wages, bonuses and other benefits	**(2 925)**	(2 697)
Pension costs – defined contribution plans	**(209)**	(200)
Other benefits – long service award	**(6)**	(6)
– post-retirement	**(12)**	(13)
– farewell gifts	**(1)**	(1)
Employee share-based payments	**(34)**	(6)
	(3 187)	(2 923)

3. PROPERTY AND EQUIPMENT RENTALS

Property and equipment rentals expense is made up of the following operating lease charges:

	31 December 2018 Rm	31 December* 2017 Rm
Plant, vehicles and equipment	**(59)**	(39)
Property lease charges	**(156)**	(148)
Cash charge	**(143)**	(128)
Straight-line charge	**(13)**	(20)
	(215)	(187)

Rental commitments

The group has the following material rental agreements as at 31 December 2018:

	Expiration date	Option to renew to	Straight-line charge Rm	Annual rental Rm	Escalation rate
Sun International Management Limited[1] (SIML)	1 July 2029	Yes	29.2	22.9	7.0%
Wild Coast Sun	8 March 2029	No	3.4	3.3	6.0%
Flamingo[2]	31 December 2019	Yes	0.2	0.2	5.5%
Table Bay	31 May 2022	Yes	23.4	23.4	10.0%
Maslow	31 December 2031	No	48.5	42.4	7.0%
Sun Dreams – Peru[3]	Various	No	51.0	51.0	N/A

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

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

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

Not included in the above commitments are commissions payable to sites which are in essence contingent rental payments. The contingent rental payable is a contractual % of net gaming wins after the deduction of gaming levies, VAT and monitoring fees.

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

	31 December 2018 Rm	31 December* 2017 Rm
No later than 1 year	**(153)**	(66)
Later than 1 year and no later than 5 years	**(725)**	(312)
Later than 5 years	**(519)**	(939)
	(1 397)	(1 317)

* *The prior year comparative financial information was restated to reflect the discontinued operations of Panama and Colombia as required by IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.*

Refer to "Annexure – Developments", for the IFRS 16 impact on the group's rental commitments, effective from 1 January 2019.

4. OPERATING PROFIT IS STATED AFTER CHARGING THE FOLLOWING:

	31 December 2018 Rm	31 December* 2017 Rm
Auditors' remuneration	**(23)**	(30)
Audit fees	**(17)**	(18)
Fees for other services#	**(6)**	(12)
Professional fees	**(12)**	(40)
Net profit/(loss) on disposal of property, plant and equipment	**12**	(13)
Insurance premium costs	**(49)**	(43)
Impairment of assets^	**(306)**	(92)

5. FINANCE INCOME

	31 December 2018 Rm	31 December* 2017 Rm
Interest earned on cash and cash equivalents	**77**	34

6. FINANCE EXPENSE

	31 December 2018 Rm	31 December* 2017 Rm
Interest paid on borrowings	**(1 179)**	(1 138)
Preference share dividends	**(81)**	(78)
Imputed interest on loans payable	**(3)**	(9)
Tax authorities	**–**	(1)
Capitalised to property, plant and equipment**	**10**	138
	(1 253)	(1 088)

* *The prior year comparative financial information was restated to reflect the discontinued operations of Panama and Colombia as required by IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.*

\# *Relates to tax and advisory services rendered.*

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

– Shareholder loan	3 Month JIBAR + 4.75% (11.9%)	3 Month JIBAR + 4.75% (11.9%)
– Project loan	Sun International Blended rate^^ + 0.25% (9.92%)	Sun International Blended rate^^ + 0.25% (10.1%)
– Interest rate hedge	Actual Hedge Expense	Actual Hedge Expense

^^ *Sun International blended rate refers to the weighted cost of the various South African debt facilities.*

^ *Refer to note 11.*

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

7. ADJUSTED EBITDA RECONCILIATION

	31 December 2018 Rm	31 December* 2017 Rm
Operating profit	**2 266**	2 160
Depreciation and amortisation	**1 643**	1 593
Exceptional items	**448**	390
Net (profit)/loss on disposal of property, plant and equipment	**(12)**	13
Straight-line adjustment for rentals	**13**	20
Impairment of non-current assets	**306**	92
Pre-opening expenses	**3**	48
Transaction costs	**–**	43
Profit on disposal of interests in associates and subsidiaries	**–**	(27)
Onerous lease provision	**–**	50
Restructuring cost	**–**	43
Provision for remaining portion of Fish River licensing conditions	**–**	20
Additional Goldrush payment	**–**	6
Fair value adjustment on investment held for sale	**–**	43
Forward exchange contract losses	**75**	–
Other^	**63**	39
Adjusted EBITDA	**4 357**	4 143

* *The prior year comparative financial information was restated to reflect the discontinued operations of Panama and Colombia as required by IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.*

^ *Inclusive of expenses which are of an unusual and infrequent nature as a result of unforeseen and atypical events. Refer to Annexure: Accounting Disclosure.*

8. TAX

	31 December 2018 Rm	31 December 2017 Rm
(a) Statement of comprehensive income		
Attributable to continued operations		
Normal tax – South African	**(358)**	(400)
Normal tax – Foreign	**(189)**	(95)
	(547)	(495)
Current tax – current year	**(711)**	(596)
– prior years	**62**	14
Deferred tax – current year	**116**	94
– prior years	**(7)**	3
Capital gains tax	**(5)**	(6)
Other taxes	**(2)**	(4)
	(547)	(495)
Current tax losses not recognised as deferred tax assets	**206**	195

8. TAX CONTINUED

Group reconciliation of effective tax rate

2018	South Africa Rm	Nigeria Rm	Latam Rm	Swaziland Rm	Panama Rm	Colombia Rm	Group Rm
Profit/(loss) before tax – continuing operations	594	(60)	574	–	–	–	1 108
Profit/(loss) before tax – discontinued operations	–	–	–	(7)	(59)	(144)	(210)
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	–	–	–	–	525
Discontinued operation (tax losses not meeting recognition criteria)	–	–	–	7	59	144	210
Taxable income	1 303	2	845	–	–	–	2 150
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
Effective tax rate	60%	(2%)	33%	–	–	–	61%

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

8. TAX CONTINUED

2017	South Africa Rm	Nigeria Rm	Latam Rm	Swaziland Rm	Panama Rm	Colombia Rm	Group Rm
Profit/(loss) before tax – continuing	521	(60)	313	–	–	–	774
Profit/(loss) before tax – discontinued	(77)	–	–	7	(115)	(125)	(310)
Tax effects of amounts which are not deductible/(non-taxable) in calculating taxable income:							
Preference share funding	99	–	–	–	–	–	99
Depreciation on non-qualifying buildings	70	–	–	–	–	–	70
Impairment of assets and fair value adjustments	168	–	–	–	–	–	168
Non-deductible expenditure – interest	94	–	44	–	–	–	138
Non-deductible expenditure – expenses incurred to produce exempt income	9	–	–	–	–	–	9
Other non-deductible expenditure	31	–	6	–	–	–	37
Exempt income – put options	223	–	–	–	–	–	223
Exempt income – dividend income	(25)	–	–	–	–	–	(25)
Exempt income – capital gains and lessor contributions	(84)	–	–	–	–	–	(84)
Tax incentives	(20)	–	–	–	–	–	(20)
Tax losses not meeting recognition criteria	453	57	12	–	115	125	762
Taxable income	1 462	(3)	375	7	–	–	1 841
Statutory country tax rate	28.0%	30.0%	25.5%	27.0%	25.0%	34.0%	
Tax at standard rate	412	(1)	96	2			508
Withholding and other taxes	4	–	–	–	–	–	4
Adjustments for current tax of prior periods	(17)	–	–	–	–	–	(17)
	399	(1)	96	2			495
Effective tax rate	89%	2%	31%	–	–	–	106%

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

8. TAX CONTINUED

	31 December 2018 Rm	31 December 2017 Rm
Deferred tax		
(b) Statement of financial position		
Deferred tax assets		
Balance at beginning of period	**38**	(43)
Credited to the statement of comprehensive income	**(109)**	(97)
Current year credit to profit or loss	**(116)**	(80)
Prior year under provision	**7**	(3)
Charged/(credited) to other comprehensive income		(14)
Acquisition of a subsidiary	**286**	22
Tax credit	**(9)**	9
Currency translation adjustments	**(10)**	(7)
Charged directly to equity		
Reclassification to receiver of revenue		154
Total liability at end of year from continuing operations	**196**	38

Deferred tax arises from the following temporary differences:

	Accelerated asset allowances/ prepaid expenses	
	31 December 2018 Rm	31 December 2017 Rm
Deferred tax liabilities		
Balance at beginning of period	**493**	574
Credited to statement of comprehensive income	**364**	(105)
Current year charge/(credit) to profit or loss	**357**	(102)
Prior year under provision	**7**	(3)
Acquisition of subsidiary	**286**	22
Austral tax credit	**(9)**	9
Currency translation adjustments	**(6)**	(7)
	1 128	493
To be recovered after more than 12 months	**997**	467
To be recovered within 12 months	**131**	26
	1 128	493

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

8. TAX CONTINUED

	Assessable losses		Deferred revenue		Fair value adjustments/ provisions	
	31 Dec 2018 Rm	31 Dec 2017 Rm	**31 Dec 2018 Rm**	31 Dec 2017 Rm	**31 Dec 2018 Rm**	31 Dec 2017 Rm
Deferred tax assets						
Balance at beginning of period	**(454)**	(447)	**(136)**	(113)	**135**	(57)
(Charged)/credited to:	**(34)**	(7)	**(10)**	(23)	**(433)**	38
Current year (credit)/ charge to profit or loss	**(34)**	(7)	**(10)**	(23)	**(433)**	24
Charged to other comprehensive income	**–**	–	**–**	–	**–**	14
Reclassification to receiver of revenue	**–**	–	**–**	–	**–**	154
	(488)	(454)	**(146)**	(136)	**(298)**	135

Included in the group's recognised deferred tax assets is an amount of R488 million which is mainly attributable to Sun City (2017: R454 million), of which the utilisation depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences, and the relevant group entity from which the deferred tax asset arises has suffered a loss in either the current or a preceding period. These entities are expected to return to profitability in the foreseeable future.

	31 December 2018 Rm	31 December 2017 Rm
To be recovered after more than 12 months	**(488)**	(192)
To be recovered within 12 months	**(444)**	(264)
	(932)	(456)
Net deferred tax liability/(asset)	**196**	38
Aggregate assets and liabilities on subsidiary company basis:		
Deferred tax assets	**(248)**	(912)
Deferred tax liabilities	**444**	950
	196	38

These entities are expected to return to profitability in the foreseeable future due to taxable income increasing as well as an internal restructuring which will result in the company being able to utilise the attributing assessed losses. The directors consider that sufficient future taxable income will be generated by that subsidiary company to utilise the deferred tax assets recognised. Deferred tax assets are recognised for unused tax losses, to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The group has applied judgement in assessing whether future taxable profits will be available by assessing the underlying business plans for the individual subsidiaries that the assessed losses relate to. The group is in the process of implementing an internal restructuring which would result in an increase in future taxable profits of the subsidiary.

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

9. RETURN TO SHAREHOLDERS

(a) Earnings per share

	31 December 2018				31 December 2017^			
	Gross Rm	**Tax Rm**	**Minorities Rm**	**Net Rm**	Gross Rm	Tax Rm	Minorities Rm	Net Rm
Profit/(loss) for the year	**351**			**(7)**	(12)			(243)
Headline earnings adjustments	**366**	**(89)**	**(24)**	**253**	121	(12)	(41)	68
Net (profit)/loss on disposal of property, plant and equipment	**29**	**(3)**	**(13)**	**13**	13	(3)	(4)	6
Profit on disposal of shares in joint venture and subsidiaries	**–**	**–**	**–**	**–**	(27)	6	–	(21)
Fair value adjustment on investment held for sale	**–**	**–**	**–**	**–**	43	–	(15)	28
Impairment of assets	**337**	**(86)**	**(11)**	**240**	92	(15)	(22)	55
Headline earnings				**246**				(175)
Adjusted headline earnings adjustments	**191**	**(29)**	**(43)**	**119**	673	(89)	(105)	479
Straight-line adjustment for rentals	**13**	**(4)**	**–**	**9**	20	(6)	–	14
Pre-opening expenses	**3**	**(1)**	**–**	**2**	48	(1)	(7)	40
Transaction costs	**–**	**–**	**–**	**–**	43	(11)	(15)	17
Amortisation of Dreams intangibles assets raised as part of PPA	**102**	**(26)**	**(29)**	**47**	148	(38)	(50)	60
Fair value adjustment on put option liabilities	**27**	**–**	**–**	**27**	223	–	–	223
Interest on Time Square note	**–**	**–**	**–**	**–**	22	–	–	22
Additional Goldrush payment	**–**	**–**	**–**	**–**	6	–	–	6
Foreign exchange (profit)/ losses on inter-company loan	**(44)**	**13**	**(1)**	**(32)**	27	(7)	–	20
Forward exchange contract losses	**75**	**–**	**(11)**	**64**				
Onerous lease provision	**(31)**	**–**	**11**	**(20)**	50	(13)	(17)	20
Provision for remaining licence conditions – Fish River	**–**	**–**	**–**	**–**	20	–	(3)	17
Restructuring costs	**–**	**–**	**–**	**–**	43	(12)	(7)	24
Fair value of debenture	**–**	**–**	**–**	**–**	6	–	(1)	5
Other*	**46**	**(11)**	**(13)**	**22**	17	(1)	(5)	10
Adjusted headline earnings^^	**908**	**(118)**	**(67)**	**365**	782	(101)	(147)	304

^ *The group has restated the comparative year number of weighted average number of share calculation in issue used in the earnings per share to reflect the effect of the rights issue as required by IAS 33: Earnings per share. The effect of the above was insignificant.*

^^ *Refer to Annexure: Accounting Policies.*

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

9. RETURN TO SHAREHOLDERS CONTINUED

	31 December 2018 Rm	31 December^ 2017 Rm
Number of shares for diluted EPS and HEPS calculation (000s)		
Weighted average number of shares in issue	**115 360**	100 079
Adjustment for dilutive share awards	**17**	–
Diluted weighted average number of shares in issue	**115 377**	100 079
(LPS)/EPS (cents)		
Basic	**(6)**	(243)
Headline	**213**	(175)
Adjusted headline	**316**	304
Diluted basic	**(6)**	(243)
Diluted headline	**213**	(175)
Diluted adjusted headline	**316**	304
Continued operations (LPS)/EPS (cents)		
Basic	**110**	(62)
Headline	**287**	7
Adjusted headline	**410**	486
Diluted basic	**110**	(62)
Diluted headline	**287**	7
Diluted adjusted headline	**409**	486
Discontinued operations (LPS)/EPS (cents)		
Basic	**(116)**	(181)
Headline	**(74)**	(182)
Adjusted headline	**(94)**	(182)
Diluted basic	**(116)**	(181)
Diluted headline	**(74)**	(182)
Diluted adjusted headline	**(93)**	(182)

^ *The group has restated the comparative year number of weighted average number of share calculation in issue used in the earnings per share to reflect the effect of the rights issue as required by IAS 33: Earnings per share. The effect of the above was insignificant.*

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.

9. RETURN TO SHAREHOLDERS CONTINUED

	31 December 2018 Rm	31 December^ 2017 Rm
(b) Dividends declared and paid		
No dividends were declared for the period ended 31 December 2018 or for the period ended 31 December 2017		
Dividends paid by the company	**–**	–
Dividends paid to minorities in subsidiaries	**(417)**	(330)
Total dividends paid by the group	**(417)**	(330)

^ *The group has restated the comparative year number of weighted average number of share calculation in issue used in the earnings per share to reflect the effect of the rights issue as required by IAS 33: Earnings per share. The effect of the above was insignificant.*

^^ *Refer to Annexure: Accounting Policies.*

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

10. ACQUISITION OF SUBSIDIARIES

(a) Thunderbird Resorts in Peru

Sun Dreams S.A., a subsidiary of the group, entered into a purchase agreement during October 2017 to acquire 100% of the shares of the Thunderbird Resorts group with the strategic objective of increasing their position in Peru consisting of the following entities:

- Thunderbird Fiesta Casino Benavides S.A. (TFCB) which operates the Fiesta Casino;
- Sun Nippon Company S.A.C. (SNC) which operates the Luxor Lima and Mystic Slots Cusco casinos;
- Interstate Gaming del Peru S.A. (IGP) which operates the ILuxor Tacna casino; and
- Thunderbird Salsa's S.A. (TS) which operates the Salsa and Cafe 21 restaurants.

The acquisition was effective on 11 April 2018 for a total purchase consideration of R317 million (US$ 26 million), which included the value of the Fiesta Casino property amounting to R124 million (US$ 10.3 million).

The group has performed a purchase price allocation (PPA) and recognised Goodwill amounting to R7 million (US$ 0.6 million) which represents 2.2% of the total purchase price.

(b) Park Hyatt Hotel and Casino in Mendoza Argentina

Sun Dreams S.A., a subsidiary of the group, entered into a purchase agreement during June 2018 to acquire 100% of the ordinary shares of Nuevo Plaza Hotel Mendoza S.A. This strategic acquisition strengthens Sun Dreams position in Argentina and Latam.

The acquisition was effective on 29 June 2018 for a purchase consideration R333 million (US$ 24.8 million) and a potential earn out payment representing contingent consideration amounting to R35 million (US$ 2.6 million). The contingent consideration is classified as a liability for PPA purposes. The parties have 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 (US$ 0.8 million) was placed in an escrow account which will be released on the second anniversary of the closing date.

The group has performed a PPA and recognised goodwill amounting to R84 million (US$ 6.2 million) which represents 22.7% of the total purchase price.

	Thunderbird Rm	Mendoza Rm
Acquisition date	11 April 2018	11 July 2018
Holding acquired (%)	100%	100%
Revenue included from acquisition date	194	228
Profit and loss included from acquisition date	14	26
Revenue included from acquisition date as if from the beginning of the year	258	342
Profit and loss included from acquisition date as if from the beginning of the year	–	47
Fair value at acquisition date	**316 660**	**367 935**

10. ACQUISITION OF SUBSIDIARIES CONTINUED

The result of the PPA to identify the fair value of assets and liabilities acquired in the year for Thunderbird and Mendoza is set out below:

	Thunderbird Rm	Mendoza Rm
Assets and liabilities acquired		
Land, property, plant and equipment*	256 398	118 710
Intangible assets^	118 221	273 222
Current assets*	32 412	45 687
Other assets*	999	–
Deferred tax asset/(liability)	1 529	–
Current liabilities*	(38 914)	(56 525)
Deferred tax asset adjustment	(60 899)	(96 806)
Goodwill recognised	6 914	83 647
Net assets	316 660	367 935
Net assets acquired	316 660	367 935
Contingent payment	–	(35 224)
Consideration settled in cash	316 660	332 711
Cash and cash equivalents in entity	(9 873)	(53 131)
Net cash outflow	306 787	279 580

* *Includes fair value adjustment on assets acquired amounting to a fair value step up of R213 million and R76 million relating to Thunderbird and Mendoza respectively and trade receivables.*
^ *Includes previously recognised IT software totalling to R1 million.*

The goodwill is attributable to the high profitability of the acquired business. It will not be deductible for tax purposes.

(c) Transactions with non-controlling interest

The group increased its shareholding in Sun Dreams S.A., a subsidiary of the group to 64.40% (2017: 54.54%). The acquisition was subject to gambling board approvals which were received in November 2017, as well as the finalisation of the funding to acquire the additional shareholding, which was obtained on 16 May 2018. The group continues to exercise control over Sun Dreams S.A. The put options previously exercisable by Pacifico and EDS against Sun International lapsed with the put option liability and reserve derecognised from the statement of financial position. Refer to note 16.

	Sun Dreams	
	31 December 2018 Rm	31 December 2017 Rm
Carrying amount of non-controlling interest acquired	602	–
Consideration paid to non-controlling interest	(832)	–
Excess of consideration paid recognised in the transaction with non-controlling interest reserve within equity	(230)	–

There were no transaction with non-controlling interest in 2017.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

10. ACQUISITION OF SUBSIDIARIES CONTINUED

(d) Purchase of shares in subsidiaries

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

	Shareholding acquired %	Purchase price Rm	Shareholding acquired %	Purchase price Rm
Afrisun KZN (Pty) Ltd (c)	**0.63%**	**17**	–	–
Sun Dreams (c)	**9.86%**	**832**	–	–
Thunderbird (a)	**100.00%**	**317**	–	–
Mendoza (b)	**100.00%**	**368**	–	–
		1 534		

Sun International increased its shareholding by 0.63% in Sibaya KZN (Pty) Ltd, by acquiring the additional share capital from its minority shareholders.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings Rm	Leasehold land and buildings Rm	Infra-structure Rm	Plant, equipment and machinery Rm	Furniture and fittings Rm	Operating equip-ment Rm	Capital work in progress Rm	Total Rm
Closing balance as at 31 December 2016	8 114	2 298	1 280	2 032	409	869	2 327	17 329
Cost	10 721	3 374	2 031	6 896	1 213	907	2 327	27 469
Accumulated depreciation	(2 607)	(1 076)	(751)	(4 864)	(804)	(38)	–	(10 140)
Reclassifications to assets held for sale	(55)	–	–	(2)	(1)	–	(2)	(60)
Reclassifications^	1 837	74	105	1 296	(25)	(15)	(3 367)	(97)
Exchange rate adjustments	(110)	(32)	(26)	(13)	(3)	(6)	(7)	(197)
Additions	74	30	149	425	57	61	1 762	2 558
Borrowing cost capitalised	–	–	–	–	–	–	138	138
Disposals	–	(2)	(1)	(13)	(3)	(1)	–	(20)
Operating equipment usage	–	–	–	–	–	(60)	–	(60)
Depreciation	(255)	(83)	(82)	(825)	(83)	(27)	–	(1 355)
Impairments	(19)	1	(18)	(3)	(1)	–	–	(40)
Closing balance as at 31 December 2017	9 585	2 285	1 407	2 898	349	821	851	18 196
Cost	12 172	3 342	2 183	8 453	1 200	908	839	29 097
Accumulated depreciation	(2 587)	(1 057)	(776)	(5 555)	(851)	(87)	12	(10 901)
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#	**–**	**–**	**9**	**14**	**1**	**–**	**–**	**24**
Impairments	**54**	**(306)**	**–**	**–**	**–**	**–**	**–**	**(252)**
Closing balance as at 31 December 2018	**9 662**	**1 940**	**1 403**	**2 798**	**312**	**831**	**153**	**17 099**
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)**

 # The hyperinflation adjustment relates to the Argentinian operations. Refer to Annexure: Accounting Policies.
^ Includes reclassifications from work in progress to individual asset categories.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

11. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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.

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

	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.

Prior year impairments

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

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

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; and
- Price risk, such as the risk that prices might be forced down by competitive pressures.

The factors above were tailored in the discount rates.

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 discount rate was determined for the South African (13.34%), Nigerian (20.22%) and Chilean operations (7.81%).

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 6.90%, 13.60% and 6.52% for the South African, Nigerian and Chilean operations respectively;
- beta co-efficient of 1.0 for the South African operations, Nigerian and Chilean operations; and
- risk free rate of 9.64%, 15.26% and 4.47% for the South African, Nigerian and Chilean operations respectively based on the average annualized yields to maturity on short and medium term Government bonds issued in each of these jurisdictions.

Sensitivity analysis

The group's impairment reviews are sensitive to changes in the key assumptions described above. A pre-tax discount rate of 13.34% has been applied to South African units. Had a discount rate of 14.34% been used and the terminal growth rate reduced from 5.3% to 4.3% the group would have recognised an additional impairment loss of R286 million. This impairment loss would be recognised against the lease hold improvement balance of Sun City, as the goodwill has been fully impaired in prior periods.

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	R54 million

A liquidation approach was used to determine the fair value minus cost to sell, and valuated at market value. Due to the significant increase in market value of properties in Panama City, a reversal of R54 million prior year's impairment was recognised and allocated to the asset class, Free Hold Buildings.

	31 December 2018 Rm	31 December 2017 Rm
Capital commitments		
Authorised by the directors and contracted	**97**	285
Authorised by the directors but not contracted	**1 399**	1 486
	1 496	1 771
To be spent in the forthcoming financial year	**588**	735
To be spent thereafter	**908**	1 036
	1 496	1 771

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 2018

12. INTANGIBLE ASSETS

	Computer software Rm	Brands Rm	Bid costs Rm	Management contracts, licences and exclusivity agreements Rm	Goodwill Rm	Lease premiums Rm	Vacation Club Rm	Restraint of trade, trademarks, customer relationships and concessions* Rm	Total Rm
Closing balance as at 31 December 2016	397	117	67	183	1 059	12	61	1 091	2 987
Cost	841	88	1 618	199	1 181	37	71	1 223	5 258
Accumulated amortisation and impairments	(444)	29	(1 551)	(16)	(122)	(25)	(10)	(132)	(2 271)
Additions	21	–	–	–	–	–	22	–	43
Disposals	(4)	–	–	–	–	–	–	–	(4)
Reclassification	138	104	(11)	901	–	3	–	(1 038)	97
Acquisition of subsidiaries	–	–	–	–	–	(1)	–	–	(1)
Exchange rate adjustments	–	(1)	–	(38)	7	–	–	8	(24)
Amortisation	(127)	–	(9)	(201)	–	–	(8)	(5)	(350)
Impairments	(2)	–	–	(41)	(10)	–	–	–	(53)
Closing balance as at 31 December 2017	**423**	**220**	**47**	**804**	**1 056**	**14**	**75**	**56**	**2 695**
Cost	**907**	**221**	**542**	**2 128**	**1 178**	**14**	**94**	**66**	**5 150**
Accumulated amortisation and impairments	**(484)**	**(1)**	**(495)**	**(1 324)**	**(122)**	**–**	**(19)**	**(10)**	**(2 455)**
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#	**–**	**–**	**–**	**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)**
Closing balance as at 31 December 2018	**344**	**242**	**38**	**1 137**	**1 185**	**14**	**84**	**98**	**3 142**
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)**

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

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

12. INTANGIBLE ASSETS CONTINUED

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

Impairments

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows CGUs. Goodwill is allocated to a CGU for purpose of impairment testing.

To determine if an impairment of the assets of a CGU are 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.

No intangible asset had an indication of impairment in the current year.

	Sun International Brands			**Goodwill – Sun Dreams**	**Goodwill – Sun Slots[1]**
31 December 2018	**Sun International brand**	**Sun Slots brand**	**Dreams brand**	**Latam**	**South Africa**
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 (pre tax)	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 during the 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 2018

12. INTANGIBLE ASSETS CONTINUED

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

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

[1] *Refer to note 10 for the goodwill recognised on the acquisition of Thunderbird.*

13. EQUITY-ACCOUNTED INVESTMENTS

FireFly Investments

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

	Joint venture 31 December 2018 Rm	31 December 2017 Rm
Non-current assets	**290**	260
Current assets	**6**	1
Total assets	**296**	261
Non-current liabilities	**174**	220
Current liabilities	**57**	1
Equity	**65**	40
	296	261
Group proportionate share of the equity	**32**	20
Group carrying amount of investment	**27**	18
Summarised statement of profit and loss:		
Revenue	**49**	28
Expenses	**(29)**	(32)
Profit before tax	**20**	(4)
Tax	**(4)**	8
Profit after tax	**16**	4
Other comprehensive income	**–**	–
Total comprehensive income	**16**	4
Group proportionate share of comprehensive income	**8**	2

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 2018

14. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018 Rm	31 December 2017 Rm
Cape Town International Convention Centre Company (Pty) Limited (CTICC)		
Available-for-sale investment/equity investments at fair value at the beginning of the year		48
Impairment	**–**	(48)
Profit and loss	**–**	(43)
Other comprehensive income	**–**	(5)
Available for sale investment/equity investments at fair value at the end of the year	**–**	–

The 5.4% (December 2017: 5.4%) investment in the unlisted CTICC was part of the group's bid commitments in the Western Cape. The investment was designated as Fair Value through OCI under IFRS 9 in the current year. SunWest was not contributing to any further spend, development and maintenance of the property. As a result of this the group's equity portion was continuously being diluted as spend was incurred by the other shareholders, this dilution in equity would have continued in future. No returns on this investment were realised to date, and no returns are expected in future. Taking into account the abovementioned factors, the group had decided in the prior financial year to write down the investment in CTICC, to Rnil. The group has no plans to exit the investments, due to the fact that it forms part of a bid commitment.

The available-for-sale asset/equity investments at fair value through other comprihensive income have been classified as level 3, but no further disclosure was included due to immateriality of the investment carried at nil.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2018 Rm	31 December 2017 Rm
Liabilities		
Interest rate swaps	**(8)**	(34)
Forward exchange contract – Time Square	**–**	–
	(8)	(34)
To be settled within 12 months	**(8)**	(20)
To be settled thereafter	**–**	(14)

The interest rate swap was classified as effective, as the instrument is still within the 80% to 120% range.

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

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

16. PUT OPTION LIABILITIES

	31 December 2018 Rm	31 December 2017 Rm
Dreams put option	**–**	3 534
SunWest put option	**1 331**	1 304
Menlyn Maine put option	**–**	–
	1 331	4 838

Dreams put option

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

Referring to the announcement released on SENS on 30 May 2017 Sun International advised shareholders that it had acquired 50% of Entretenimientos Del Sur Limitadas's (EDS) approximate 20% shareholding in Sun Dreams, thereby increasing its interest in Sun Dreams to approximately 65% (which represents an additional 9.66% to our current approximately 55%). The gambling board approval was received in November 2017, and the sale became effective on 16 May 2018 upon funding and final share transfer.

Nueva Inversiones Pacifico Sur Limitada (Pacifico), the other minority in Sun Dreams, acquired the remaining 50% of EDS's approximate 20% shareholding in EDS, thereby increasing its interest to approximately 35%. As part of the transaction, the put options previously exercisable by Pacifico and EDS against Sun International lapsed with the put option liability and reserve derecognised from the statement of financial position.

The group continues to exercise control over the Sun Dreams group.

Although a put option remains in terms of an IPO, because an IPO is under the group's control, the liability was assessed as Rnil.

SunWest put option

In terms of the restructure agreements of the group's Western Cape assets, a put option has been given to Tsogo Sun in the event that any party acquires 35% or more of the issued ordinary shares of Sun International, triggering a change of control of the company. The Western Cape assets include Worcester and SunWest. In terms of the put option Tsogo Sun may elect to put its equity interests (20%) in the Western Cape assets to Sun International. Sun International can elect to either settle the put by the issue of Sun International shares or in cash. A liability has been raised of R1.3 billion (31 December 2017: R1.3 billion) in this regard. The liability is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

16. PUT OPTION LIABILITIES CONTINUED

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 21 months, the arena for 14 months and the hotel for nine months. The fair value will be reassessed at each reporting date.

17. RETIREMENT BENEFIT INFORMATION

Valuation in terms of the Financial Services Board guidelines

A valuation of the defined benefit fund was carried out on 1 July 2015 by an independent firm of consulting actuaries and the fund was found to have a surplus of R363 million, of which R132 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 2018.

	31 December 2018 Rm
Present value of funded obligations	**(366)**
Fair value of fund assets	**894**
Surplus before contingency reserve	**528**
Contingency reserve	**(132)**
Employer surplus account	**(33)**
Surplus	**363**

IAS 19 valuation

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

	31 Dec 2018 Rm	31 Dec 2017 Rm	31 Dec 2016 Rm	30 June 2016 Rm	30 June 2015 Rm
The present value of the retirement surplus of the retirement benefit fund for the current and prior years is as follows:					
Present value of funded obligations	**–**	(417)	(425)	(452)	(409)
Fair value of plan assets	**444**	852	948	955	890
Surplus	**444**	435	523	503	481
Experience adjustment on plan obligations		16%	(8%)	6%	4%
Experience adjustment on plan assets	**14%**	9%	(4%)	1%	(3%)
The present value of the post-retirement medical aid obligation for the current and prior years is as follows:					
Present value of obligation	**(85)**	(90)	(99)	(97)	89
Experience adjustment on plan obligations	**(11%)**	(13%)	(3%)	(4%)	–

The retirement benefit fund has an amount of R33 million (31 December 2017: R32 million) allocated to the employee surplus account which has been recognised as an asset of the group as it is currently being utilised towards a contribution holiday.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

17. RETIREMENT BENEFIT INFORMATION CONTINUED

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

	Retirement benefit obligation		Post-retirement medical aid liability[1]	
	31 December 2018 Rm	31 December 2017 Rm	**31 December 2018 Rm**	31 December 2017 Rm
Present value of funded obligations	**–**	(417)	**(85)**	(90)
Balance at beginning of year	**(417)**	(425)	**(90)**	(99)
Current service cost (recognised through profit or loss)	**–**	(2)	**(2)**	(3)
Interest cost (recognised through profit or loss)	**(19)**	(35)	**(9)**	(9)
Contributions by plan participants	**–**	(2)	**–**	–
Actuarial (loss)/gain (recognised through other comprehensive income)	**(35)**	(65)	**10**	12
Gain/(loss) on curtailment[2]	**29**	(35)	**–**	3
Settlement of retirement benefit obligation	**415**	116	**–**	–
Risk premium and expenses	**1**	3		–
Benefits paid	**26**	28	**3**	3
Transfer to non-current liabilities held for sale			**3**	3
Fair value of plan assets	**444**	852	**–**	–
Balance at beginning of year	**852**	948	**–**	–
Expected return on plan assets	**61**	80	**–**	–
Actuarial (loss)/gain (recognised through other comprehensive income)	**(27)**	(31)	**–**	–
Settlement of retirement benefit obligation	**(415)**	(116)	**–**	–
Contributions by plan participants	**–**	2	**–**	–
Risk premium and expenses	**(1)**	(3)	**–**	–
Benefits paid	**(26)**	(28)	**–**	–
Present value of retirement benefit surplus[3]	**444**	435	**–**	–
Less: application of asset ceiling	**(411)**	(403)	**–**	–
Balance at beginning of year	**(403)**	(490)	**–**	–
Interest income (recognised through profit or loss)	**(40)**	(48)	**–**	–
Adjustment to asset ceiling (recognised through other comprehensive income)	**32**	135	**–**	–
Pension fund asset	**33**	32	**–**	–

[1] *The group has no matched asset to fund these obligations. There are no unrecognised actuarial gains or losses and no unrecognised past service costs. The expected expense to be recognised in the statement of comprehensive income for the year ending 31 December 2019 is R12 million.*

[2] *The gain on settlement relates to corporate restructuring which resulted in the Morula and Fish River units closing down. Furthermore, a plan settlement occurred, which resulted in all active members and pensioners being transferred out of the Sun International pension fund and into an umbrella fund arrangement. The accrual of the defined benefit liabilities ceased with effect from 1 October 2017 for all active members, and 30 June 2018 for pensioners. The transfer of the pensioner liabilities during the current 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 Rnil fund obligation relating to the pension fund as at 31 December 2018. An unallocated fund surplus of R411 million remains in the fund at year-end.*

[3] *The remaining unrecognised surplus is still pending allocation by the trustees in terms of the fund rules and based on the submission on 1 July 2018 statutory valuation, as well as regulatory approval.*

17. RETIREMENT BENEFIT INFORMATION CONTINUED

	Retirement benefit obligation		Post-retirement medical aid liability[1]	
	31 December 2018 Rm	31 December 2017 Rm	**31 December 2018 Rm**	31 December 2017 Rm
The net amount recognised in profit or loss for the year	**3**	(5)	**(11)**	(12)
Current service cost	**–**	(2)	**(2)**	(3)
Interest cost	**3**	(3)	**(9)**	(9)
The amounts recognised in other comprehensive income for the year	**(30)**	39	**10**	12
Net actuarial (gain)/loss	**(62)**	(96)	**10**	12
Effect of asset ceiling	**32**	135	**–**	–
The net amount recognised in other comprehensive income for the year	**(27)**	34	**(1)**	–
Plan assets comprise:				
Listed equity investments	**34%**	36%	**–**	–
Bonds and cash	**36%**	25%	**–**	–
Other*	**30%**	39%	**–**	–

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

[1] *The group has no matched asset to fund these obligations. There are no unrecognised actuarial gains or losses and no unrecognised past service costs. The expected expense to be recognised in the statement of comprehensive income for the year ending 31 December 2019 is R12 million.*

Pension plan assets include the company's ordinary shares with a fair value of R0.5 million (31 December 2017: R0.5 million).

Management has assessed the risk that the pension plan is exposed to as low. The plan is split among various investments and as such is not exposed to a single investment risk profile. Furthermore the pension fund was reinsured by Old Mutual.

Active members and pensioners

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 FSB 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. At the previous valuation date, the transferee defined contribution umbrella fund was still awaiting approval on the special rules permitting membership of the Sun International pension fund members and, therefore, the section 14 application to transfer the active member assets and liabilities out of the Sun International pension fund had not yet been submitted.

During the 31 December 2018 financial year , all of the pensioners became insured in the name of the fund, with the insurance policy being recognised as a plan asset. On 30 June 2018, the fund owned policies were converted to individual policies.

However, even though the active member assets and liabilities still resided in the Fund at the previous financial year-end of 31 December 2017, the active member liabilities are defined contribution in nature at the 31 December 2017 year-end and, therefore, the approach we followed last year was to value and settle the active member defined benefit liabilities as at 1 October 2017. For disclosure purposes, there was the following impact in the disclosures as at 31 December 2017:

- nil active member liabilities as at 31 December 2017 and nil active or pensioner members as at 31 December 2018;

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

17. RETIREMENT BENEFIT INFORMATION CONTINUED

- the defined benefit transfer values as at 1 October 2017, including the enhancements on these values, were accrued as a benefit payable as at 31 December 2017 (since the section 14 had not yet been submitted/approved and the assets resided in the Fund) The conversion of the fund policies for pensioners into insured policies included no such enhancement; and
- the settlement cost of R30 million was reflected in other comprehensive income, calculated as the difference between the active pensioner liabilities as at 30 June 2018 (on the IAS 19 assumptions applicable at that date) and the pensioner's transfer values.

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 (assumptions on the date of settlement – 30 June 2018)		Post-retirement medical aid liability	
	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
Discount rate	**9.55**	9.85	**9.90**	9.70
Inflation rate	**6.20**	6.55	**5.90**	6.35
Expected return on plan assets[1]	**9.55**	9.85	**–**	–
Future pension increases	**6.20**	6.55	**–**	–
Male	**19.4**	19.4	**19.4**	19.4
Female	**24.2**	24.2	**24.2**	24.2

[1] *The expected return on plan assets are calculated using the discount rate at the start of the period of 9.85% per annum rather than a best estimate return assumption based on actual assets in which the fund invested. The expected return has been set to equal the discount rate used to value the defined benefit obligations of the fund.*

The salary inflation assumption has become irrelevant as there are no longer any active members left in the pension fund.

17. RETIREMENT BENEFIT INFORMATION CONTINUED

Sensitivity

	Pension fund liability*		Post retirement medical aid liability	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Current future rate of increase of the liability	**–**	9.85%	**5.02%**	5.40%
1% increase in rate	**–**	10.85%	**6.02%**	6.40%
Impact on the liability	**–**	Decrease of R37.5 million or 9.1%	**Increase of R14.1 million or 15.4%**	Increase of R15.5 million or 16.7%
Impact on the service and interest costs	**–**	Decrease of R0.1 million or 0.3%	**Increase of R1.9 million or 16.7%**	Increase of R2.1 million or 18.1%
1% decrease in rate	**–**	8.85%	**4.0200%**	4.40%
Impact on the liability	**–**	Increase of R44.6 million or 10.9%	**Decrease of R11.6 million or 12.6%**	Decrease of R12.5 million or 13.4%
Impact on the service and interest costs	**–**	Increase of R0.01 million or 0.04%	**Decrease of R1.5 million or 13.6%**	Decrease of R1.7 million or 14.5%

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

18. TRADE AND OTHER RECEIVABLES

	Notes	31 December 2018 Rm	31 December 2017 Rm
Financial instruments			
Loans^	18.1	**134**	66
Net trade receivables		**394**	388
Trade receivables		**421**	508
Less: loss allowance^	18.2	**(27)**	(120)
Net casino debtors		**46**	20
Casino debtors		**198**	163
Less: loss allowance^	18.3	**(152)**	(143)
Other receivables~		**253**	430
		827	904
Non-financial instruments			
Prepayments#		**578**	301
VAT		**4**	54
Current tax		**287**	288
		1 696	1 547
Non-current portion of loans		**131**	60
Non-current receiver of revenue*		**147**	154
		1 418	1 333

 # Prepayments includes upfront payments for insurance costs, software licences and maintenance costs.
** This relates to tax credits that Casino Punta Arenas and Casino Coyhaique can utilise against future taxes. Despite this, the entities are not able to recover the entire amount in the short term, hence this portion is disclosed as non-current.*
^ The 1 January 2018 opening balance was restated due to the effect of the implementation of IFRS 9. No classification changes were noted. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. Refer to Annexure: Accounting policies and note 18.1 to follow.
~ Other receivables relate to miscellaneous receivables held by the respective subsidiaries, these include, among others, rental and concessionaire receivables, sundry receivables and remote point receivables.

18.1 Loans

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 and other external loans

In assessing IFRS 9: Financial Instruments, potential impairments over loan receivables were calculated using the IFRS 9 general approach, with inputs obtained directly from a third-party 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:

18. TRADE AND OTHER RECEIVABLES CONTINUED

	Instrument value Rm	Probability of default (PD)	Loss given default (LGD)	Exposure at default (EAD) Rm	ECL R'000
ECL as at 1 January 2018 (opening retained earnings adjustment)					
Instrument					
Enterprise development loans	40	6.85%	80.00%	40	**2 210**
Loan with FireFly Investments	10	4.45%	80.00%	10	**368**
Total					**2 578**
ECL as at 31 December 2018					
Instrument					
Enterprise development loans	27	6.85%	80.00%	27	**1 480**
Loan with Firefly Investments	14	4.45%	80.00%	14	**498**
Total					**1 978**
Movement during the current financial year:					**600**

Applying the general IFRS 9 expected credit risk model resulted in the recognition of a loss allowance of R3 million on 1 January 2018 (previous loss allowance was Rnil) for debt investments at amortised cost and a decrease in the allowance of R0.6 million in the current reporting period.

The remainder of the receivable loan balances not recoverable are immaterial both at 1 January 2018 and 31 December 2018, with only a neglible impact noted. Given this, these loans have not been included in the table presented above.

18.2 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 ECL 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 into 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 of 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 off as unrecoverable.

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

  - fully performing
  - 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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

18. TRADE AND OTHER RECEIVABLES CONTINUED

- An assessment of forward-looking macro-economic forecasts was done to determine a possible adjustment on the historical default rates.

  To determine a correlation between macro-economic factors and the group's bad debts written off, the following macro-economic factor changes were compared over the same period of time as the group's bad debts written off:

  - disposal income rate;
  - unemployment rate;
  - lending rates;
  - gross domestic product growth rate;
  - inflation rate; and
  - number of company liquidations.

The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic 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 macro-economic factors and the group's actual bad debt written off. Subsequently no significant forward-looking adjustments were made to the default rates.

The granting of credit in relation to trade receivables is controlled by applying 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.

18.3 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 loss allowance of trade and other receivables and casino debtors were as follows, and have been included in 'other operational costs' in the statement of comprehensive income and are summarised below:

	31 December 2018 Rm	31 December 2017 Rm
Balance at the beginning of the year	**(263)**	(161)
Charge for the year	**57**	(102)
Balance at end of year	**(206)**	(263)

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

18. TRADE AND OTHER RECEIVABLES CONTINUED

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

	31 December 2018			31 December 2017	
	Gross Rm	Loss allowance Rm	*IFRS 9 loss allowance matrix	Gross Rm	Loss allowance Rm
Net trade receivables					
Fully performing	**211**	**–**	**(0.20%)**	226	–
Past due by 1 to 30 days	**88**	**(2)**	**(1.74%)**	73	(1)
Past due by 31 to 60 days	**20**	**(2)**	**(7.58%)**	41	(2)
Past due by 61 to 90 days	**20**	**(1)**	**(6.78%)**	14	(4)
Past due by more than 90 days	**82**	**(47)**	**(57.54%)**	154	(113)
	421	**(52)**		508	(120)
Casino debtors					
Fully performing	**43**	**(1)**	**(2,63%)**	17	–
Past due by 1 to 30 days	**2**	**–**	**(10,49%)**	6	(3)
Past due by 31 to 60 days	**–**	**–**	**(42,31%)**	1	(1)
Past due by 61 to 90 days	**3**	**(3)**	**(93,54%)**	1	(1)
Past due by more than 90 days	**150**	**(150)**	**(99,95%)**	138	(138)
	198	**(154)**		163	(143)

** Above provision matrix represents a weighted average group factor and has been applied in calculating the ECL based on historic default rate percentages. As 24-month historic data was used, market information was incorporated to assess the possibility of adjusting for the forward-looking approach, although no adjustment was made after the assessment. Data incorporated include among others, adjustments relating to possible changes in interest rates, gross domestic product, inflation rate and unemployment rate. The matrix was consistently applied in determining the opening retained earnings adjustment as well as 31 December 2018 year-end loss allowance as the group has opted not to restate comparative information. This was considered appropriate as the group found that there were insignificant changes in historic and forward-looking adjustments over the 12-month period.*

This resulted in a decrease of the loss allowance on 1 January 2018 by R28 million for trade and other receivables. The allowance decreased by a further R29 million to R206 million during the current reporting period. Refer to note 30 for more information.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

19. INVENTORY

	31 December 2018 Rm	31 December 2017 Rm
Merchandise	**76**	83
Consumables and hotel stocks	**94**	87
	170	170

No material inventory write offs were incurred during the current or comparative year.

20. CASH AND CASH EQUIVALENTS

	31 December 2018 Rm	31 December 2017 Rm
Cash at the bank	**608**	416
Cash floats	**330**	280
	938	696
Cash at the bank is held in the following currencies:		
Rand	**49**	60
Dollar	**86**	153
Euro	**1**	2
Colombian peso	**–**	3
Chilean peso	**404**	177
Naira	**27**	8
British pound	**1**	1
Peruvian nuevo sol	**33**	12
Other	**7**	–
	608	416

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 30 which includes the credit ratings of the institutions that hold the group's cash and cash equivalents.

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

(a) Swaziland

The group has 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 the Majesty The King of Swaziland, which is seen to be an event beyond Sun International's control. Sun International remains committed to the plan to sell the Swaziland operations. The results of the Swaziland operations have been disclosed as profit for the year from discontinued operations in the statement of comprehensive income for the current and prior year and the assets and liabilities have been disclosed in the statement of financial position as non-current assets held for sale and non-current liabilities held for sale.

(b) Colombia

A decision to reduce the shareholding in the operation of the Colombian subsidiary from 100% to 60% was taken by management in November 2018. The participation sale agreement includes that the buyer will have broad attributions in the decision making in the operation of the company which will imply a loss of control and therefore the deconsolidation of this entity. The final sale agreement will be concluded in the first quarter of 2019. Management is committed in disposing of the rest of its equity investment in Colombia during the next 12-months. The results of the Colombia 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.

(c) Panama

During the second half of 2018, management decided to classify Panama as held for sale as a formal sales plan was committed to. 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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

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

(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 portion 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.

Assets of the disposal group classified as held for sale:

	31 December 2018					31 December 2017			
	Total Rm	Swaziland Rm	Colombia Rm	Panama Rm	Chile land Rm	Total Rm	Swaziland Rm	International VIP business Rm	Fish River Sun Rm
Property, plant and equipment	832	56	22	655	99	120	60	–	60
Other assets	70	17	11	42	–	37	14	22	1
Cash and cash equivalents	44	14	8	22	–	13	13	–	–
Total assets held for sale	**946**	**87**	**41**	**719**	**99**	170	87	22	61
Liabilities of disposal group classified as held for sale:									
Borrowings	(17)	(17)	–	–	–	(13)	(13)	–	–
Other non-current liabilities	(5)	(5)	–	–	–	(9)	(7)	–	(2)
Accounts payable and accruals	(76)	(35)	(3)	(38)	–	(111)	(30)	(77)	(4)
Total liabilities held for sale	**(98)**	**(57)**	**(3)**	**(38)**	**–**	(133)	(50)	(77)	(6)
Net assets held for sale	**848**	**30**	**38**	**681**	**99**	37	37	(55)	55

An analysis of the results of the discontinued operations is as follows:

	31 December 2018					31 December 2017					
	Total Rm	Swaziland Rm	Colombia Rm	Panama Rm	Chile land Rm	Total	Swaziland	International VIP business	Fish River Sun	Colombia	Panama
Revenue	305	194	10	101	–	470	208	4	–	35	223
Expenses	(568)	(201)	(69)	(298)	–	(779)	(201)	(81)	–	(160)	(337)
Impairment reversal	54	–	–	54	–	–	–	–	–	–	–
Loss before tax	**(209)**	**(7)**	**(59)**	**(143)**	**–**	(309)	7	(77)	–	(125)	(114)
Tax	(1)	1	(2)	–	–	18	(2)	22	–	(2)	–
Loss for the year from discontinued operations	**(210)**	**(6)**	**(61)**	**(143)**	**–**	(291)	5	(55)	–	(127)	(114)
Cash flows of the discontinued operation:											
Operating cash flows	(150)	3	(54)	(99)	–	(108)	20	4	–	(44)	(88)
Investing cash flows	–	–	–	–	–	(23)	(15)	–	–	(8)	–
Financing cash flows	139	(2)	58	83	–	136	(3)	–	–	42	97
Total cash flows	**(11)**	**1**	**4**	**(16)**	**–**	5	2	4	–	(10)	9

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

22. SHARE CAPITAL AND PREMIUM

	31 December 2018 Rm	31 December 2017 Rm
Authorised		
200 000 000 (31 December 2017: 200 000 000) ordinary shares of no par value	**–**	–
Issued		
Share capital	**8**	8
Share premium	**1 885**	287
Treasury shares and share options	**(396)**	(424)
	1 497	(129)

All issued shares are fully paid.

In total, 10 780 000 shares (December 2017: 10 780 000) were placed under the specific control of the directors to allot and issue in accordance with the share plans.

	31 December 2018 Number of shares	31 December 2018 Rm	31 December 2017 Number of shares	31 December 2017 Rm
Shares in issue				
Movement during the year				
Statutory shares in issue	**109 086 988**	**295**	109 086 988	295
Balance at beginning of year	**109 086 988**	**295**	109 086 988	295
Treasury shares and share options	**(10 854 895)**	**(396)**	(11 087 469)	(424)
Balance at beginning of year	**(11 087 469)**	**(425)**	(11 184 118)	(604)
Treasury shares purchased	**(118 959)**	**(7)**	(201 421)	(11)
Treasury shares disposed of	**65 377**	**4**	263 314	24
Treasury share options released	**–**	**–**	–	164
Vested share awards	**286 156**	**32**	34 756	3
Rights issue shares*	**27 643 976**	**1 598**	–	–
Closing balance	**125 876 069**	**1 497**	97 999 519	(129)
Treasury shares and share options				
Held by Dinokana	**6 719 759**	**170**	6 719 759	170
– 73.86% owned by Sun International	**4 963 214**	**41**	4 947 087	41
– 26.14% (June 2016: 26.8%) owned by Dinokana minorities	**1 756 545**	**129**	1 772 672	129
Held by the Sun International Employee Share Trust	**2 597 419**	**85**	2 597 419	85
Treasury shares	**1 537 716**	**141**	1 770 291	169
	10 854 894	**396**	11 087 469	424

* *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 (December 2017: 201 421) RSP, CSP and BMSP shares were purchased during the year under review and 286,156 (December 2016: 263 314) 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.

22. SHARE CAPITAL AND PREMIUM CONTINUED

(a) Share incentive schemes

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

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

RSP and BSMP shares are group shares granted to key employees 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 fulfilment of predetermined performance conditions on the expiry of a three-year performance period. 40% of the award is based on the performance condition related to the company's total shareholder return over a 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 B-BBEE Level 4 rating 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
Balance as at 31 December 2017	1 287 586	91.61	4 672	85.47	2 465 205	96.58	2 531	86.55
Granted during the year	**276 756**	**60.08**	**–**	**–**	**2 513 648**	**60.08**	**–**	**–**
Lapsed: termination of employment	**(51 826)**	**76.86**	**–**	**–**	**(23 931)**	**81.97**	**–**	**–**
Lapsed: performance condition not met	**(6 212)**	**102.52**	**–**	**–**	**(900 222)**	**104.84**	**–**	**–**
Vested during the year	**(56 041)**	**98.21**	**–**	**–**	**–**	**–**	**(876)**	**86.55**
Exercised during the year	**(286 156)**	**97.30**	**–**	**–**	**–**	**–**	**–**	**–**
Balance as at 31 December 2018	**1 164 107**	**71.99**	**4 672**	**85.47**	**4 054 700**	**66.72**	**1 655**	**86.55**

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

22. SHARE CAPITAL AND PREMIUM CONTINUED

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

	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
2019	680 315	78.96	–	–	646 121	87.52	–	–
2020	173 800	55.83	–	–	586 352	59.66	–	–
2021	265 881	60.08	–	–	2 507 182	60.08	–	–
	1 119 996	70.89	–	–	3 739 655	64.75	–	–

Valuation of share incentive grants

The fair value of the EGPs 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
December 2018		
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
December 2017		
Weighted average grant price	59.66	55.64

The employee share based payment expense for the 12 months was R34 million (December 2017: R6 million).

23. BORROWINGS

All borrowings are classified as level 3.

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

	Rand		Chilean peso (CLP48.21:R1)		US dollar (R14.43:US$1)		
December 2018	**Interest rate**	**Rm**	**Interest rate**	**Rm**	**Interest rate**	**Rm**	**Total Rm**
Non-current borrowings		6 340		4 211		–	10 551
Term facilities	10.3%	4 800	4.9%	4 211		–	9 011
Revolving credit facility	8.8%	551		–		–	551
Redeemable preference shares	7.8%	771		–		–	771
V&A loan[1]	12.2%	177		–		–	177
Lease liabilities	5.8%	5		–		–	5
Shareholder loan from non-controlling interest	11.7%	36		–		–	36
Vacation Club members	10.9%	–		–		–	–
Current borrowings		2 834		679		602	4 115
Term facilities	10.3%	800	4.9%	679		–	1 479
Redeemable preference shares	7.7%	270		–		–	270
V&A loan	12.2%	49		–		–	49
Lease liabilities	5.8%	1		–		–	1
Minority interest loans		–		–	5%	602	602
Vacation Club members	11.7%	47		–		–	47
Short-term banking facilities	8.3%	1 667		–		–	1 667
Total borrowings		9 174		4 890		602	14 666

Breakdown of the group's fixed/variable facilities	Fixed/Variable
Term Facilities	
Five-year bullet loan	Three-month JIBAR plus margin
Five-year term 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	Fixed
Minority debenture	JIBAR plus margin
Vacation Club	Fixed

[1] *The fair value of the borrowings approximates their carrying values except for the V&A loan which has a fair value of R250 million (31 December 2017: R280 million). The fair value has been determined on a discounted cash flow basis using a discount rate of 9% (31 December 2017: 9%).*

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

23. BORROWINGS CONTINUED

	Rand		Chilean peso (CLP49.18:R1)		US dollar (R12.38:US$1)		
	Interest rate	Rm	Interest rate	Rm	Interest rate	Rm	Total Rm
December 2017							
Non-current borrowings		9 103		2 634		–	11 737
Term facilities	10.3%	7 600	6.3%	2 634		–	10 234
Redeemable preference shares	7.5%	1 041		–		–	1 041
V&A loan[1]	12.2%	225		–		–	225
Lease liabilities	5.8%	5		–		–	5
Shareholder loan from non-controlling interest	11.8%	186		–		–	186
Vacation Club members	10.9%	46		–		–	46
Current borrowings		2 321		445		493	3 259
Term facilities	10.4%	400	6.3%	445		–	845
V&A loan	12.2%	38		–		–	38
Lease liabilities	5.8%	20		–		–	20
Shareholder loan from non-controlling interest	11.8%	–		–		–	–
Minority interest loans		–		–	5%	493	493
Short-term banking facilities	8.5%	1 863		–		–	1 863
Total borrowings		11 424		3 079		493	14 996

[1] *The fair value of the borrowings approximates their carrying values except for the V&A loan which has a fair value of R250 million (31 December 2017: R280 million). The fair value has been determined on a discounted cash flow basis using a discount rate of 9% (31 December 2017: 9%).*

The borrowings are repayable as follows:

	Rand		Chilean peso		US Dollar		Total	
	31 Dec 2018 Rm	31 Dec 2017 Rm	**31 Dec 2018 Rm**	31 Dec 2017 Rm	**31 Dec 2018 Rm**	31 Dec 2017 Rm	**31 Dec 2018 Rm**	31 Dec 2017 Rm
6 months or less	**741**	26	**353**	192	**602**	493	**1 696**	711
6 months – 1 year	**2 094**	2 294	**326**	254	**–**	–	**2 420**	2 548
1 – 2 years	**1 793**	1 086	**443**	407	**–**	–	**2 236**	1 493
2 – 3 years	**4 510**	2 303	**649**	418	**–**	–	**5 159**	2 721
3 – 4 years	**36**	5 677	**248**	534	**–**	–	**284**	6 211
4 years and onwards	**–**	38	**2 871**	1 273	**–**	–	**2 871**	1 311
	9 174	11 424	**4 890**	3 078	**602**	493	**14 666**	14 995
Secured							**4 550**	2 752
Unsecured							**10 116**	12 243
							14 666	14 995
Net book value of property, plant and equipment encumbered by secured loans							**2 997**	2 918

As at 31 December 2018, interest rates on 6% (31 December 2017: 8%) of the group's borrowings were fixed, 22% (31 December 2017: 53%) 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.

23. BORROWINGS CONTINUED

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 381 billion (31 December 2017: R737 million) at 31 December 2018. All undrawn borrowing facilities are renewable annually and none have fixed interest rates.

Capitalised lease liabilities

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

	31 December 2018 Rm	31 December 2017 Rm
Gross minimum lease payments:		
No later than 1 year	**1**	19
Later than 1 year and no later than 5 years	**5**	9
	6	28
Imputed interest:		
No later than 1 year	**–**	(1)
Later than 1 year and no later than 5 years	**(1)**	(1)
	(1)	(2)
Net capital payments of finance lease liabilities	**5**	26
Net carrying value of assets held under finance leases	**2**	4

The group debt is ringfenced to each of Latam, South Africa and Nigeria.

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

The Sun Dreams Latam statement of financial position ringfenced 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 R11 billion funding facilities from a consortium of South African funders. The covenants allow for a maximum debt to adjusted EBITDA ratio of 3.50x at 31 December 2018. The Nigerian debt has always been (and remains) ringfenced to the Federal Palace, without recourse to the group balance sheet.

Cash flow interest rate risk

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

Interest rate sensitivity

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

	31 December 2018 Rm	31 December 2017 Rm
Profit after tax	**(92)**	(114)

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.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

23. BORROWINGS CONTINUED

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 monitor 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 2018:

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

	South Africa		Latam	
Current Gearing ratio's:	Covenant	Actual	Covenant	Actual
Debt to EBITDA	3.5x	3.0x	4.5x	3.0x
EBITDA/interest cover	3.0x	3.2x	–	–

The group complied with the above Loan Covenants throughout 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.

24 CONTRACT LIABILITIES AND OTHER LIABILITIES

	31 December 2018 Rm	31 December 2017 Rm
Non-financial instruments		
Straight-lining of operating leases	236	215
Contract liability	675	628
Sun City Vacation Club[1]	572	511
Other deferred liabilities	103	117
Post-retirement medical aid liability (refer to note 17)	95	91
Long-service award[3]	35	31
Accrual for farewell gifts[4]	5	4
Progressive jackpots provision[5]	83	122
Municipal concessions[6]	37	32
Post-employment benefit for employees in municipal casinos	–	16
Lease restoration provision	–	46
Other liabilities	8	24
	1 174	1 209
Current portion relating to the deferred payment	(37)	(94)
Current portion relating to the progressive jackpot provision	(83)	(122)
	1 054	993
Contract liability opening balance[1]	*511*	*419*
Increase in contract liability due to sales of timeshare. Refer to the statement of cash flows.	*145*	*158*
Revenue recognised due to amortisised of time share. Refer to note 26.	*(72)*	*(57)*
Other movements in contract liability, due to termination of contracts.	*(12)*	*(9)*
Contract liability closing balance	*572*	*511*

[1] The Sun City Vacation Club sales revenue is recognised over the 10-year period of the members' contracts, the liability increases/decreases as new membership contracts are entered into or terminated respectively.
[2] Lessor contributions were received in respect of the Maslow refurbishment. The contribution is recognised over 20-years and reduces the rental expense.
[3] The group offers employees a long-service award. Employees are eligible for such benefits based upon the number of completed years of service. The methods of accounting and valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.
[4] 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 methods of accounting and valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.
[5] This is the provision for wide area progressive jackpots.
[6] 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 2018

25. TRADE PAYABLES AND ACCRUALS

	31 December 2018 Rm	31 December 2017 Rm
Financial instruments		
Trade payables	**775**	535
Other payables	**19**	5
	794	540
Non-financial instruments		
VAT	**86**	91
Employee-related accruals	**291**	279
Accrued expenses	**964**	832
Bonus accrual	**98**	96
Interest payable	**17**	19
Capital creditors	**22**	36
Current tax	**20**	77
	2 292	1 970

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.

26. CASH FLOW INFORMATION

		31 December 2018 Rm	31 December 2017 Rm
26.1	**Cash generated from operations**		
	Operating profit – continuing operations	**2 266**	2 160
	Operating profit – discontinued operations	**(209)**	(300)
	Adjustments for non-cash transactions	**2 080**	1 824
	Depreciation and amortisation (including discontinued operations)	**1 752**	1 712
	Profit on disposal of assets of continuing operations	**(12)**	(15)
	Impairment of assets	**306**	92
	Reversal of impairment of assets on discontinued operations	**(54)**	–
	Abandonment of discontinued operations, assets	**41**	–
	Reversal of an onerous lease provision relating to Colombia	**(31)**	–
	Foreign exchange loss/(profit)	**44**	(46)
	Adjustment to investment held for sale	**–**	43
	Deferred Vacation Club revenue recognised	**(72)**	(57)
	Operating equipment usage (including discontinued operations)	**54**	61
	Employee share-based payments	**34**	6
	Other non-cash movements	**18**	28
	Non-cash working capital movements	**–**	148
	Working capital changes	**141**	(230)
	Inventory	**–**	(10)
	Accounts receivable	**(85)**	(21)
	Accounts payable	**226**	(199)
		4 278	3 602
26.2	**Tax paid**		
	Asset/(liability) at beginning of year	**57**	(108)
	Tax paid by discontinued operations		–
	Current tax provided	**(650)**	(598)
	Capital gain stakes and other taxes	**(6)**	(6)
	(Asset)/liability at end of year	**(112)**	(57)
		(711)	(769)
26.3	**Interest paid**		
	Interest expense – continuing operations	**(1 251)**	(1 073)
	Interest expense – discontinued operations	**–**	(2)
	Interest capitalised	**(10)**	(138)
	Imputed interest on loans payable	**3**	9
		(1 258)	(1 204)
26.4	**Reconciliation of changes in liabilities arising from financing activities**		
	Opening debt balance	**15 008**	14 532
	Cash flows		
	Additional borrowings	**2 428**	841
	Repayment of borrowings	**(3 028)**	(329)
	Imputed interest	**(3)**	(9)
	Net cash flows	**(603)**	503
	Conversion of forward exchange complex liability to overnight loan		
	Acquisition of subsidiary		
	Forex movements	**278**	(26)
	Closing debt balance	**14 683**	15 008
	Continuing operations	**14 666**	14 995
	Discontinued operations	**17**	13

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

27. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

(a) Disposals and acquisitions

December 2018

Refer to notes 10 and 21 regarding acquisitions and disposals made.

December 2017

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

(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 2018

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

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

^ *Due to acquisitions from non-controlling interests in June 2018, the profit and loss attributable to minorities is calculated on a pro rata equity basis.*

27. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS CONTINUED

	Afrisun Gauteng Rm	Afrisun KZN Rm	Emfuleni Resorts Rm	SunWest Inter-national Rm	Federal Palace (Nigeria) Rm	Sun Dreams Rm	Sun Slots Rm	Time Square Rm
December 2017								
Statement of comprehensive income								
Profit/(loss) after tax	76	255	(101)	455	(59)	45	103	(345)
Other comprehensive income	–	1	–	1	–	–	–	–
Total comprehensive income	76	256	(101)	456	(59)	45	103	(345)
Non-controlling interest*	5.35%	33.96%	14.93%	35.10%	50.67%	45.56%	30.00%	14.20%
Profit/(loss) after tax	4	87	(15)	160	(30)	21	31	(49)
Total comprehensive income	4	87	(15)	160	(30)	21	31	(49)
Statement of financial position								
Current assets	107	81	46	210	72	645	108	132
Non-current assets	708	777	853	1 274	330	7 838	580	3 994
Current liabilities	(764)	(494)	(222)	(937)	(54)	(458)	(213)	(4 850)
Non-current liabilities	(25)	47	(496)	(332)	(761)	(1 838)	(4)	(193)
Net assets	26	411	181	215	(413)	6 187	471	(917)
Net assets attributable to non-controlling interests	1	140	27	75	(209)	2 819	141	(130)
Dividends and statement of cash flows								
Cash flows from operating activities	226	349	66	681	10	715	171	(108)
Cash flows from investing activities	(41)	(82)	(13)	(92)	(10)	(293)	(70)	(1 609)
Cash flows from financing activities	(142)	(282)	(63)	(609)	(9)	(807)	(194)	1 805
Net increase/(decrease) in cash and cash equivalents	43	(15)	(10)	(20)	(9)	(385)	(93)	88
Dividends paid to non-controlling interests	4	71	–	151	–	51	18	–

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

27. 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.

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

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

	31 December 2018	31 December 2017
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%**	2.4%
– indirect	**0.9%**	1.2%
Sun Time Square	**3.5%**	3.5%

28. RELATED PARTY TRANSACTIONS

Key management personnel have been defined as: Sun International Limited board of directors and Sun International management executive team with group oversight. The definition of 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 dependants of the individual or the individual's domestic partner.

(i) Key management compensation

	31 December 2018 Rm	31 December 2017 Rm
Non-executive directors' fees		
PDS Bacon	**555**	548
ZBM Bassa	**44**	531
PL Campher	**1 002**	791
NN Gwagwa	**420**	404
BLM Makgabo-Fiskerstrand	**413**	406
IN Matthews	**–**	883
MV Moosa	**1 385**	1 476
GR Rosenthal	**205**	635
EAMMG Cibie	**546**	1 001
CM Henry	**554**	408
GW Dempster	**417**	66
VP Khanyile	**127**	–
JA Mabuza	**142**	–
S Sithole	**222**	–
ZP Zatu	**30**	–
	6 062	7 149

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

28. RELATED PARTY TRANSACTIONS CONTINUED

Executive directors and key management remuneration

	Basic remun-eration R'000	Bonuses/ per-formance-related payments R'000	Retire-ment con-tributions R'000	Other benefits R'000	Fair value of share awards expensed R'000	Total R'000
December 2018						
Full-time directors						
AM Leeming	6 677	4 507	914	696	4 414	17 208
N Basthdaw	3 365	1 720	570	192	2 132	7 979
DR Mokhobo	2 424	945	550	404	1 164	5 487
	12 466	7 172	2 034	1 292	7 710	30 674
Prescribed officers						
R Collins	3 587	–	818	402	3 087	7 894
AG Johnston	2 533	1 131	366	253	1 086	5 369
MZ Miller	2 584	1 043	607	321	1 765	6 320
TF Mosololi	3 631	1 546	488	156	2 935	8 756
C Nyathi	2 689	1 102	356	28	1 239	5 414
VL Robson	2 498	924	431	203	1 548	5 604
J Wilhelm	5 876	4 372	–	1 658	–	11 906
Sub-total	23 398	10 118	3 066	3 021	11 660	51 263
Total	35 864	17 290	5 100	4 313	19 370	81 937

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 the SIML.

28. RELATED PARTY TRANSACTIONS CONTINUED

	Basic remun-eration R'000	Bonuses/ per-formance-related payments R'000	Retire-ment con-tributions R'000	Other benefits R'000	Fair value of share awards expensed R'000	Total R'000
December 2017						
Full-time directors						
GE Stephens	2 053	–	281	581	1 315	4 230
AM Leeming	6 213	2 832	851	210	2 895	13 001
Norman Basthdaw	2 894	1 254	496	22	1 270	5 936
DR Mokhobo	2 313	686	524	227	1 280	5 030
	13 473	4 772	2 152	1 040	6 760	28 197
Prescribed officers						
R Collins	3 936	1 251	890	116	3 642	9 835
AG Johnston	2 404	767	350	237	639	4 397
MZ Miller	2 469	763	579	167	1 745	5 723
TF Mosololi	3 439	1 320	462	45	2 069	7 335
C Nyathi	2 563	649	340	–	848	4 400
VL Robson	2 378	734	411	62	1 991	5 576
J Wilhelm	5 739	1 443	–	1 645	–	8 827
Sub-total	22 928	6 927	3 032	2 272	10 934	46 093
Total	36 401	11 699	5 184	3 312	17 694	74 290

DR Mokhobo resigned as director in September 2018.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

28. RELATED PARTY TRANSACTIONS CONTINUED

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

	31 December 2018 Executive and other management	31 December 2018 Average grant price	31 December 2017 Executive and other management	31 December 2017 Average grant price
EGP				
Opening balance	**925 860**	**82.45**	1 463 732	98.97
Movement in key management	**–**	**–**	(10 038)	98.97
Lapsed: termination of employment	**–**	**–**	(585 592)	97.33
Lapsed: vesting condition not met	**(200 014)**	**110.05**	(302 986)	105.84
Granted	**1 814 446**	**60.07**	360 744	59.66
Closing balance	**2 540 292**	**64.29**	925 860	82.45
RSP and BSMP				
Opening balance	**412 618**	**85.35**	669 627	93.53
Movement in key management	**–**	**–**	(52 279)	93.53
Vested	**(141 896)**	**99.30**	(68 256)	110.85
Lapsed: termination of employment	**–**	**–**	(173 628)	97.87
Granted	**42 688**	**60.08**	37 154	54.85
Closing balance	**313 410**	**75.59**	412 618	85.35

Share awards held by executive directors by scheme

R	31 December 2018 AM Leeming	31 December 2018 DR Mokhobo	31 December 2018 N Basthdaw	31 December 2017 AM Leeming	31 December 2017 DR Mokhobo	31 December 2017 N Basthdaw
EGP	**237 946**	**99 949**	**82 414**	182 293	98 304	67 719
RSP and BSMP	**48 170**	**18 184**	**30 080**	70 217	21 395	35 445
Opening balance	**286 116**	**118 133**	**112 494**	252 510	119 699	103 164
Vested	**(23 048)**	**(8 196)**	**(6 539)**	(29 030)	(6 497)	(7 828)
Lapsed: vesting conditions not met	**(55 340)**	**(27 602)**	**(20 685)**	(52 456)	(26 286)	(19 699)
Granted	**698 707**	**88 081**	**316 809**	115 092	31 271	36 857
Closing balance	**906 435**	**170 416**	**402 079**	286 116	118 133	112 494
EGP	**869 525**	**157 575**	**373 319**	237 946	99 949	82 414
RSP and BSMP	**36 910**	**12 841**	**28 760**	48 170	18 184	30 080

28. RELATED PARTY TRANSACTIONS CONTINUED

Share awards held by prescribed officers by scheme

R	31 December 2018 R Collins	AG Johnston	MZ Miller	TF Mosololi	C Nyathi	VL Robson	J Wilhelm
EGP	**148 911**	**27 153**	**96 534**	**82 404**	**61 009**	**89 540**	**–**
RSP and BSMP	**104 447**	**21 936**	**40 189**	**83 462**	**23 337**	**42 813**	**–**
Opening balance	**253 358**	**49 089**	**136 723**	**165 866**	**84 346**	**132 353**	**–**
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**	**–**
Closing balance	**292 827**	**148 375**	**207 118**	**388 823**	**167 781**	**169 848**	**–**
EGP	**243 921**	**123 245**	**172 353**	**299 867**	**141 741**	**158 746**	**–**
RSP and BSMP	**48 906**	**25 130**	**34 765**	**88 956**	**26 040**	**11 102**	**–**

R	31 December 2017 R Collins	AG Johnston	MZ Miller	TF Mosololi	C Nyathi	VL Robson	J Wilhelm
EGP	143 136	–	94 808	46 200	34 551	63 555	–
RSP and BSMP	102 014	18 656	40 344	79 384	20 224	43 231	–
Opening balance	245 150	18 656	135 152	125 584	54 775	106 786	–
Vested	(5 013)	–	(3 603)	–	–	–	–
Lapsed: vesting conditions not met	(39 430)	–	(27 579)	–	–	(3 475)	–
Granted	52 651	30 433	32 753	40 282	29 571	29 042	–
Closing balance	253 358	49 089	136 723	165 866	84 346	132 353	–
EGP	148 911	27 153	96 534	82 404	61 009	89 540	–
RSP and BSMP	104 447	21 936	40 189	83 462	23 337	42 813	–

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

28. RELATED PARTY TRANSACTIONS CONTINUED

(ii) Shareholding of key management

	Holding by key management		Dividends received by key management	
	31 December 2018 %	31 December 2017 %	**31 December 2018 R'000**	31 December 2017 R'000
Executive directors	**0.25%**	0.51%	**–**	–
AM Leeming	**0.16%**	0.15%	**–**	–
N Basthdaw	**0.04%**	0.04%	**–**	–
DR Mokhobo	**0.05%**	0.07%	**–**	–
GE Stephens	**0.00%**	0.25%	**–**	–
Key management	**1.01%**	0.75%	**–**	–

(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 R14 million loan to FireFly Investments.

SIML has a rental agreement with FireFly to the amount of R20 million per annum, while the group has a 50% equity stake in FireFly, that is accounted as a joint venture in the group results (jointly controlled entity).

The group through Sun Dreams S.A. provided a loan to the minority interest of Sun Dreams S.A. – Pacifico. The loan was subsequently capitalised. The amount outstanding at year-end amounts to R272 million.

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

29. 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:

Monticello

The Chilean tax authority (IRS) has, in a notification dated 30 July 2014, disallowed complimentary expenditure provided to its customers during the 2011 to 2013 years of assessment. The IRS assertion is that expenditure can only be in the production of income if it is necessary to produce income. The IRS has interpreted the word 'necessary' to mean unavoidable and inevitable. This matter is being disputed by SFI and its legal counsel. Additional tax and penalties of CLP6.8 billion (R145 million) have been levied by the IRS. It is the group's assessment that it has adequate arguments to obtain a favourable result.

On 11 January, 2019 the service submitted an update of the aforementioned back taxes including fines, readjustments and interests – adding up to CLP12 billion (R258 million).

Monticello is also in dispute with the IRS regarding the correct determination of the gambling tax base, Article 59, Law 19,995. Taxes amounting to CLP2 billion (R42 million) consisting of CLP1 billion (R21 million) taxes and CLP1 billion (R21 million) relating to readjustments, interests and penalties are in dispute. The company has appealed this notification in court. It is the group's assessment that the probability of success is considered to be favorable.

The group believes that it has enough information to sustain the company's case and therefore has decided to not recognise any provisions in respect of these matters.

Nigeria

Tourism Company of 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 R52 million has been recognised as a result of these disputes and other matters taken to the relevant local courts.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT

Credit risk management

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

- derivative financial instruments – refer to note 15
- trade and other receivables – refer to note 18
- cash and cash equivalents – refer to note 20.

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 18.

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 18: net trade receivables and casino debtors.

Impairment of financial assets

The group has the following 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

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 2018 and 1 January 2018 (on adoption of IFRS 9: Financial Instruments) was determined as follows for trade receivables. Refer to note 18 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 %
31 December 2018						
Expected loss rate	**0.63**	**1.91**	**7.58**	**19.11**	**85.02**	**33.33**
Gross carrying amount – trade receivables	**254**	**89**	**20**	**23**	**232**	**619**
Loss allowance	**(2)**	**(2)**	**(2)**	**(4)**	**(197)**	**(206)**

30. FINANCIAL RISK MANAGEMENT CONTINUED

	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 %
31 December 2017						
Expected loss rate	0.37	2.40	8.41	12.56	77.58	34.98
Gross carrying amount – trade receivables	243	79	42	15	292	671
Loss allowance	(1)	(2)	(4)	(2)	(227)	(235)

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables 2018 R'000	Trade receivables 2017 R'000
31 December – calculated under IAS 39		
Opening loss allowance as at 1 January – calculated under IAS 39	**263**	161
Amounts restated through opening retained earnings	**(28)**	–
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9: Financial Instruments	**235**	161
Increase in loan loss allowance recognised in profit or loss during the year	**(29)**	102
Receivables written off during the year as unrecoverable	**–**	
At 31 December	**206**	263

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among 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 are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT CONTINUED

Financial instruments at amortised costs

All of the entity's financial instruments at amortised cost, including trade receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 month expected losses. Management considers 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost

Other financial assets at amortised cost include debenture assets, zero coupon bonds and listed corporate bonds (previously held to maturity), loans to related parties and key management personnel and other receivables.

The loss allowance for other financial assets at amortised cost as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	Other receivables R'000	Trade receivables* R'000	Loans receivable R'000	Total R'000
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	–	263	–	263
Amounts restated through opening retained earnings	–	(28)	3	(25)
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	–	235	3	238
Increase in the allowance recognised in profit or loss during the period	–	(29)	–	(29)
Closing loss allowance as at 31 December 2018	–	206	3	209

** Refer to note 18 for the analysis of trade receivables presented separately as net receivables and casino debtors.*

The restatement on transition to IFRS 9: Financial Instruments as a result of applying the expected credit risk model was immaterial.

30. FINANCIAL RISK MANAGEMENT CONTINUED

(iv) Significant estimates and judgements

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the previous table.

(v) Financial assets at fair value through profit or loss (FVPL)

The entity is also exposed to credit risk in relation to financial instruments that are measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments (December 2017: Rnil).

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 2018 Rm	31 December 2017 Rm
Banking facilities		
Total banking facilities	**16 047**	15 732
Less: drawn down portion	**(14 666)**	(14 995)
Total undrawn banking facilities	**1 381**	737
Available cash balances	**938**	696

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

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT CONTINUED

The following tables compare the contractual cash flows of debt owed at 31 December 2018 and 31 December 2017, with the carrying amount in the consolidated statement of financial position in Rand. The contractual amounts reflect the differences from carrying amounts due to the effects of discounting and premiums. Interest is estimated assuming interest rates applicable to variable rate debt remain constant.

	On demand or not exceeding 6 months Rm	More than 6 months but not exceeding 1 year Rm	More than 1 year but not exceeding 2 years Rm	More than 2 years but not exceeding 4 years Rm	More than 4 years Rm	Imputed interest Rm
December 2018						
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**	**–**	**68**
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**	**1 761**	**49**	**601**	**–**	**285**
Derivative financial instruments	**6**	**2**	**–**	**–**	**–**	**–**
Trade payables	**775**	**–**	**–**	**–**	**–**	**–**
Accrued expenses	**1 062**	**–**	**–**	**–**	**–**	**–**
Accrual for Ocean Sun Casino earn out payment	**–**	**–**	**–**	**–**	**–**	**–**
Interest payable	**17**	**–**	**–**	**–**	**–**	**–**
Capital creditors	**22**	**–**	**–**	**–**	**–**	**–**
Other payables	**20**	**–**	**–**	**–**	**–**	**–**
	4 173	**2 940**	**3 073**	**6 244**	**3 011**	**2 871**
December 2017						
Term facilities	497	1 108	2 022	9 306	1 313	3 168
Minority shareholder loans	505	–	–	–	–	12
V&A loan	33	35	74	168	38	84
Redeemable preference shares	38	38	76	1 117	–	227
Minority debenture	–	22	208	–	–	44
Lease liabilities	11	11	6	–	–	2
Vacation Club members	3	3	51	–	–	10
Short-term banking facilities*	79	1 943	–	–	–	158
Derivative financial instruments	8	12	14	–	–	–
Trade payables	535	–	–	–	–	–
Accrued expenses	832	–	–	–	–	–
Interest payable	19	–	–	–	–	–
Capital creditors	36	–	–	–	–	–
Other payables	5	–	–	–	–	–
	2 601	3 172	2 451	10 591	1 351	3 705

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

30. FINANCIAL RISK MANAGEMENT CONTINUED

Market risk – 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 forecast 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 2018	31 December 2017
	Sun Treasury interest rate swaps	Sun Treasury interest rate swaps
Notional	**R3 billion**	R3 billion
Fixed exchange rate		
Fixed interest rate	**7.68%**	7.68%
Variable rate	**Linked to quarterly JIBAR**	Linked to quarterly JIBAR
Fair value liability	**(R8 million)**	(R34 million)
Net profit/(loss) on cash flow hedges	**R26 million**	(R27 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 2018 Rm	31 December 2017 Rm
Profit after tax	**(92)**	(114)

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 (Rand).

A 10% strengthening in the functional currency being ZAR against the denominated currencies that the underlying balances are denominated in at 31 December 2018 would increase/(decrease) profit after tax by the amounts shown. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 31 December 2017.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

30. FINANCIAL RISK MANAGEMENT CONTINUED

	31 December 2018 Rm	31 December 2017 Rm
US dollar	**(7)**	(14)
Chilean peso	**5**	(3)
Colombian peso	**–**	2
Nigerian naira	**–**	3
Peruvian nuevo sol	**(2)**	1

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 does not 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	AA
ABSA Bank Ltd	AA+
Investec	AA+
Sanlam	AA-
Rand Merchant Bank (RMB)	AA+
BCI	A+
Banco de Chile	A
Banco de la Nacion	A-
BancoEstado	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.

31. SUBSEQUENT EVENTS

No significant subsequent events after 31 December 2018 and before the date of the annual financial statements being signed were noted.

ANNEXURE: ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2018

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

GROUP ACCOUNTING

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

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

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

The group recognises any 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 either in profit or loss or as a change to other comprehensive income. 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.

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.

ANNEXURE: ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

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

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is assessed for impairment on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. 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 CGUs 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 licence bids	Period of the licence and/or up to a maximum of 20 years
Management contracts	Period of initial contract
Computer software	4 to 10 years
Brands	Indefinite life
Goodwill	Indefinite life

Costs associated with developing or maintaining computer software 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 or on a weighted average basis. Food and beverage stock is valued at the lower of cost and net realisable value on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less any costs necessary to make the sale.

FOREIGN CURRENCY TRANSLATION

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

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

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

ANNEXURE: ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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

All other borrowing costs are recognised in profit and loss in the period in 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 CGU.

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

IFRS 9 Financial Instruments replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. 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.

The adoption of IFRS 9: Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The adoption of IFRS 9 had the following impact on the company/group:

- change in classification of the measurement categories for financial instruments; and
- change from the IAS 39 incurred loss model to the ECL model to calculate impairments of financial instruments.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories.

The main effects resulting from this assessment are as follows:

	Measurement category		Notes	Carrying amounts		
	Original (IAS 39)	New (IFRS 9)		Original	New	Difference*
Non-current financial assets						
Loan receivables	Amortised cost	Amortised cost	18, a	60	60	–
Current financial assets						
Loan receivables	Amortised cost	Amortised cost	18, a	6	3	(3)
Other receivables	Amortised cost	Amortised cost	18, b	430	430	–
Trade receivables	Amortised cost	Amortised cost	18, c	388	413	25
Casino debtors	Amortised cost	Amortised cost	18, d	20	23	3
Cash and cash equivalents	Amortised cost	Amortised cost	20	696	696	–
Non-current financial liabilities						
Borrowings	Amortised cost	Amortised cost	23	11 737	11 737	–
Forward purchase liability	FVPL	FVPL	16	4 838	4 838	–
Derivative financial instrument	FVOCI	FVOCI	15	14	14	–
Current financial liabilities						
Trade payables	Amortised cost	Amortised cost	25, e	540	540	–
Derivative financial instrument	FVOCI	FVOCI	15	20	20	–
Borrowings	Amortised cost	Amortised cost	23	3 258	3 258	–

* *The differences noted in this column are the result of applying the new ECL model. The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements.*

Notes:

a Loan receivables consist 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 relate to miscellaneous receivables held by the respective subsidiaries. These include, among others, rental and concessionaire receivables, sundry receivables and remote point receivables.

c Trade receivables consist mainly of large tour operators.

d Casino receivables consist of a selection of VIP casino customers.

e Trade and other payables consist of standard operational payables, contract and concessionaire payables.

ANNEXURE: ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

The impact on the group's retained earnings due to classification and measurement of equity instruments and trade and other receivables as at 1 January 2018 is as follows:

Balance sheet extract	31 December 2017 as previously reported Rm	IFRS 9 adjustment Rm	1 January 2018 Under IFRS 9 Rm
Non-current assets			
Loans receivable	60	–	60
Trade and other receivables*	408	28	436
Available-for-sale financial assets	–	–	–
Financial assets at FVOCI	–	–	–
Current assets			
Loans receivable	6	(3)	3
Other reserves extract			
Retained earnings		25	

** Refer to note 18 on the analysis of trade receivables, as presented as net receivables and casino debtors.*

Impairment of financial assets

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

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

The group has complied with all IFRS 9: Financial Instruments impairments requirements. Refer to note 18.

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 new ECL model:

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

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

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 has adopted 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 1 January 2018 by R28 million for trade and other receivables. The allowance decreased by a further R29 million to R206 million during the current reporting period.

Note 18 provides details about the calculation of the allowance.

(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 has 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 in terms of IFRS 9 and the impairment provision is determined as 12 month's ECLs using the general approach using the formula PD% x LGD% x 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.

ANNEXURE: ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

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% x LGD% x 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.

(iii) Debt instruments carried at FVPL and FVOCI

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

Financial liabilities

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.

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.

Derivative financial instrument

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, is sold, terminated, 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 forecast 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.

IFRS 9 provides an accounting policy choice allowing entities to continue with the hedge accounting requirements of IAS39 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.

Forward purchase liability

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

The terms of the forward contract should be analysed to assess whether they provide the parent with access to the economic benefits and risks associated with the actual ownership of the shares during the contract period. The minority interest is derecognised to the extent that the risks and rewards relating to ownership no longer remain with the outside shareholders. Irrespective of whether the minority interest is recognised, a financial liability is recorded to reflect the forward. The liability is recognised for the present value of the forward price. All subsequent changes to the liability are recognised in profit and loss.

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

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

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

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

EMPLOYEE BENEFITS

Defined benefit scheme

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

ANNEXURE: ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

Defined contribution scheme

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

Post-retirement medical aid contributions

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

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

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.

INCOME RECOGNITION – ADOPTION OF IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

The group has adopted IFRS 15 fully retrospectively from 1 January 2018.

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 detailed 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.

ANNEXURE: ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Net gaming win, including limited payout 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 waging 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 payouts 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 programmes.

Management is satisfied that IFRS 15 had no impact on the current manner revenue is recognised.

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.

Management is satisfied that IFRS 15 had no impact on the current manner revenue is recognised.

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.

Management is satisfied that IFRS 15 had no impact on the current manner revenue 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).

Transition to IFRS 15
Due to the nature the group's income, management assessed the IFRS 15 impact as immaterial on income recognised in the current and prior years. Management's assessment included an assessment of the impact of IFRS 15 on the group's customer loyalty programme, assessed as insignificant. Therefore, no adjustments were recorded.

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 Latam. Executive management reviews the operations and allocates 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 EBITDA as a profit measure.

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.

ANNEXURE: ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

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.

ADJUSTED EBITDA

The measure of reporting profit for each segment, that also represents the basis on which the CODM reviews segment results, is adjusted EBITDA. Adjusted EBITDA is defined as earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation and 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:

- 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, and
- other non-recurring expenses which are of an unusual and infrequent nature as a result of unforeseen and atypical events.

ANNEXURE: ACCOUNTING POLICY DEVELOPMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

International Financial Reporting Standards and amendments effective from 1 January 2019 year-end
IFRIC 23: Uncertainty over income tax treatments
IFRC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty.

IFRS 16: Leases
IFRS 16 was issued in January 2016 and will be adopted by the group on 1 January 2019. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals is recognised. The only exceptions are short-term and low-value leases. The group has various short-term leases like IT and gaming equipment that are annually renewable. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The group has set up a project team which is currently assessing the impact of this standard and the impact on the future annual financial statements. As part of this process, all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16 are being assessed. The group will apply the practical expedient to not reassess the definition of leases.

As at the reporting date, the group has non-cancellable operating lease commitments of R1.4 billion, see note 3. Of these commitments, approximately R59 million relate to short-term, low-value leases which will continue to be recognised on a straight-line basis as expense in profit or loss.

Right-of-use assets for property leases and all other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepayment or accrued lease expenses). The group will also record the corresponding lease liability which will initially be measured at the present value of the lease payments payable over the lease term, discounted at an appropriate rate and after taking into account the lease term, value, economic environment and security over the asset. We expect this to result in an increase in current and long-term liabilities, and an increase in non-current assets.

The most significant operating leases that the group hold relate to the following properties:

- the Maslow (Maslow segment);
- the head office building (management companies segment);
- the Table Bay property (Table Bay segment);
- New York Casino in Peru (Peru excluding Thunderbird segment);
- Pachanga Independencia Casino in Peru (Peru excluding Thunderbird segment); and
- Luxor Casino in Peru (Thunderbird segment).

The impact on the net profit affected the application of the right-of-use model. The presentation of lease payments in the statement of comprehensive income will change resulting in lease payments of an operating lease under IAS 17 being presented within operating expenses, while under the right-of-use model, depreciation and the interest expense will be recognised separately. Operating cash flows will increase and financing cash flows are expected to decrease as the repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The group is 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.

Amendments to IAS 19: Employee Benefits
An entity is required to use updated assumptions to determine the current service costs and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognised in profit and loss as part of past service cost or a gain or loss on settlement, any reduction in a surplus (recognised or derecognised).

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 Rm	31 December 2017 Rm
Dividend income	1	**8**	518
Other income		**–**	13
Operational costs	1	**(77)**	(1)
Operating (loss)/profit	1	**(69)**	530
Impairment of inter-company investment		**(448)**	–
Foreign exchange gain/(loss)		**45**	(26)
Interest income	2	**109**	49
Interest expense	3	**(96)**	(90)
(Loss)/profit before tax		**(459)**	463
Tax	4	**(27)**	(4)
(Loss)/profit for the year		**(486)**	459
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the year		**(486)**	459
Earnings per share (cents)			
Basic	14	**(423)**	459
Basic diluted	14	**(423)**	459

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31 December 2018 Rm	31 December 2017 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	6	**6 523**	5 876
Loans and receivables	7	**113**	176
Deferred tax	8	**8**	11
		6 644	6 063
Current assets			
Loans and receivables	7	**844**	815
Cash and cash equivalents		**4**	18
		848	833
Total assets		**7 492**	6 896
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity		**7 056**	5 946
		7 056	5 946
Non-current liabilities			
Borrowings	10	**161**	191
		161	191
Current liabilities			
Accounts payable, accruals and other	11	**275**	758
Tax		**–**	1
		275	759
Total liabilities		**436**	950
Total equity and liabilities		**7 492**	6 896

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 Rm	31 December 2017 Rm
Cash flows from operating activities			
Cash (utilised)/generated by operations	12.1	**(30)**	525
Tax paid	12.2	**(25)**	(4)
Net cash (outflow)/inflow from operating activities		**(55)**	521
Cash flows from investing activities			
Purchase of additional investment in Sun Treasury	6	**(1 095)**	(9)
Investment income	12.3	**79**	97
Other non-current and current investments and loans	12.4	**(42)**	29
Decrease in non-current loans to subsidiaries		**5**	29
Increase in current loans to subsidiaries		**(47)**	–
Net cash (outflow)/inflow from investing activities		**(1 058)**	117
Cash flows from financing activities			
Repayment of borrowings	12.5	**–**	(25)
Repayment of loan from related party	13	**(521)**	(455)
Related party loans received	13	**43**	–
Rights issue proceeds		**1 598**	–
Interest paid	12.6	**(66)**	(138)
Net cash inflow/(outflow) from financing activities		**1 054**	(618)
Effects of exchange rate changes on cash and cash equivalents		**45**	(26)
Net cash and cash equivalents movement for the year		**(14)**	(6)
Cash and cash equivalents at beginning of year		**18**	24
Cash and cash equivalents at end of year		**4**	18

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share[1] capital Rm	Share[1] premium Rm	Share-based payment reserve Rm	Retained earnings Rm	Total equity Rm
Balance at 31 December 2016		8	287	242	4 950	5 487
Total comprehensive income for the year		–	–	–	459	459
Balance at 31 December 2017		8	287	242	5 409	5 946
IFRS 9 adjustment	7	–	–	–	(2)	(2)
Balance as at 1 January 2018^		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
Balance at 31 December 2018		**8**	**1 707**	**–**	**5 341**	**7 056**

[1] *Note 9.*
^ *Opening retained earnings as at 1 January 2018 has been adjusted due to the effect of the implementation of IFRS 9: Financial Instruments. Refer to note 7.*
* *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 current 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 2018

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 of 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.

Dividend income is not from contracts with customers and the scope of IFRS 15 specifically excludes contracts that are not with customers. The result is that the adoption of IFRS 15 did not have a material impact on the company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

1. OPERATING PROFIT IS STATED AFTER THE FOLLOWING:

	31 December 2018 Rm	31 December 2017 Rm
Dividend income:		
Dividends received from subsidiaries	**8**	518
Other income:		
Panama insurance claim settlement	**–**	13
Operational costs:		
Professional fees	**(2)**	(1)
Underwriting professional fees for rights issue	**(9)**	–
Impairment – loans to subsidiaries	**(66)**	–
Operating (loss)/profit	**(69)**	530

2. INTEREST INCOME

	31 December 2018 Rm	31 December 2017 Rm
Interest earned on loans and receivables	**79**	73
Imputed interest on loans receivable	**30**	(24)
	109	49

3. INTEREST EXPENSE

	31 December 2018 Rm	31 December 2017 Rm
Interest paid on borrowings	**(66)**	(114)
Imputed interest on V&A loan	**(30)**	24
	(96)	(90)

4. TAX

	31 December 2018 Rm	31 December 2017 Rm
Current tax – current year	**(23)**	–
– prior year	**–**	–
Deferred tax – current year	**(3)**	(3)
Withholding tax	**(1)**	(1)
	(27)	(4)
Standard rate of tax	**28.0%**	28.0%
Tax at standard rate	**3**	(130)
Adjusted for:		
Exempt income^	**2**	148
Disallowable expenses*	**(31)**	(21)
Withholding tax	**(1)**	(1)
Tax per statement of comprehensive income	**(27)**	(4)

^ Exempt income relates to dividend income.

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

5. DIVIDENDS PAID

	31 December 2018 Rm	31 December 2017 Rm
No dividends were paid during the current and prior year	**–**	–

Given the difficult trading conditions and the need to complete strategic group initiatives, particularly Time Square, and the need to reduce debt levels, the board has decided not to declare a dividend for the period.

6. INVESTMENTS IN SUBSIDIARIES

	31 December 2018 Rm	31 December 2017 Rm
Shares at cost		
Balance at beginning of year	**5 876**	5 867
Additional investment in Sun Treasury#	**1 095**	–
Additional investment in Sun Chile	**–**	9
Impairment of inter-company investment	**(448)**	–
Balance at end of year	**6 523**	5 876

 # 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.

The interests of the company in the aggregate pre tax net profits and losses of its subsidiaries amounted to R1 450 million (31 December 2017: R1 145 million) and R1 101 million (31 December 2017: R423 million) respectively and post-tax net profits and losses of its subsidiaries amounted to R1 012 million (31 December 2017: R834 million) and R966 million (31 December 2017: R414 million) respectively.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

7. LOANS AND RECEIVABLES

	31 December 2018 Rm	31 December 2017 Rm
Loans		^
Share option schemes	**66**	178
Preference shares in Dinokana Investments (Pty) Ltd^	**113**	105
Loans to subsidiaries^	**844**	820
	1 023	1 103
Less: write off of loan receivable	**(66)**	(112)
	957	991
Current portion	**(844)**	(815)
	113	176
Loans are due over the following periods:		
Less than 1 year	**844**	815
1 year to 4 years	**–**	–
2 – 3 years	**–**	–
3 – 4 years	**113**	–
4 years and onwards	**–**	176
	957	991
The weighted average interest and dividend rates were as follows:		
Share incentive schemes	**NIB**	NIB
Preference share investments	**6.0%**	5.0%
Loans to subsidiaries	**(9.4%)**	7.6%
Weighted average	**(1.7%)**	6.3%
NIB – Non-interest bearing		
The carrying amounts of the loans to subsidiaries are denominated in the following currencies:		
US dollar	**326**	267
Chilean pesos	**358**	358
South African rand	**161**	191
	845	816

^ Applying the ECL model (as described in the group accounting policies – Annexure: Accounting Policies); resulted in the recognition of a loss allowance for the company of R2 371 199 on 1 January 2018 (previous loss allowance was Rnil) for debt investments at amortised cost. There is a further increase in the allowance of R312 992 in the current reporting period, now totalling R2 684 190 as at 31 December 2018.

7. LOANS AND RECEIVABLES CONTINUED

The impact on the company's retained earnings due to classification and measurement of financial assets as at 1 January 2018 is as follows:

	31 December 2017 as previously reported Rm	IFRS 9 adjustment Rm	1 January 2018 Under IFRS 9 Rm
Dinokana preference shares	105	(1)	**104**
Table Bay loan receivable	191	(1)	**190**

The adjustment noted above has been determined as follows:

Adjustments were calculated using the IFRS 9, Financial Instruments general approach, using inputs obtained directly from a third-party actuarial consultant. This approach remains consistent with the approach applied as part of the group's accounting policies as 31 December 2018. In applying the selected approach, the following was noted:

	Instrument value Rm	Probability of default (PD)	Loss given default (LGD)	^Exposure at default (EAD) Rm	ECL R'000
ECL as at 1 January 2018 (opening retained earnings adjustment)					
Instrument					
Dinokana preference shares and cumulative dividends	105	3.86%	35.55%	105	**1 436**
Table Bay loan	191	1.40%	34.95%	191	**935**
Total					**2 371**
ECL as at 31 December 2018					
Instrument					
Dinokana preference shares and cumulative dividends	115	3.86%	37.93%	115	**1 685**
Table Bay loan	191	1.40%	37.33%	191	**999**
Total					**2 684**
Movement during the financial year					**313**

^ Use of IFRS 9 practical expedient applied.

The remainder of the receivable loan balances have been assessed as fully recoverable both at 1 January 2018 and 31 December 2018, with only a negligible IFRS 9 impact noted. Given this, these loans 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 annual financial statements).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

8. DEFERRED TAX

	31 December 2018 Rm	31 December 2017 Rm
Balance at beginning of year	**(11)**	(14)
Statement of comprehensive income charge for the year	**3**	3
Balance at end of year	**(8)**	(11)
Deferred tax arises from the following temporary differences:		
Deferred tax assets		
Fair value adjustments	**(8)**	(12)
Balance at beginning of year	**(12)**	(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**	–
Deferred tax liabilities		
Doubtful debts and prepayments	**–**	1
Balance at beginning of year	**1**	(2)
Charged to statement of comprehensive income	**(1)**	3
Net deferred tax asset	**(8)**	(11)

Included in the company's recognised deferred tax assets is an amount of R8 million (31 December 2017: R11 million). The deferred tax asset arises from various taxable temporary differences, all of which are expected to be realised in future periods.

9. SHARE CAPITAL AND PREMIUM

	31 December 2018 Rm	31 December 2017 Rm
Authorised		
200 000 000 (31 December 2017: 200 000 000) ordinary shares of 8 cents each	**16**	16
100 000 000 (31 December 2017: 100 000 000) variable rate cumulative redeemable preference shares of 1 cent each	**1**	1
Issued		
Share capital	**8**	8
Share premium	**1 707**	287
	1 715	295

During the current financial year a total of 27 643 976 additional shares were issued as part of a rights issue, resulting in additional equity of R1.6 billion.

9. SHARE CAPITAL AND PREMIUM CONTINUED

	31 December 2018 Number of shares	31 December 2018 Rm	31 December 2017 Number of shares	31 December 2017 Rm
Movement during the year				
Balance at beginning of year	**109 086 988**	**295**	109 086 988	295
Reversal of the share option reserve	**–**	**(178)**	–	–
Rights issue	**27 643 976**	**1 598**	–	–
Statutory shares in issue at end of year	**136 730 964**	**1 715**	109 086 988	295

10. BORROWINGS

	31 December 2018 Rm	31 December 2017 Rm
Non-current		
V&A loan	**161**	191

All borrowings are unsecured.

The V&A loan has a fair value of R161 million (31 December 2017: R191 million), which approximates the fair value thereof. The loan had an initial interest rate of 4% per annum with an escalation of 9% per annum 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 annual financial statements.

The carrying amount of the borrowings are denominated in Rand.

The borrowings are repayable over the following periods:

	31 December 2018 Rm	31 December 2017 Rm
Less than 6 months	**17**	14
6 months – 1 year	**20**	16
1 – 2 years	**45**	37
2 – 3 years	**54**	45
3 – 4 years	**25**	54
4 years and onwards	**–**	25
	161	191

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

10. BORROWINGS CONTINUED

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

	On demand or not exceeding 6 months Rm	More than 6 months but not exceeding 1 year Rm	More than 1 year but not exceeding 2 years Rm	More than 2 years but not exceeding 5 years Rm	More than 5 years Rm	Total Rm
31 December 2018						
Borrowings	**24**	**25**	**54**	**58**	**25**	**186**
Accounts payable and accruals	**8**	**–**	**–**	**–**	**–**	**8**
	32	**25**	**54**	**58**	**25**	**194**
31 December 2017						
Borrowings	22	23	49	112	25	231
Accounts payable and accruals	259	–	–	–	–	259
	281	23	49	112	25	490

	31 December 2018	31 December 2017
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 2018, 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 2017.

	31 December 2018 Rm	31 December 2017 Rm
Increase of 1%	**(2)**	(7)
Decrease of 1%	**2**	7

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.

11. ACCOUNTS PAYABLE, ACCRUALS AND OTHER

	31 December 2018 Rm	31 December 2017 Rm
Accrued expenses	**6**	33
Other payables	**2**	2
	8	35

The fair value of accounts payable and accruals approximate their carrying value.

	31 December 2018 Rm	31 December 2017 Rm
Amount owing to related parties		
Sun Treasury	**23**	499
Sun International Trust	**20**	–
Sun International Incorporated	**221**	221
Sun International Management Limited	**3**	3
	267	723
Total accounts payable, accruals and other	**275**	758

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

12. CASH FLOW INFORMATION

		31 December 2018 Rm	31 December 2017 Rm
12.1	**Cash (utilised)/generated by operations**		
	Operating (loss)/profit	**(69)**	530
	Non-cash items and items dealt with separately:		
	Impairment to share option scheme loan	**66**	–
	Cash generated by operations before working capital changes	**(3)**	530
	Working capital changes		
	Accounts payable and accruals	**(27)**	(5)
		(30)	525
12.2	**Tax paid**		
	Liability at beginning of year	**(1)**	(4)
	Current year tax charged to statement of comprehensive income (refer to note 4)	**(23)**	–
	Withholding tax	**(1)**	(1)
	(Asset)/liability at end of year	**–**	1
		(25)	(4)
12.3	**Investment income**		
	Interest income	**109**	73
	Imputed interest on loans receivable	**(30)**	24
		79	97
12.4	**Other non-current investments and loans made**		
	Repayment of non-current loans by subsidiaries	**5**	33
	(Increase)/decrease in current loans granted to subsidiaries	**(39)**	5
	Increase in preference share investments	**(8)**	(9)
		(42)	29
12.5	**Repayment of borrowings**		
	Decrease in non-current borrowings	**(30)**	(24)
	Imputed interest on V&A loan	**30**	24
	Decrease in current borrowings	**–**	(25)
		–	(25)
12.6	**Interest paid**		
	Interest expense	**(96)**	(114)
	Imputed interest on V&A loan	**30**	(24)
		(66)	(138)

13. RELATED PARTY

The following transactions were carried out with related parties:

		31 December 2018 Rm	31 December 2017 Rm
(i)	**Loans to related parties**		
	Loan to Sun Chile:		
	Balance at beginning of the year	**342**	342
	Balance at end of the year	**342**	342
	Loan to SunWest:		
	Balance at beginning of the year	**192**	216
	Fair value adjustment	**(31)**	(24)
	Balance at end of the year	**161**	192
	The loan carries an initial interest rate of 4.8% per annum. with an escalation of 9% per annum and the fair value was determined using a discounted cash flow rate of 13.4%. This loan is repayable in May 2022.		
	Loan to TCN:		
	Balance at beginning of the year	**267**	284
	Interest for the year	**15**	11
	Withholding taxes	**(1)**	(2)
	Foreign exchange loss	**45**	(26)
	Balance at end of the year	**326**	267
	The loan is denominated in US dollars and bears interest at 5% and has no fixed repayment terms.		
	Loan to Sun Nao Casino:		
	Balance at beginning of the year	**16**	16
	Balance at end of the year	**16**	16
(ii)	**Loans from related party**		
	Loan from Sun Treasury:		
	Balance at beginning of the year	**499**	954
	Interest for the year	**21**	72
	Repayments made during the year	**(521)**	(527)
	Loans received during the year	**23**	–
	Balance at end of the year	**22**	499
	The loan bears interest at 9% and has no fixed repayment terms.		
	Loan from Sun International Incorporated:		
	Balance at beginning of the year	**221**	221
	Balance at end of the year	**221**	221
	Loan from Sun International Management Limited:		
	Balance at beginning of the year	**3**	3
	Balance at end of the year	**3**	3
	Loan from Sun International Trust:		
	Loans received during the year	**20**	–
	Balance at end of the year	**20**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

14. RETURN TO SHAREHOLDERS

	31 December 2018 Rm	31 December 2017 Rm
(a) Earnings per share (EPS)		
(Loss)/profit/for the year	**(486)**	459
Number of shares for EPS calculation		
Weighted average number of shares in issue	**115**	100
Diluted weighted average number of shares in issue	**115**	100
EPS/(LPS) (cents)		
Basic*	**(423)**	459
Diluted EPS/(LPS) (cents)		
Basic*	**(423)**	459

** The company has restated the comparative year weighted average number of shares in issue to reflect the effect of the rights issue as required by IAS 33: Earnings per share. The effect of the above was insignificant.*

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 2018 and the date of this report.

GREYMATTER & FINCH # 12890