Sun International

INTEGRATED ANNUAL REPORT '18

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ABOUT THIS REPORT

We are pleased to present Sun International Limited's (Sun International) 2018 online integrated annual report (report) to our stakeholders.

Sun International reports in a holistic, transparent and integrated manner to help our stakeholders make informed decisions about our business. We aim to provide our stakeholders with a focused and concise report that covers our financial and non-financial performance for the year under review.

This is our primary report to stakeholders and covers the financial period 1 January 2018 to 31 December 2018. The online report includes all Sun International's subsidiaries and operating units, locally and internationally. Our report is structured around our leadership reviews (front of house), business overview (our deck of cards), our strategic performance and outlook (our game plan), our financial performance (our payouts) and our governance transparency and accountability (rules of the game).

The content covers the reporting period's most material matters. In some cases, content includes the period up to the report's finalisation on 29 March 2019. Material matters are issues that could substantively influence the assessment of providers of capital and other stakeholders, regarding the group's ability to create value over the short, medium and long term. To achieve our strategic objectives and manage our risks, these material matters are continuously monitored by Sun International and its board.

South Africa continues to contribute the majority of group revenue at 69% (2017: 70%), with Latam contributing 30% (2017: 29%), Nigeria 1% (2017: 1%) and Swaziland 0% (2017: 0%). Gaming is the primary contributor to group revenue at 73% (2017: 73%), alternate gaming contributes 8% (2017: 7%), food and beverage 8% (2017: 9%), rooms 8% (2017: 8%) and other revenue streams 3% (2017: 3%).

REPORTING FRAMEWORKS AND ASSURANCE

The group's 2018 online report is guided by various frameworks. Our integrated reporting is primarily guided by the International Integrated Reporting Council's (IIRC) recommendations for integrated reporting (the <IR> framework). Our sustainability information is guided by the GRI Sustainability Reporting Guidelines. The group also embraces the United Nations Sustainable Development Goals (SDGs), which encourage companies and individuals to take the necessary action to achieve the SDGs by 2030. This report is also prepared in accordance with the JSE Limited Listings Requirements and the South African Companies Act, 71 of 2008, as amended (Companies Act). A register of our application of the King Code on Corporate Governance™ for South Africa 2016 (King IV™) governance principles is available online. Our annual financial statements (AFS) follow the IFRS.

Sun International's combined assurance model enables an effective internal control environment and supports the integrity of information that management and the board use in decision-making. The information tabled below was assured, either externally or internally, during the year under review.

	Standard / Code	Assurance provider
The financial information extracted from the group's audited AFS	IFRS	PricewaterhouseCoopers Inc.
Sustainability information	AA1000AS IIRC <IR> framework GRI Standard King IV™ CDP	IBIS ESG Assurance
B-BBEE information	Tourism Code	Empowerdex
Property risk audits	Internationally Recognised Code of Practice: NFPA and SANS Codes	Marsh Risk Consulting
Internal control functions		Group internal audit

REPORTING FOOTPRINT

In keeping with Sun International's commitment to reduce its environmental footprint. As indicated in our 2017 integrated annual report, we have only produced an interactive online report with no hard copies. Stakeholders still have the option to print the full report or sections through the reporting basket option.

DIRECTORS' APPROVAL

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

The board is of the opinion that this online report is presented in compliance with the <IR> framework and the information is correct and relevant. The report was approved by the board on 29 March 2019.

Valli Moosa
Chairman
29 March 2019

Anthony Leeming
Chief executive
29 March 2019

REPORT NAVIGATION

The report's design is interactive so that users can easily navigate their way across the report by following the relevant content headings, sub-headings, as well as interactive icons, footnotes and links. This being our inaugural report online report, we welcome feedback from stakeholders regarding the accessibility and ease of navigation.

STAKEHOLDER FEEDBACK

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

FORWARD-LOOKING STATEMENTS

This report may contain certain forward-looking statements other than the statements of historical fact which cannot be construed as reported financial results. Investors are cautioned not to place undue reliance on any forward-looking statements contained herein, as they have not been reviewed or reported on by the group's external auditors. Such statements may include predictions of or indicate future earnings, objectives, savings, events, trends or plans based on current expectations, forecasts and assumptions. As with any forward-looking statement, prediction or forecast, there are inherently unexpected events which could cause uncertainty and unexpected change which have not, and could not, be accounted for. Whereas the company has made every effort to accurately and reasonably ensure the accuracy and completeness of the information contained within this integrated annual report, any forward-looking statements speak only as at the date that they are made; the actual results may vary materially from those expressed or implied; and the company undertakes no obligation to publicly update or alter these or to release revisions after the date of publication of this report.

ADMINISTRATION

SUN INTERNATIONAL LIMITED

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

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Investec Bank Limited
Nedbank Limited
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CHAIRMAN'S MESSAGE

Although the local operating environment remains challenging, we share the improvement in investor confidence due to several positive factors in South Africa, including the change in the political climate and the tough stance taken by President Cyril Ramaphosa on fraud and corruption. Consumers remain under severe financial pressure, which continues to impact the group's revenues, in an industry reliant on consumer discretionary spend.

Collectively, the board continues to drive ethics from the top and maintains its zero-tolerance approach towards unethical conduct. An ethics survey was conducted across all South African units early in 2018 to determine Sun International's ethical climate and to create an inclusive culture. Sun International's code of ethics was relaunched to reinforce the ethical culture across the business. Employees signed an ethics declaration, based on the new SunWay culture, in support of the group's vision and values. Sun Dreams has its own code of ethics which is broadly aligned with Sun International's.

A key business highlight was the conclusion of an equity capital raise of R1.6 billion through a rights offer finalised in June 2018. The rights offer was significantly oversubscribed, which indicates shareholder confidence in the company and its strategy. Funds from the rights offer were used against debt settlement. These funds de-risked the group's balance sheet, following material balance sheet leveraging over the past five years for various capital projects, the biggest of which is Maslow Time Square. Debt ratios also improved, and the board remains confident in the group's ability to generate free cash flows, reduce debt and further strengthen the balance sheet.

The board is satisfied with the group's operational and financial performance in this tough trading environment, and it commends management on a job well done. The board believes that management has a clear and consistent grasp of the group's strategy, which remains unchanged. During 2018, the group made solid progress towards achieving the group's strategic objectives.

The group remains passionate about its sustainability commitments. Sun International adopted a more inclusive approach towards driving sustainability across the business in terms of creating long-term shared value for our business, employees, society and the environment. We made headway in implementing sustainable solutions to address the water scarcity that impacted our properties in the Western Cape and Eastern Cape early in 2018. We continue to investigate additional sustainable water and energy solutions to provide our guests with memorable experiences at our iconic properties. Our zero-waste-to-landfill initiative is gaining traction, with Wild Coast Sun being the first facility to achieve zero-waste-to-landfill certification by the Green Building Council of South Africa. The group continues to implement various sustainability awareness campaigns.

Transparent and honest stakeholder relations are important for Sun International, as several of our properties are located in poor communities. The main community concern during the year related to securing local procurement spend to provide socio-economic upliftment. To address this, Sun International refined its approach towards local economic development, procurement and enterprise and supplier development, and increased local procurement spend. Local procurement targets were established and we developed a more inclusive community stakeholder approach that involves assessing various community economic and social aspects, as well as the collective needs of these communities to create shared value.

The appointments of four new non-executive directors – Messrs Sam Sithole, Jabu Mabuzaand Vusi Khanyile, and Ms Zimkhitha Zatu – have significantly strengthen the board and filled two vacant positions. Mr Jabu Mabuza was appointed deputy chairman of the board. The board looks forward to these new directors' contribution to the group. The board also thanks Ms Zarina Bassa and Mr Graham Rosenthal, who resigned from the board, for their valuable contributions as members of the board. Mr Khati Mokhobo stepped down as an executive director, but retains his executive responsibilities.

While the board did not meet its diversity target of 30% female directors (actual 29%), it exceeded the target of 50% black directors with 57% black representation. We made solid progress during the year towards maintaining an appropriate board composition regarding knowledge, skills, experience, diversity and independence.

The impact of the subdued local and global economy means trading is expected to remain under pressure. However, we are encouraged by trading at some of our strategic projects in South Africa and in Latam. The group will continue to focus on maximising efficiencies, reducing debt levels and improving our debt covenants.

In closing, and as I retire on 14 May 2019, I would like to thank the board and management for their unwavering support over my 14-year tenure at Sun International. I am and continue to be inspired by management and am confident in their ability to drive the group strategy forward, albeit in tough trading conditions. To my successor, Jabu Mabuza, I wish you the best as you embark on your journey of steering the group into the future. Thank you to all our patrons, without whose support we would not be where we are today.

Valli Moosa
Chairman
29 March 2019

CHIEF EXECUTIVE'S MESSAGE

OVERVIEW

Trading in South Africa remained subdued with continued downward pressure on the consumer due to the economic environment, the 1% VAT increase and a weakening rand. With the shift in strategy to focus on operating as efficiently and optimally as possible and despite the increase in VAT, which cost the group R44 million before tax, comparative adjusted EBITDA was down 1% and revenue up 1% compared to the prior year. In Chile, trading improved in the second half of the year from a disappointing first half to achieve good growth in revenue and adjusted EBITDA.

We addressed the high debt levels in the South African business through a R1.6 billion equity raise in June 2018 and strong cash flow generated from operations. As a result, our South African debt reduced from R11.4 billion at 31 December 2017 to R9.2 billion at 31 December 2018 and our debt:adjusted EBITDA ratio reduced from 3.7 to 3.0. We will continue to focus on reducing debt in South Africa with a target debt:adjusted EBITDAratio of below 2.5 times.

In Latam, we concluded the acquisition of an additional 10% interest in Sun Dreams during May 2018, at a purchase price of R832 million, increasing our interest to approximately 65%. We further concluded the acquisitions of Thunderbird Resorts in Peru for R317 million (US$26 million) in April 2018 and the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for R333 million (US$25 million) in July 2018. Both these acquisitions were concluded at attractive valuations and will contribute positively to the group's performance. Disappointingly, we only secured one of the five municipal licences, which we bid for in Chile. While our bids all met the minimum criteria, we lost out to a competitor whose economic offer (additional tax) was substantially above ours, and at levels which would not generate satisfactory returns.

We continue to deal with loss-making entities and commenced with the restructure of the Boardwalk and Carousel operations. In Latam we closed the 66th and 65th floors of the Ocean Sun Casino and are now only operating the 2nd floor casino at significantly reduced cost. We are actively looking to dispose of the Ocean Sun property but will continue to operate it until it is sold. We will also be selling all our Colombian operations to another operating company in Colombia and will take a minority stake in the combined operations.

Maslow Time Square achieved pleasing growth, with casino income up 19% in the second half of the year. With the opening of the Maslow hotel in April 2018, Maslow Time Square is now fully operational, and we anticipate that it will continue to gain further market share and achieve strong growth in revenue and adjusted EBITDA.

Our back-to-basics strategy made significant progress. We will continue implementing initiatives to build on group-wide efficiency. The benefits of this strategy are demonstrated in the South Africa operations' results. Key priorities going forward include creating further efficiencies; further reducing debt levels; eliminating losses at certain properties such as The Maslow in Sandton and the Carousel; and safeguarding The Table Bay's lease renewal, which expires in May 2022. The group's strategy remains unchanged, and we made good progress towards achieving the strategic objectives.

Further information is discussed in this review, the chairman's message, the chief financial officer's message and the group's strategic objectives reviews:

- improve our existing operations and guest experience;
- protect and leverage our existing asset portfolio;
- grow our business into new areas and products;
- our people;
- governance and sustainability.

OPERATIONAL SYNOPSIS

Driving efficiencies

Our vision is to better serve our customers by creating memorable experiences. This will lead to cost savings and preserving our vision of being an internationally recognised and respected gaming and hospitality group. Driving efficiencies and adopting new technologies in a considered framework, while consolidating enhanced productivity and effort, is Sun International's business as usual. Our newly established efficiency initiative team highlighted positives and negatives in the business. We identified improving staff service levels as an important initiative to enhance customer satisfaction levels. In addition to ongoing customer service training, we updated several standard operating procedures; developed online staff training; and will reintroduce our CLEAR[1] principles for customer service.

[1] CLEAR principles: Choices, listening, expression, accountability and relationships.

We commenced several projects across the group to improve service levels and maintain our position as a choice destination. Service is a key differentiator in an increasingly competitive environment. The shared service rollout continues to improve back-office efficiencies, allowing the units' operational management to focus on delivering excellent customer service. We insourced our creative function, which improved the quality of our marketing content and direct marketing campaigns. Essential accounting system standardisation was achieved during 2018. This improved reporting across our South African operations, enhanced benchmarking against peers, and improved margins. Our workforce management system, Kronos, improved staff scheduling according to business demands and enabled more accurate labour cost measurement. The integration of our micros point-of-sale system with the integrated financial system (IFS) enhanced control and stock management, and the integration of our operational and gaming systems is ongoing. We drive these efficiencies and standardised systems across the business and noted potential cost savings in several areas, however there is still room for improvement.

South Africa

Maslow Time Square

The opening of Maslow Time Square's Hotel was met with excitement and anticipation and was well received by our customers. This marks the end of the R4.4 billion development project that began in 2016 and included the opening of the Maslow Time Square casino in April 2017, followed by the state-of-the-art Sun Arena opening in November 2017. Maslow Time Square has been trading for more than a full year and, although revenue growth is below expectations, it is on a steady growth trajectory. We are confident in Maslow Time Square casino's ability to gain market share (currently 14%) and grow income and EBITDA. We reduced the number of slots from 2 000 to 1 750 and we secured an extension to alcohol trading hours that encouraged footfall. We replaced some of our non-performing food and beverage outlets, which positively impacted profits and margins.

Sun City

Sun City experienced a tough trading year, with income down by 3%. The tables were impacted by a low hold percentage, and slots came under pressure in the local market following the opening of a third EBT outlet in 2017 and a weak local economy. We will review Sun City's operating model, improve margins and explore opportunities to attract new revenue in gaming and hospitality. Opportunities include developing an app to improve direct marketing and promote sales, and focusing on increasing foreign visits and foreign gaming revenue from China and India when government makes the announced changes to visa legislation. Upgrades to the Palace and Cascades rooms are underway and phase two of the Vacation Club refurbishments commences in 2018, with no displacement of business expected. The Vacation Club phase two 10-year ownership cycle ends in 2019 and will result in more inventory available for sale.

The storm at Sun City in December 2018, with the unprecedented volume of water and hail, caused significant damage. The team reacted proactively to prevent any serious injuries and turned the resort around so that the impact on guests was kept to a minimum. Following repairs, there is little visible damage, and we were covered by insurance from a business interruption and property damage perspective.

Sun City experienced community concerns regarding securing local procurement spend to provide socio-economic upliftment. Although we have made significant progress with local procurement spend, we increased our efforts and improved local procurement spend and established local procurement targets. We developed a more inclusive community stakeholder approach that determines the collective economic and social needs of these communities to create shared value.

Other properties

The Boardwalk received partial approval for its restructure application, and we are in the process of engaging with the union and the gaming board to implement the restructure. The shopping mall development is progressing well and we are confident development will commence later this year. The High Court challenge to licensing EBTs in Boardwalk's catchment area, which has breached Boardwalk's exclusivity, has made limited progress due to several delays on the part of the EBT operators and the gambling board.

Wild Coast Sun's licence expires in August 2019 and we have submitted our bid to extend this licence. The Wild Coast Sun's land claim settlement was a significant highlight and we expect the land to be transferred to the local community in the near future.

The Table Bay was impacted by the water crisis early in 2018, which resulted in cancellations and a slowdown in bookings. However, occupancy improved given the indefinite postponement of day zero. The Table Bay's lease renewal proposal was submitted to the Waterfront Company in July 2018, with a decision on the renewal expected during 2019.

Sibaya's income increased by 2% while adjusted EBITDA decreased by 2%. We are concerned about the recent opening of EBT outlets in Sibaya's catchment area. We are challenging the award of these licences on the basis that the correct process was not followed.

The Carousel was severely impacted by Maslow Time Square, resulting in income declining by 34%. We received approval from the North West Gambling Board to restructure the Carousel operations and we have commenced engagement with the union.

SunSlots income and adjusted EBITDA increased by 10% and 15% respectively. Adjusted EBITDA was impacted by the VAT increase. SunBet's new premium international software implemented during 2018 enriched our online sports betting offering, resulting in a significant growth in revenue. The new website design significantly enhanced SunBet's online user experience, increasing its sports content and betting market offering to cover over 100 000 live in-play sports events annually. The new platform effectively positions the group to explore entering new online gaming jurisdictions and products.

The small urban casinos, which include Meropa (Limpopo), Windmill (Free State), Flamingo (Northern Cape) and Golden Valley (Western Cape) collectively grew their income by 1% while maintaining adjusted EBITDA in line with the prior year.

Maintenance

Property maintenance is a key focus, with scheduled maintenance prioritised for the upkeep of all South African properties across our portfolio. We completed a major plant and equipment review to enable better planning and capex budgeting.

Land development opportunities

The group is exploring several land development opportunities across its asset portfolio to unlock value. We have finalised agreements with a consortium of partners to develop the vacant land at Carnival City and will look to dispose of the Carousel unused land which, following the restructure, will no longer be required. We reached an agreement to dispose of Sibaya land for R45 million. Proposals for Swaziland development are under consideration.

Rest of Africa

As indicated previously to shareholders, Sun International is looking to exit its investments in Swaziland and Nigeria. Although third parties have approached Sun International to acquire these two operations, there are certain outstanding regulatory matters and approvals that first need to be resolved before we can pursue these divestments.

Latam

Two strategic acquisitions were concluded in Latam during 2018. The first was the Sun Dreams acquisition of Thunderbird Resorts in Peru for US$26 million in April 2018, which presents an opportunity for Sun Dreams to strengthen its position in Peru and diversify its asset base in Latam. Secondly, in July 2018 Sun Dreams acquired a 100% interest in the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for US$25 million. This acquisition aligns with the board's strategy of asset diversification across Latam and extending the average length of the group's licences. Both acquisitions were concluded at attractive valuations and began contributing positively to the group's performance.

Monticello performed well with income and adjusted EBITDA up 14% and 37% respectively. In Chile, Sun Dreams submitted bids for the two municipal licences it holds, namely Iquique and Puerto Varas, and three additional licences. Following the adjudication by the Superintendent of Casinos, only the Iquique licence was awarded to Sun Dreams for a further 15 years. All the other Sun Dreams' bids met the minimum requirements, but the economic offers submitted by the competitor bidders would not have delivered acceptable rates of return required by the boards of Sun Dreams and Sun International for similar projects of this nature.

Sun International launched a court application objecting to the award of Puerto Varas and Pucon licences on the basis that the competitor's bid did not meet the minimum requirements and the matter is in court. We anticipate that Puerto Varas will continue trading for the 2019 financial year, but the court challenge could delay the licensing process and impact revenue going forward. We are investigating various online sports betting opportunities in South America.

FINANCIAL SYNOPSIS

Our group financial performance was satisfactory considering the tough trading environment, and is detailed in the chief financial officer's message.

REGULATORY OVERVIEW

The group continues to face some regulatory challenges, most notably the proposed smoking legislation. The effect of this legislation is that casinos will no longer be permitted to designate indoor smoking areas, which will impact casino revenues. Management continues to engage with gaming regulators on this matter, and the CASA made submissions on the draft bill. There is concern around changes to gaming taxes and allowing the relocation of licences in the Western Cape. Sun International responded to the Western Cape Government's gazette draft legislation with the view that there is no incremental value for an additional licence as it will result in revenue displacement. We conducted extensive engagement with various stakeholders regarding this issue. Based on stakeholder feedback, there was overwhelming public support against an additional casino in the Cape Metropole. Management is challenging the proposed legislation that could impact GrandWest's exclusivity in the Western Cape.

PEOPLE OVERVIEW

Our people are important enablers to providing excellent customer service and creating lasting memories for our guests. During 2018, we implemented focused management development through our learning and development initiatives to drive improved customer service. The SunWay culture and employee value proposition were embedded across the business to reinforce a cohesive and ethical culture. We appreciate that our employees also feel the impact of the tough economic climate. To provide support around personal debt and financial management, we partnered with the ASISA Foundation to provide workshops on financial literacy, which were attended by over 1 300 employees. The group is making good progress on most elements of the B-BBEE scorecard. We maintained our Level 1 status in accordance with the Tourism Sector Codes as at 31 July 2018.

Following a constitutional ruling in July 2018, we successfully onboarded about 1 200 temporary employees on 1 October 2018. This increased our headcount by approximately 8%. The onboarding process was managed seamlessly and without any complications. We conducted negotiations with the labour brokers and the trade unions to ensure an amicable resolution regarding employment contracts was reached prior to the onboarding.

SUSTAINABILITY OVERVIEW

Sustainability is a business imperative and our integrated sustainability strategy and commitments ensure Sun International maintains its operational and social licence to operate and safeguards the group's long-term prosperity. The group's sustainability agenda focuses on reducing our environmental footprint, improving the safety and wellbeing of our employees and guests, and contributing to the upliftment of our communities through our SED projects.

During 2018, our sustainability team continued to streamline sustainability functions across all units and established short, medium and long-term sustainability goals aligned with the group's overall business strategy. We made significant progress against this, including achieving the group's first zero-waste-to-landfill certification at Wild Cost Sun and a significant improvement in our lost-time injury frequency rates. The SED team also handed over the digital curriculum programme to the Department of Basic Education. Further detail on our group sustainability performance is available online.

GOVERNANCE OVERVIEW

Good progress was made in aligning Latam's governance framework. The Latam committees report into the South African board committees, allowing local operations to focus on operational matters while material matters are elevated to the group board. The governance integration between Latam and South Africa is a focus to further improve governance synergies.

The board strengthened its skills, experience, independence and diversity with the four new board member appointments. We restructured our executive management to include the general managers from our five largest South African properties[2] and general management representation from our remaining seven properties. This resulted in improved buy-in and decision-making, as well as enhanced alignment with the group strategy.

[2] Big five properties include Carnival City, GrandWest, Sibaya, Sun City and Maslow Time Square.

OUTLOOK

South Africa is in a transitional phase and has repositioned itself to deal with issues of the past. Sun International is confident in the government's ability to take the country forward through its investment strategy and policies, and we support its drive against fraud and corruption. We acknowledge, however, that the country has high debt levels, currency volatility, high unemployment rates, potential sovereign downgrades, and major social and economic inequality. We appreciate that these challenges will take time to fix. We are optimistic about President Cyril Ramaphosa's positive sentiment around the tourism industry's ability to grow significantly and bring about transformation. In this regard, Sun International has an important role to play, and we look forward to helping rebuild and transform South Africa.

Trading in Latam, particularly in Chile, is expected to remain positive with Chile's GDP forecast to grow at a rate of 4% during 2019. We expect our new operations in Peru and Argentina to contribute positively in the first half of 2019. However, interest costs in Latam will increase following these acquisitions and the acquisition of the minority interest in Sun Dreams. We will continue exploring further growth opportunities in Latam, including in the online space, where a number of countries are going through the process of regulating this industry.

The proceeds from the rights offer will continue to reduce interest costs in South Africa in the first half of 2019, although the number of shares in issue has increased.

APPRECIATION

In closing, I would like to thank Valli Moosa for his leadership, guidance and the significant contribution he made to the Sun International group over the past 14 years. I look forward to working with the new chairman, Jabu Mabuza, who I know will bring tremendous value to the business. I appreciate the commitment and discipline that my management team and employees demonstrated in this difficult trading environment. I look forward to building the SunWay culture, and I believe that by getting the basics right, we will reshape our business and continue to create lasting memories for our customers and our employees.

Anthony Leeming
Chief executive
29 March 2019

CHIEF FINANCIAL OFFICER'S MESSAGE

OPERATING ENVIRONMENT OVERVIEW

Trading in South Africa remains challenging with continued pressure on consumer disposable income, the VAT increase and a subdued economic climate. In Chile, trading improved in the second half of the year from a disappointing first half to achieve good growth in revenue and adjusted EBITDA.

The group's back-to-basics strategy has made significant progress and we continue to implement initiatives that create further group-wide efficiency. South Africa's high debt levels were addressed through a R1.6 billion equity raise in June 2018 and strong cash flow generated from operations. Group borrowings decreased from R15 billion to R14.7 billion at 31 December 2018.

In Latam we acquired an additional 10% interest in Sun Dreams, increasing our interest to approximately 65%. Further, we concluded the acquisitions of Thunderbird Resorts in Peru for R317 million (US$26 million) and the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for R333 million (US$25 million). Disappointingly, we only secured one of the five municipal licences, which we bid for in Chile.

FINANCIAL REVIEW

Group income increased by 7% to R16.4 billion for the year. South African comparable income was up 1% (excluding Maslow Time Square, Carousel, Fish River and Morula). In Latam, income from continuing operations increased by 6% on a comparable basis, with Monticello income up by 14%. As a result of a decision taken to exit the Sun Nao Casino in Colombia and Ocean Sun Casino in Panama, these operations were accounted for as discontinued for the year.

Group adjusted EBITDA increased by 5% to R4.4 billion and, on a comparative basis, was up 2% to R3.8 billion. The increase in VAT from 14% to 15% negatively impacted adjusted EBITDA by approximately R44 million.

Interest charges were higher due to the completion of the Maslow Time Square hotel (opened April 2018) and the arena (opened November 2017) where interest is no longer capitalised, as well as the acquisition of the 10% shareholding in Sun Dreams and the Latam acquisitions. The interest saved on the debt which was repaid through the proceeds of the R1.6 billion rights offer, partly offset the higher interest charges.

Due to the group's attributable share of the losses from Maslow Time Square increasing from R254 million in the prior year to R310 million, continuing adjusted headline earnings operations decreased from R485 million to R472 million, 3% below the prior year. Adjusted headline earnings per share were up 4% to 316 cents per share.

Due to the continued underperformance of Sun City, which is defined as a cash-generating unit (CGU), an impairment indicator was identified which resulted in an impairment of R306 million.

Headline and adjusted headline earnings adjustments

Headline earnings adjustments include the following:

- profit on disposal of assets of R12 million
- loss on the Colombian assets of R41 million
- impairment charge of R306 million on Sun City
- net impairment of Panama assets of R31 million.

Adjusted headline earnings adjustments include the following:

- reversal of a Colombian onerous lease provision of R31 million
- forward exchange contract losses relating to the Maslow Time Square development of R75 million
- foreign exchange profit on inter-company loans of R44 million
- the straight-lining of the Maslow and head office building lease expense of R13 million
- amortisation of R102 million of the Sun Dreams intangible assets raised as part of a purchase price allocation adjustment
- an increase in the value of the Tsogo Sun put options of R27 million
- tax on the above items of R118 million
- minorities' interest in the above items of R67 million.

Income by nature and geographic segment

South Africa continues to contribute majority of the group's income at 69%, Latam contributing 30% and Nigeria 1%. Gaming is the primary contributor to group income at 73%, alternate gaming contributes 8%, food and beverage 8%, rooms 8% and other income 3%.

Financial summary

R million	**Audited year ended 31 December 2018**	Change %	Audited year ended 31 December 2017*
Income	16 420	7	15 351
Adjusted EBITDA	4 357	5	4 143
Adjusted operating profit	2 816	4	2 298
Profit before tax	1 632	3	1 584
Profit after tax	967	(2)	989
Adjusted headline earnings	365	20	304
Basic earnings per share (cents)	(6)		(243)
Headling earnings per share (cents)	213		(175)
Diluted earnings per share (cents)	(6)		(243)
Diluted adjustments headline earnings per share (cents)	316		304
Dividends per share	–		–

* 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 and Discontinued Operations. The group has restated the

prior year's weighted average number of shares to reflect the effect of rights offer as requested by IAS 33: Earnings per Share.

BORROWINGS

In June 2018, Sun International concluded an equity capital raise through a renounceable rights offer (rights offer) when it successfully raised an amount of R1.6 billion. The funds from the rights offer were utilised to settle debt.

Sun International's borrowings as at 31 December 2018 were R14.7 billion, a year-on-year decrease of R15.0 billion. South African debt reduced from R11.4 billion at 31 December 2017 to R9.2 billion due to strong cash flows and the rights offer. Latam debt, however, increased following the raising of a 10-year bond by Sun Dreams due to the funding of the minority interest acquisition.

The group's statement of financial position remains resilient and the operations continue to generate strong cash flows. The group continues to trade within its debt covenant levels. The group has unutilised borrowing facilities of R1.4 billion and available cash balances of R938 million.

Group borrowings (for the year ended 31 December 2018)

R million	Total debt	Minorities	Sun International
South Africa	9 174	1 310	7 864
SunWest	728	256	472
Afrisun Gauteng	608	32	576
Afrisun KZN	276	92	184
Emfuleni	507	76	431
Wild Coast Sun	234	70	164
Meropa	74	21	53
Teemane	73	18	55
Windmill	74	20	54
Golden Valley	(12)	(4)	(8)
Sun Slots	24	7	17
Maslow Time Square	5 070	722	4 348
Management and corporate	1 518	–	1 518
Nigeria	602	305	297
Shareholder loans	927	470	457
Sun International inter-company debt	(325)	(165)	(160)
Latam	4 890	1 461	3 429
Sun Dreams	4 103	1 461	2 642
Sun Chile	787	–	787
31 December 2018	14 666	3 076	11 590
31 December 2017	14 995	2 654	12 341

Debt covenants

	South Africa		Sun Dreams	
	Actual	Covenant	Actual	Covenant
Debt to adjusted EBITDA	3.0	3.5	3.0	4.5
Interest cover	3.2	3.0		

LOOKING AHEAD

We are confident that the positive steps taken by the government to deal with corruption and state-owned entities will positively impact the South African economy. However; we do not anticipate a tangible improvement in the short term. Consequently, we expect continued pressure on disposable income and hence trading to remain subdued.

Maslow Time Square achieved satisfactory growth, with casino income up 19% in the second half of the year. With the opening of the Maslow hotel in April 2018, Maslow Time Square is now fully operational, and we anticipate that it will continue to gain further market share and achieve strong growth in revenue and adjusted EBITDA.

We will continue to focus on improving our operations and guest experience. We are dealing with loss-making entities and in this regard have commenced with the restructure of the Boardwalk and Carousel operations.

Trading in Latam, particularly in Chile, is expected to remain positive with Chile’s gross domestic product forecast to grow by 4%. We expect our new operations in Peru and Argentina to contribute positively in the first half of 2019. We will continue exploring growth opportunities in Latam, including in the online space where several countries are going through the process of regulating the industry.

Norman Basthdaw
Chief financial officer
29 March 2019

VISION, MISSION, VALUES AND STRATEGIC OBJECTIVES

GROUP STRUCTURE

Sun International's group structure remains largely unchanged, except for our Argentinian addition (Park Hyatt Hotel, Casino & Spa) and an acquisition in Peru (Thunderbird Resorts). We also opened the much-anticipated Maslow Time Square hotel at Menlyn Maine in March 2018, on time and within budget.

GROUP

	Gaming licences	Rooms	Slots	LPMs	Tables	Employees	Vacation Club units
2018	**27**	**4 454**	**19 869**	**4 040**	**775**	**14 632**	**384**
2017	27	4 340	18 717	3 720	736	12 959	384

	2018		**2017**	
Group contribution (%)	Revenue	EBITDA	Revenue	EBITDA
South Africa	69	69	70	71
Other Africa	1	–	1	0
Latin America	30	31	29	29

SOUTH AFRICA

	Gaming licences	Slots	LPMs	Tables	Rooms	Employees	Vacation Club units
2018	**13**	**11 275**	**4 040**	**388**	**3 238**	**9 001**	**384**
2017	13	11 677	3 720	414	3 310	8 244	384

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
GAUTENG					
Carnival City	91	1 401	46	105	773
Maslow	100	–	–	281	274
Time Square	82	1 750	60	238	1 005

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
WESTERN CAPE					
GrandWest	61	2 563	61	39	1 199
Table Bay	61	–	–	329	245
Worcester	61	220	6	98	213

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
KWAZULU-NATAL					
Sibaya	63	1 214	48	154	794

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
LIMPOPO					
Meropa	68	417	17	60	304

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
NORTH WEST					
Sun City	100	700	51	1 311	1 662
Carousel	100	700	25	57	166

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
NORTHERN CAPE					
Flamingo	71	300	10	–	191

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
EASTERN CAPE					
Boardwalk	82	900	27	140	566
Wild Coast Sun	70	549	19	396	535

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
FREE STATE					
Windmill	70	401	18	–	255
Naledi Sun	100	160	–	30	57

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
ALTERNATIVE GAMING					
SunSlots	70	4 040	–	–	231
SunBet	100	–	–	–	32

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
MANAGEMENT					
Sun International Management Ltd	100	–	–	–	499
Total Sun International Limited		15 315	388	3 238	9 001

OTHER AFRICA

	Gaming licences	Rooms	Slots	Tables	Employees
2018	**2**	**497**	**258**	**18**	**543**
2017	2	497	264	25	548

	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
Nigeria	49	100	5	146	340
Swaziland	51	158	13	351	203

LATIN AMREICA

Gaming licences	Rooms	Slots	Tables	Employees	
2018	**12**	**719**	**8 336**	**369**	**5 088**
2017	12	533	6 776	325	4 167

FINANCIAL	ECONOMIC INTEREST (%)[1]	SLOTS	TABLES	ROOMS	EMPLOYEES
Argentina					
Park Hyatt Hotel, Casino & Spa	64	695	18	186	610
Chile					
Monticello	64	1 961	80	155	1 536
Iquique	64	729	22	0	197
Temuco	64	733	36	96	389
Valdivia	64	434	22	104	298
Puerto Varas	64	453	36	50	317
Coyhaique	64	206	11	40	160
Punta Arenas	64	500	20	88	344
Colombia					
Plazuela, Bocagrande	64	242	11	0	46
Panama					

Ocean Sun Casino	64	487	26	0	178
Peru					
New York	64	443	17	0	288
Eden	64	186	5	0	61
Kingdom	64	154	7	0	60
Pachanga Independencia	64	256	8	0	100
Thunderbird Resorts	64	857	50	0	504

OUR **GLOBAL** PRESENCE

KEY GLOBAL PRESENCE STATISTICS

Sun International is an international hotel, casino and entertainment company with a global presence in eight countries. It owns and operates properties in South Africa, Nigeria, Swaziland and Latin America – including Argentina, Chile, Colombia, Panama and Peru. Our focus is to grow our existing asset portfolio in South Africa and Latin America, and exit operations in Nigeria and Swaziland. Our casino operations, including alternative gaming, contributes the largest share (81%) of group revenue.

GROUP

27
Gaming licences
(2017: 27)

775
Tables
(2017: 736)

19 869
Slots
(2017: 18 717)

4 040
LPMs
(2017: 3 720)

4 454
Rooms
(2017: 4 340)

384
Vacation Club units
(2017: 384)

14 632
Employees
(2017: 12 959)

GROUP CONTRIBUTION (%)

REVENUE

South Africa

Other Africa

Latin America

EBITDA

South Africa

Other Africa

Latin America

SOUTH AFRICA

13
Gaming licences
(2017: 13)

388
Tables
(2017: 414)

11 275
Slots
(2017: 11 677)

4 040
LPMs
(2017: 3 720)

3 238
Rooms
(2017: 3 310)

384
Vacation Club units
(2017: 384)

9 001
Employees
(2017: 8 244)

4 515 725 Water consumption kl (2017: 4 537 054)	249 911 965 Energy consumption kWh (2017: 248 869 294)	6 863 382 Waste kg (2017: 7 636 750)
0.96 Lost time injury frequency rate (2017: 1.27)	23 673 966 SED spend Rand (2017: 16 078 499)	1 B-BBEE Level (2017: 1)

NIGERIA

1 Gaming licence (2017: 1)	5 Tables (2017: 10)	100 Slots (2017: 106)
146 Rooms (2017: 146)	340 Employees (2017: 333)	49 Economic interest (%) (2017: 49)

SWAZILAND

1 Gaming licence (2017: 1)	13 Tables (2017: 15)	158 Slots (2017: 158)
351 Rooms (2017: 351)	203 Employees (2017: 215)	51 Economic interest (%) (2017: 51)

LATIN AMERICA

12
Gaming licences
(2017: 12)

369
Tables
(2017: 297)

8 336
Slots
(2017: 6 776)

719
Rooms
(2017: 533)

5 088
Employees
(2017: 4 167)

470 991
Water consumption kl
(2017: 402 037)

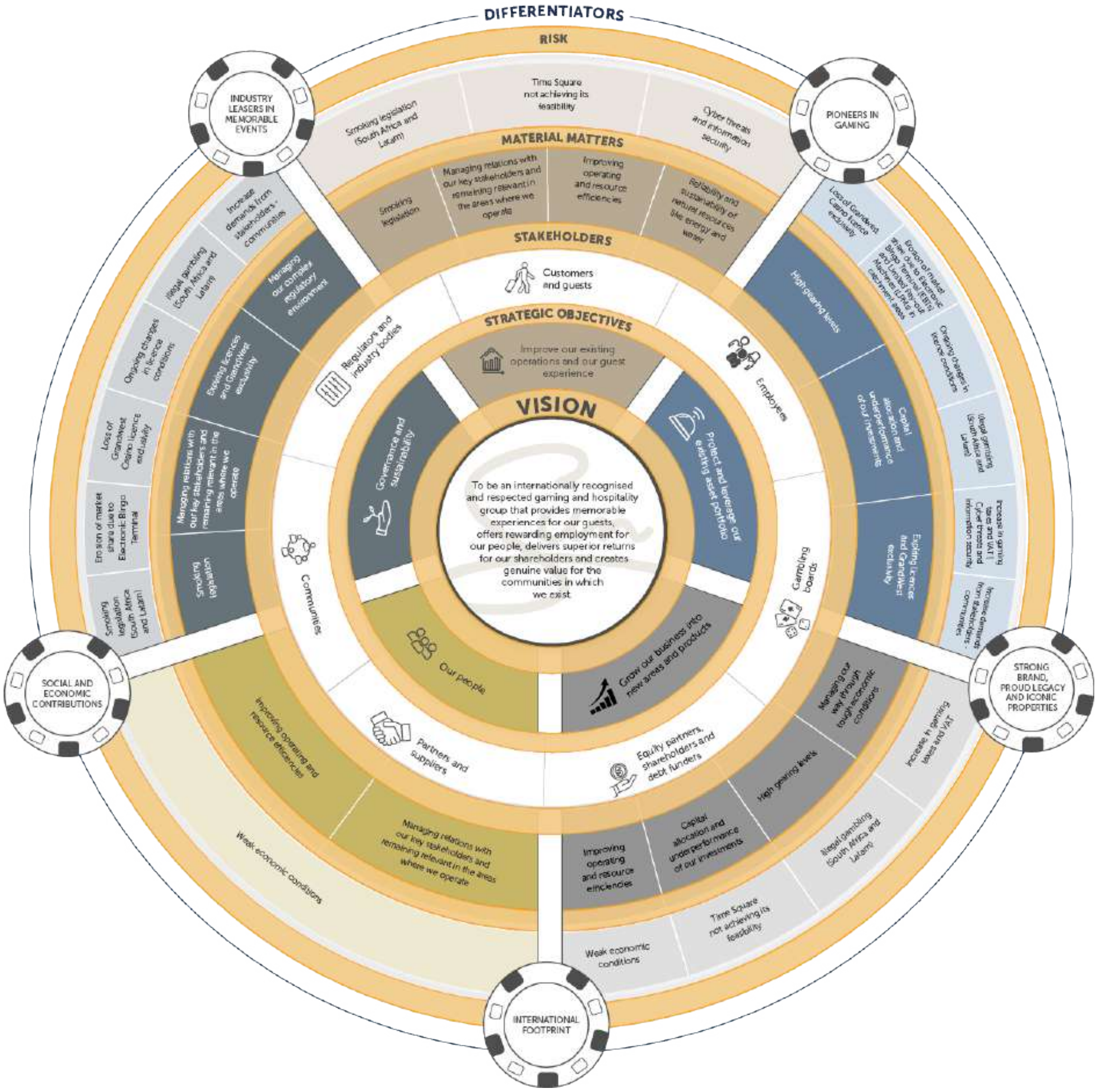
59 538 684
Energy consumption kWh
(2017: 55 463 591)

2 320 000
Waste kg
(2017: 2 926 000)

3.47
Lost time injury frequency rate
(2017: 4.27)

VALUE CREATION

Achieving our vision ensures value creation for all stakeholders. This is achieved through our business model, which is executed through our sustainable business strategy, reinforced by our core values, and underpinned by our governance and risk management.



OPERATING ENVIRONMENT

We recognise that we cannot influence macro-operating environment factors beyond our control. Therefore, we focus on what we can control in the gaming and hospitality operating environment. We enhance our customers' experience by providing excellent customer service, offering new products, and seeking opportunities to create memorable experiences and enhance shareholder value.

ECONOMIC ENVIRONMENT

Global economic growth for 2019 is projected at 3.5%[1] percent, 0.2% lower than forecast in October 2018. This decrease is largely due to diminished growth momentum and tighter financial conditions in emerging markets and developing economies. Other factors include increased trade tensions between the USA and other countries, geopolitical tension, over-indebtedness, and uncertainty over Brexit. In Latam growth is projected to recover from 1.1% in 2018 to 2.0% in 2019. South Africa's 2018 economic growth remained subdued at 0.8%. However, growth is projected to pick up to between 1.5% and 1.7% in 2019.

1 Source: IMF World Economic Outlook

The economic overview that follows includes countries in which our core assets operate, namely South Africa, Chile, Peru and Argentina.

South Africa[2]

The group's revenue largely depends on the South African economy. South Africa's GDP growth rate was 0.8% at the end of 2018, weighed down by lower investor confidence on the back of the controversial land reform debate, high unemployment rates, and a technical recession during the first half of the year. Economists expect the economy to improve marginally in 2019 ahead of the general elections in May 2019, which should increase household spend and fixed investment. Additional credit rating downgrades remain a concern amid economic and political tensions. Continued power outages and ever-increasing electricity prices are still a threat to the economy. Consumer disposable income remains under pressure since the 1% increase in VAT took effect. Consumers are likely to allocate less disposable income on leisure and entertainment spend.

2 Source: Focus Economics

The rand experienced another volatile year, closing at R14.43 (2017: R12.38). It is trading stronger than expected to date in 2019, and is expected to average R14.40[3] for the remainder of 2019. A weaker rand tends to attract international visitors, as South Africa becomes an affordable tourist destination with excellent gambling and hospitality offerings.

3 Source: Bureau for Economic Research

Chile[4]

Chile's economy grew during the first half of 2018, but growth dropped notably in the third quarter amid faltering mining activity and weak external sector metrics. It recovered at the end of 2018. Chile's resilient construction industry and sustained investment in machinery and equipment improved solid fixed investment growth in the third quarter. Growth in 2019 is expected to remain solid, largely driven by sturdy domestic demand, although the pace of expansion will ease alongside moderation in global trade. The tightening labour market should sustain higher wages and drive private consumption.

4 Source: Focus Economics

Peru[5]

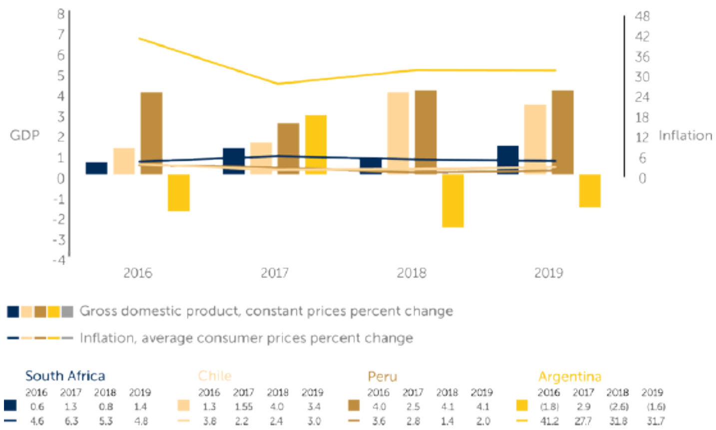
Peru’s good growth in the first half of 2018 was muted by a significant dampening in business investment and public infrastructure funding during the third quarter. Public investment rebounded in the last quarter; credit continued to expand; and the agriculture and fishing sectors recorded outstanding performances. Growth is expected to improve in 2019, underpinned by a solid domestic economy and healthy external demand for commodities. Improving investor confidence, solid credit growth and favourable business growth is likely to reinforce fixed investment. The main risk stems from escalating global trade tensions and a possible slowdown in China’s economy.

5 Source: Focus Economics

Argentina[6]

Argentina’s economy is expected to remain in recession due to challenging financial markets and a depreciation of the peso. Negative consumer confidence and rising debt levels prompted a sovereign downgrade by rating agencies. Looking ahead, the economy is likely to remain in recession, although this should subside. Inflationary pressures and rising taxes will place additional pressure on consumers, and high interest rates and shrinking public investment will impact fixed investment. Positively, the trade balance is expected to improve from a deficit to surplus on the back of higher agricultural exports and lower imports, and the fiscal deficit is expected to narrow.

6 Source: IMF October 2018 and Focus Economics.



REGULATORY ENVIRONMENT

The group monitors its regulatory environment through its legal and compliance departments in South Africa and Latam. The NGB oversees the regulation in South Africa’s gaming industry. Each province has its own gaming legislation. There are 40 authorised casino licences in South Africa, and 39 are issued. Sun International has 13 of these licences in its eight provinces of operation. The group is also a member of the CASA, which represents the interests of the country’s legal casino gaming industry.

In 2015 the Minister of Trade and Industry published a notice increasing the number of casino licences in South Africa from 40 to 41. The additional casino licence is earmarked for the North West. CASA is appealing the matter on behalf of its members.

In Chile, the SCJ oversees 18 authorised casinos in 13 regions of the country, with another seven casinos operating under concession granted by certain municipalities. Sun International has seven licences in Chile. In terms of a new casino law, the licence for these casinos expired in December 2017 and the group submitted bids for five of these licences. The group was only awarded one licence – Iquique municipal licence – for a further 15 years. The new licences fall under the regulations of the SCJ.

Peru is preparing for legislative reforms, which, if approved, will regulate online gambling and sports betting services in the country. This will provide opportunities for Sun International to introduce online and sports betting products.

Smoking legislation

In May 2018, the South African Department of Health published the Control of Tobacco Products and Electronic Delivery Systems Bill for public comment. The Bill prohibits smoking in all public enclosed areas and aims to control electronic delivery systems – including vapour-releasing electronic cigarettes and heat-not-burn devices that heat up tobacco, which were not covered by earlier legislation. The operation of casinos falls within the scope of this provision. Sun International submitted comments, with the main concerns being severe economic and social consequences such as lower revenue, job losses and the negative impacts on enterprise development. CASA[4] estimates that, if this Bill is passed, casinos could see as much as an 18% drop in GGRnationally, which translates to about R3.2 billion in the first year of implementation. This, in turn, will significantly reduce provincial gambling tax revenue by R343 million and national VAT revenue by R422 million in the same period. In addition, CASA estimates that 4 000 direct and indirect industry jobs could be impacted. This decrease in casinos profitability will necessitate cost-cutting measures, including a reduction in CSI. Sun International is actively monitoring this legislation and exploring mitigating actions if this Bill is passed.

4 Source: CASA 2018 Survey of casino entertainment in South Africa.

REGULATORY AND INDUSTRY BODIES

South Africa

- The NGB
- The CASA
- The dti

Latam

Argentina has a federal structure and gaming activities remain under control of each province. In Mendoza, the entity that regulates gaming is the Instituto Provincial de Juegos y Casinos de la Provincia de Mendoza

Chile

- The SCJ – operating under the auspices of the Deputy Minister of Finance

Colombia

- The Coljuegos

Peru

- The General Direction of Casino Games and Slot Machines

Panama

- The Gaming Control Board – operating under the auspices of the Minister of Economy and Finance

PRIMARY GAMBLING LEGISLATION

South Africa: The National Gambling Act 7 of 2004

Argentina: Law No 5188 (Valle de Las Leñas Casino); Law No 5775 (Casinos in 4- and 5-star hotels); and Law No 6659 (Nuevo Plaza Hotel Mendoza)

Chile: The Law No 19.995

Peru: The Law No 27.153

Panama: The Law No 19 of 8 May 1947

Gaming taxes

Proposed amendment to the Gauteng casino tax regulations

On 14 January 2019, the MEC responsible for Economic Development, Environment, Agriculture and Rural Development for the Gauteng province amended regulation 85 of the Gauteng Gambling Regulations, 1997. The amendment introduced a new tax regime for casinos in Gauteng. Prior to the amendment, regulation 85 of the Regulations provided that casino licensees were liable to pay a gaming tax amounting to 9% of each licensee's gross weekly gambling revenue. In terms of the amendment, gaming tax was to be determined with reference to a sliding scale of GGR. The taxes were due to be implemented with effect from 1 April 2019.

The CASA, on behalf of its members, vigorously opposed the implementation of the amendment resulting in the MEC's office agreeing to withdraw the implementation of the amendment and recommence the process including conducting an updated assessment to determine the effect such a proposed tax would have on the Gauteng casino industry.

South African national gaming tax

It was announced in the 2019 budget presented by the Minister of Finance that draft legislation introducing a gambling tax in the form of a 1% levy will be published for public comment. This tax was previously proposed and we will comment on the draft legislation when published.

Peru gaming taxes

According to a decree published in September 2018, from 1 January 2019, casinos will pay a monthly consumption tax levied against each machine and gaming table they offer in their venues. The specific amounts will vary according to the level of gaming revenue reported by each machine or table. This represents an estimated additional tax of 4.8% to the current 12% tax on gross gaming revenue. The gaming industry has declared this decree unconstitutional and illegal and has launched a legal challenge.

Financial Intelligence Centre Act

The group revised its controls within is gaming operations to align with the amendments to the FICA and is at an advanced stage of implementing software and hardware improvements to its systems to identify customers who transact below R5 000. The group is implementing a third-party solution to identify politically exposed persons.

Liquor legislation

The group's casinos in the Free State province trade on a 24-hour basis. The province's regulation amendments propose curtailing liquor trading hours at casinos from 08:00 to 04:00. The group will submit its comments on the proposed amendments to the Free State Gambling and Liquor Authority.

B-BBEE legislation

The group embraces transformation and is committed to continually improving its B-BBEE credentials in its South African operations. As at 31 July 2018, Sun International achieved a Level 1 B-BBEE status and most units achieved Level 2 and higher.

CASA members generated GGR of **R18.5 billion** (2017: R17.8 billion) – up **3.5%**

GAMING AND HOSPITALITY OPERATING ENVIRONMENT

Gaming

South Africa's casino industry remains under pressure as a result of the tough economic climate that places pressure on consumer disposable income. Positively, CASA[8] reported that the industry's GGR experienced a 3.5% increase off the back of a decrease in GGR in the comparative period (31 March 2017). The gaming industry contributes significantly to the economy through employment opportunities (direct and indirect), boosting government tax revenues, progressing transformation and enabling social upliftment.

8 Source: CASA 2018 Survey of casino entertainment in South Africa

Illegal and online gambling (currently prohibited in South Africa and Chile) leads to negative socio-economic impacts, including fewer collected taxes for national development and redundancies in casino jobs. Despite government's and the dti's commitment to combat this problem, Illegal gambling continues to increase. More action needs to be taken in South Africa and Chile to avoid further revenue erosion from licensed casinos.

The proliferation of EBTs continues to impact the casino market in South Africa. While the NGB is against the rollout of EBTs, certain provinces continue to issue licences or are looking to do so. Sun International is opposed to an EBT rollout in the current regulatory environment. We object to licensing EBTs in the catchment areas of our casinos where significant investments have been made in return for the casino licence. Considerable regulatory reform is required from a socio-economic perspective.

The Western Cape's proposed legislation allows for the relocation of casinos, which could lead to declines in gambling revenue and a loss of jobs. Sun International's GrandWest and Worcester casinos will be directly impacted should this Bill be passed into law. Sun International submitted comments opposing the promulgation of the proposed legislation in its current form. The adverse impacts of the relocation of two outlying casinos into the Cape Metropole are projected to include:

- no material increase in total annual provincial GGR, which is forecast to rise by 3.6%
- a net decline in total annual provincial gaming tax revenue, which is forecast to fall by 7.5% per annum (if the newly proposed two-tier tax dispensation is introduced), or by 6.2% (if the existing six-tier tax dispensation is retained), which will ultimately not be offset by the economic opportunity fees provided for in the Bill
- a pronounced adverse impact on GrandWest, its employees and suppliers, and the community in which it operates
- irreversible negative impacts on the local economies of the areas from which the relevant casinos relocate.

The National Gambling Amendment Bill was tabled at Parliament near the end of 2018. One of the proposals is to reposition the NGB to become a National Gambling Regulator. CASA, on behalf of its members, submitted substantial comments against the Amendment Bill and the dtiintroduced the redrafted Bill to the Select Committee on Trade and International Relations.

TOTAL AFRICAN CASINO LICENCES: 40

- **13** Tsogo Sun
- **13** Sun International (South Africa)
- **1** Nigeria
- **1** Swaziland
- **2** Sun International (Other Africa)
- **8** Peermont Global
- **1** Caesars Entertainment
- **1** Desert Palace Casino*
- **1** Leithlo Resort*

South Africa source: CASA's 2018 Survey of Casino Entertainment in South Africa.

** Non-CASA member.*

TOTAL SUN INTERNATIONAL LATAM LICENCES: 12

- **7** Chile
- **1** Panama
- **4** Peru

Sun International owns and operates **six route operator licences LPMs**, **one online sports betting licence**, and **four cash betting retail stores**.

Hospitality

The hospitality industry is particularly vulnerable to the ebbs and flows of economic conditions and increasing competition. In South Africa, other factors that impact our international tourism include: the confusion around the visa requirements for families travelling to South Africa; the oversupply of hotels in certain areas, including the Sandton central business district and the Western Cape; and the water crisis that mainly impacted the Western Cape and Eastern Cape. Towards the end of 2018, South Africa's Department of Home Affairs simplified the visa requirements for travellers from certain countries. Waiver agreements will be implemented for several African and Middle Eastern countries, which should lift the travel barrier going forward and increase tourist numbers. The water crisis has abated and Sun International implemented sustainable solutions to ensure our guests are not negatively impacted should a similar crisis reoccur.

Rooms make up 8% (2017: 8%) of Sun International's revenue. Most of the group's hotels focus on serving our gaming customers. In South Africa, Sun City, The Table Bay, The Maslow and Maslow Time Square are focused on local and international business and leisure travellers. In Chile, the group has several hotels at its casino properties that serve local travellers and VIP gaming customers.

TECHNOLOGY ENVIRONMENT

Technology is inherent in Sun International's business. It assists in creating opportunities to understand and better serve our customers and identify efficiencies as we strive to contain costs. Our world-class Enterprise Gaming and Bally Business Intelligence systems provide invaluable customer data to track customer behaviour and interact with customers directly. During 2018, the group acquired premium international online gaming software that enriched Sun International's online sports betting offering (SunBet.co.za).

The threat of cyberattacks is increasing in the gaming industry. Sun International implements various technologies group-wide to detect and block cyber threats.

Customer data protection is critical, as more protection provides comfort to customers in providing information, which enables the group to make informed decisions around customer behaviour. The group complies with relevant data protection legislation including the PoPI in South Africa, the GDPR in Europe, and other relevant internal policies and procedures.

NATURAL ENVIRONMENT

Even though our business poses limited risk to the natural environment, the group remains committed to limiting its environmental impact through our various initiatives aimed at reducing resource consumption. The water crisis in the Eastern Cape and Western Cape has lessened, but management continues to look at implementing sustainable solutions to ensure our guests are not negatively impacted.

SOCIETAL ENVIRONMENT

Our bookmaking, sports betting, LPMs and casino properties, which largely have exclusive rights in the areas where they operate, impact the surrounding communities. Many customers and employees come from these communities and play a meaningful role in community development through E&SD initiatives. Being a responsible corporate citizen is part of the group's DNA. We fully support responsible gambling through the SARGF – the entity that supervises the NRGP in cooperation with the gambling industry operators and governmental regulators. The NRGP integrates education, research and treatment into one programme.

Of the R15.6 million (as reported by CASA[8]) contributed by the casino industry to the SARGF, Sun international contributed approximately R8.1 million in 2018. Sun International paid a further R1 million in respect of its bookmaking and LPM businesses. These contributions are earmarked to provide free support to all people affected by problem gamblers.

8 Source: CASA 2018 Survey of casino entertainment in South Africa

BUSINESS MODEL

We use the six capitals in our business model which, through our business activities, culminate in outputs and outcomes that create value for our various stakeholders. Good corporate governance, sustainable business practices and risk management underpin our business model and provide the foundation on which we build and grow our business.

Capitals

Financial capital
Our source of funds includes debt and equity, which we use for business operations including running costs, property refurbishments, and maintenance and strategic acquisitions.

Productive capital
Our unique properties form the bricks and mortar where our business activities are carried out to ensure we offer our guests an unforgettable experience. Our unused land also creates opportunities for development.

Human capital
Our people are the primary interface with our guests and the custodians of the memorable experience we strive to offer our guests.

Intellectual capital
Our intellectual capital includes our gaming licences, brand and know-how, which provide our licence to operate and cultivates a wealth of management expertise and innovative IT.

Social and relationship capital
Our guests, shareholders, employees, communities, gambling boards, government and regulators are key stakeholders and e actively engage with and manage these stakeholder relationships to promote a shared value proposition.

Natural capital
Our business activities depend on natural resources, particularly water and energy. Some of our properties are located in pristine environments rich in biodiversity, which we protect and preserve.

Activities and outputs	Inputs	Business activities	Stakeholders	Outputs	Outcomes
GAMING Our gaming licenses are the most critical enabler allowing us to operate.	▸ Cash flows from internal operations R3 billion ▸ Debt and equity funding ▸ 31 properties ▸ 775 tables ▸ 18 717 slot machines ▸ 3 720 LPMs ▸ Unused land ▸ 12 959 group employees ▸ 27 licences ▸ Respected brand and reputation ▸ World-class gaming systems ▸ Active stakeholder engagement ▸ Energy and water	▸ Evaluating our licence conditions ▸ Diversifying across Latam and divesting where appropriate ▸ Renewing casino licences ▸ Engaging gaming boards and CASA ▸ Investigating alternative gaming options ▸ Offering responsible gaming interventions ▸ Enhancing the SunMVG programme ▸ Engaging communities	▸ Communities ▸ Customers and guests ▸ Employees ▸ Equity partners, shareholders and debt funders ▸ Gambling boards ▸ Partners and suppliers ▸ Regulators and industry bodies	▸ Gaming contributes 80% of group revenue (2017: 73%) ▸ Government taxes including levies and VAT R4.5 billion (R4.2 billion in 2017) ▸ 27 gaming licences ▸ 775 tables ▸ 19 869 slot machines ▸ 4 040 limited payout machines (LPMs) ▸ 14 632 group employees ▸ SED spend R23 673 966	▸ Maintaining gaming and social licences ▸ Influencing gaming legislation ▸ Expanding geographic footprint ▸ Significant tax contribution ▸ Unintended consequences of gambling
HOTEL AND RESORTS Our unique hotels, their location and superior service offerings are some of our key differentiators to offering an unforgettable experience for our guests, which keeps them choosing Sun International as a destination of choice.	▸ Cash flows from internal operations R3 billion ▸ Debt and equity funding ▸ 31 properties ▸ 4 340 rooms ▸ 384 Vacation Club units ▸ Unused land ▸ 12 951 group employees ▸ Respected brand and reputation ▸ IT systems ▸ Active stakeholder engagement ▸ Energy and water	▸ Maintaining and improving infrastructure and efficiencies ▸ Leveraging our iconic properties ▸ Integrating sustainable business practices ▸ Conducting customer surveys ▸ Managing underperforming properties	▸ Customers and guests ▸ Employees ▸ Equity partners, shareholders and debt funders Partners and suppliers	▸ Hotel and resorts contribute 8 % Revenue (2017: 8%) ▸ Total capex R1 050 million (2017: R2 591 million) ▸ 4 454 rooms ▸ 384 Vacation Club units ▸ 14 632 group employees	▸ Brand recognition ▸ Destination of choice ▸ Customer satisfaction ▸ Safe and healthy environment ▸ Cultivating a broader supplier base ▸ Reducing environmental impacts
FOOD AND BEVERAGE The group's food and beverage offering provides something for all food lovers – from fine dining to take-away options and everything in between.	▸ Cash flows from internal operations R3 billion ▸ Debt and equity funding ▸ 31 properties ▸ 12 959 group employees ▸ Respected brand and reputation ▸ Active stakeholder engagement ▸ Energy and water	▸ Managing operations efficiently and optimally ▸ Improving and upgrading our variety of food and beverage offerings ▸ Improving supplier relations ▸ Leveraging cross-sell food and beverage opportunities	▸ Customers and guests ▸ Employees ▸ Partners and suppliers	▸ Food and beverage contribute 8% (2017: 9%) ▸ Growing our variety of concessionaires ▸ Maintaining unique food brands ▸ 14 632 group employees	▸ Resource efficiencies – people, costs and systems ▸ Creating memorable experiences ▸ Customer satisfaction ▸ Creating opportunities for local enterprise development
EVENTS AND CONFERENCING Most of our properties have the facilities and infrastructure to host world-class events and conferences, which drive footfall at properties and create memorable experiences.	▸ Cashflows from internal operations R3 billion ▸ Debt and equity funding ▸ 31 properties ▸ 3 Sun Parks ▸ 12 959 group employees ▸ Respected brand and reputation ▸ Active stakeholder engagement ▸ Energy and water	▸ Cultivating and maintaining brand partnerships ▸ Leveraging cross-sell events and conferencing opportunities	▸ Customers and guests ▸ Employees ▸ Partners and suppliers	▸ Events and conferencing contribute 3% (2017: 3%) ▸ Maintain partnership and grow events and conferencing ▸ 3 Sun Parks ▸ 14 632 group employees	▸ Brand recognition ▸ Reputational impact ▸ Creating memorable experiences ▸ Recurrent participation in events and conferencing

Game changers

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

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

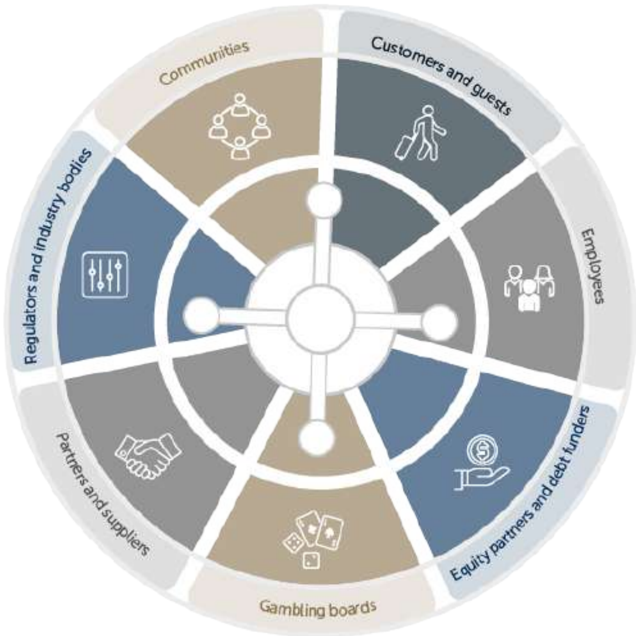
Operating environment
- Changing regulations
- Economic and political climate
- Industry and gaming bodies' requirements
- IT advancements and integration of technology
- Societies expectations

Differentiators
- Strong brand and proud legacy
- Pioneers in gaming in South Africa
- Industry leader in the field of big events
- Unique iconic properties
- Significant contributor to the economy
- An international business

STAKEHOLDER ENGAGEMENT

We actively engage with our key stakeholders and value constructive feedback. We encourage all shareholders to voice legitimate concerns, comments and suggestions through the various communication channels that we make available.

KEY STAKEHOLDERS



STAKEHOLDER ENGAGEMENT APPROACH

Every aspect of our business interacts with stakeholders, and our relationships with them impact directly and indirectly on our business and its reputation. Our reputation, or social and relationship capital, has a direct impact on our financial capital, as it influences whether consumers decide to become our guests; whether suppliers want to be vendors; whether employees want to work for us; and whether government believes that we comply with regulations, give back to communities and drive economic development.

Achieving our five strategic objectives depends on our ability to engage with and respond to our stakeholders. Our various methods of engagement include, among others, face-to-face interactions, formal and informal communication platforms, results presentations, reports and our annual general meetings. We also engage through our marketing campaigns, advertising, electronic media, newsletters and roadshows. We regularly conduct surveys among our guests and employees with the aim of continually improving service delivery, guest experience and employee satisfaction. We obtain positive and constructive feedback and respond to it appropriately.

ENGAGEMENT PROCESS

Through the group's stakeholder engagement process, we annually assess our stakeholder universe based on their influence on the group, and the group's influence on stakeholders. We identify any material concerns and opportunities that may exist, and purposefully engage to resolve and build on these matters and develop a better understanding of our stakeholders' needs. The risk and social and ethics committees provide oversight of the group's stakeholder engagement and are responsible for keeping the board abreast of material matters arising.

Focused engagement within the communities in which we operate is particularly important, as most of our properties are situated within or close to surrounding communities. Cultivating relationships with stakeholders such as community leaders, NGOs, NPOs and PBOs ensures that Sun International offers shared value and sustainable SED opportunities. During 2018, communities (particularly in the North West) raised concerns around the lack of local procurement opportunities which, in return, create job opportunities and provide socio-economic upliftment in these communities.

To ensure that we stay abreast of community needs and concerns, the group's community engagement methodology is being updated as part of a new stakeholder engagement management system. This will ensure that all engagement and interventions are aligned with the group's sustainable business strategy and, more broadly, with provincial and national growth and development plans. This revised engagement methodology involves the identification and classification of our relevant communities and stakeholders. This is followed by assessing various social aspects related to the wellbeing of these communities, as well as identifying the collective needs of these communities. Based on these assessments, possible interventions are identified and discussed with the affected stakeholders. It is anticipated that the new engagement methodology will be rolled out to all South African units in 2019.

COMMUNITIES

Communities form an integral part of our operating environment as they provide our social licence to operate. It is imperative to create shared value for these communities to sustain our operations.

Key stakeholder concerns

- Limited procurement opportunities in the local and regional communities
- Perception of community upliftment
- Limited job opportunities
- Ageing infrastructure and no shared value

Actions to address stakeholder concerns

- Community engagement specialist proactively engages with communities on pertinent issues
- Financial investment in SED initiatives across our focus areas
- Increasing local supplier procurement and development in most of our communities
- Introducing a formal business development support initiative
- Developing a new community engagement strategy to improve dialogue over community concerns

CUSTOMERS AND GUESTS

Our livelihood depends on our guests, as they have a direct impact on our financial sustainability. We constantly need to innovate and create memorable experiences to remain relevant and attract and retain our guests.

Key stakeholder concerns

- Customer segmentation
- Customer service
- Perception of value

- Discretionary spending under pressure
- Inconsistent and conflicting customer communication

Actions to address stakeholder concerns

- Ongoing learning and development programmes for employees to improve skills and customer service
- Ongoing customer surveys
- Proactively managing customer feedback
- Enhanced business analytics to improve customer segmentation
- Ongoing property upgrades and refurbishments
- Improving brand and marketing campaigns
- Continually enhancing the Sun MVG offerings
- Implementing a new communication system to improve direct communication with Sun MVGs

EMPLOYEES

Employees are the heart of our business. They are the primary interface with our guests and the custodians of the memorable experience we strive to offer our guests.

Key stakeholder concerns

- Fair remuneration
- Learning and development
- Talent management
- Performance management
- Succession planning
- Transformation
- Recognition

Actions to address stakeholder concerns

- Embedded the SunWay culture programme and employee value proposition
- Ensuring compliance with the tenets of ‘equal pay for work of equal value’ through our South African operations
- Ongoing learnings and development initiatives
- Annual performance reviews
- Biannual employee satisfaction surveys to determine overall employee satisfaction
- Robust employment equity plan in place to track transformation progress
- Best practice policies, standards and procedures in place
- Increased employee wellness initiatives and programmes
- Updated and implemented the group’s revised code of ethics

EQUITY PARTNERS, SHAREHOLDERS AND DEBT FUNDERS

Equity partners, shareholders and debt funders provide us with the financial resources to deliver on our strategic objectives and create shareholder value.

Key stakeholder concerns

- Underperformance of strategic investments
- Capital allocation
- High debt levels
- Meeting debt covenants
- Gap between valuation and the group’s share price
- Creating shareholder value through dividend distributions

Actions to address stakeholder concerns

- Rights offer proceeds of R1.6 billion allocated to debt to strengthen balance sheet
- Direct engagement with executives at annual and interim reporting and investor presentations
- Debt strategy communicated to investors through presentations, direct engagement, roadshows and annual and interim reporting
- Increased focus on operational and resource efficiencies.

GAMBLING BOARDS

Gambling boards provide our legal licence to operate and guide the group on how best to create shared value for the communities where we operate. They also provide oversight on the game industry to ensure a fair and responsible industry.

Key stakeholder concerns

- EBTs licensing
- Licence conditions change requests
- Increase in gaming taxes in Gauteng

Actions to address stakeholder concerns

- Executives and group compliance continue to build relationships with all provincial gaming boards through regular interaction
- Site visits to key properties
- Ongoing feedback to gaming boards on licence conditions
- Internal and external compliance audits

PARTNERS AND SUPPLIERS

Partners provide support to ensure we do not operate in isolation, thereby minimising the potential value creation. Suppliers provide the necessary supplies, services and systems to enable the group to carry out its business activities and improve the overall guest experience.

Key stakeholder concerns

- Negative perceptions around the process of registering as a supplier
- Lack of visibility of sourcing opportunities when tenders are being issued
- Return on investment on big events

Actions to address stakeholder concerns

- Improved the procurement system to control fronting and support B-BBEE initiatives
- Improved guest and customer offerings through sustained and improved partnerships
- Maintained our Level 1 B-BBEE rating
- Introduced a procurement tender notice board to inform all suppliers of new requests for proposal
- Introduced supplier conferences and open day to improve local procurement
- Continued to review events to provide sustainable returns on investment

REGULATORS AND INDUSTRY BODIES

Regulators provide guidance on how we are required to operate, and industry bodies provide a platform to influence policy and legislation. This continues to create value for all stakeholders within the confines of the law.

Key stakeholder concerns

- Compliance with relevant legislation (e.g. regarding B-BBEE, labour, health, smoking and liquor)

Actions to address stakeholder concerns

- Ongoing engagements with regulators and industry bodies
- Continuous monitoring of changes to legislation directly impacting the group
- Submissions to regulators on proposed legislation
- Ongoing lobbying through the industry body, CASA
- Internal and external compliance audits on all aspects of sustainability, namely environment, health and safety, and SED
- SHE compliance cross-unit audits conducted at all local operations
- Training of 32 SHE representatives as internal SHE compliance auditors

MATERIAL MATTERS

Our material matters consider the operating environment, including external and internal factors, our stakeholder concerns, and the risks impacting our business.

OPERATING ENVIRONMENT

The group operates in eight countries across two continents. This provides a dynamic and often challenging operating context, which can impact the delivery of our vision. Continually monitoring external factors helps identify risks and opportunities, which we respond to through our business model and strategy. The external factors indicated below are the most material issues that impact on our day-to-day operating environment.

Key external factors

Local and global economic conditions	Socio-economic and social issues	Gambling boards requirements	Government policy and legislation	Local infrastructure	Climate change

STAKEHOLDER ENGAGEMENT

Proactive and transparent stakeholder engagement is important to achieving our strategy and vision. It enables us to determine and address stakeholders' material concerns and manage their expectations. Our reputation directly impacts whether consumers become our guests, whether suppliers become vendors, and whether government believes we comply with regulations and give back to the community by driving economic and social development (E&SD). Sun International has numerous stakeholders with whom we engage on various platforms. Our key stakeholders for the year under review are shown here.

RISK MANAGEMENT

Through a formal risk management process and governance structure, Sun International identifies, reviews, monitors and responds to the most material risks and opportunities across our business units and the countries in which we operate. Risk identification is key to safeguarding our assets, recognising opportunities, and implementing strategies to ensure we continue to address our material matters and deliver on our strategy.

STRATEGY

Our group strategy consists of five objectives that guide our growth and operational aspirations. These strategic objectives are informed by and address the material matters, risks and opportunities the group faces as well as key stakeholder concerns.

MATERIALITY DETERMINATION PROCESS

The process of determining materiality, outlined below, involves reviewing our risks, opportunities, external environment and stakeholder concerns. This process is dynamic and evolves yearly to ensure our material matters remain relevant and enable the group to achieve its strategic objectives, vision and mission. This materiality determination process, shown below is reviewed, updated and approved annually by the relevant governing bodies.

Out materiality process and methodology are reviewed and updated annually and, where applicable, aligned to best practice.

Determine boundaries by taking account of internal and external factors, demographics of our local and international units, as well as stakeholders that might have a negative and/or positive impact on the group and vice versa.

Consult and engage with our stakeholders including our board, shareholders, executive committee, employees, investors, government, regulators and industry bodies, unions and surrounding communities. Consultation and engagement take place through a range of different platforms and are not limited to one-on-one consultation.

Collect information through one-on-one discussions, internal and external surveys, various documents, minutes and reports, and via our social media platforms. After collecting the information, we **review and analyse** the information to identify the most material matters that impacted our business during the year under review. We further monitor our external operating environment, which includes factors beyond our control such as the economic and political climate, natural resources and regulations.

Identify and prioritise material matters highlighted in step 3, based on their impact on our business, our stakeholders and the environment. Some documents and stakeholders have a higher weighting depending on the nature and impact of the matter raised. Internal management, governance structures, strategy and our group risk registers, will have a higher weighting due to the nature of their direct involvement and impact on the group. Feedback on social media for example will have a lower weighting as it might not always have a direct bearing on the business. We priorities our material matters as serious, priority and focus areas.

Discuss and approve the identified material matters at the relevant governance committees, including executive management, board, social and ethics, audit and risk. In addition, an external assurance provider performs a materiality review to verify and confirm that Sun International's material matters are relevant, and representative of the process followed.

Regularly **review, respond** to and **address** material matters by revising the group's sustainable business strategy and where applicable our strategic objectives.

GROUP MATERIAL MATTERS

We consider material matters as factors that could substantively influence the assessment of providers of capital and other stakeholders regarding Sun International's ability to create value over the short, medium and long term. Our material matters are informed by our internal and external operating environment. They inform our business model, strategy and stakeholder engagement process. To achieve our strategic objectives and manage our risks, these material matters key for level of control are continuously monitored by Sun International and its governing body.

MANAGING OUR WAY THROUGH TOUGH ECONOMIC CONDITIONS

Our business depends on consumer spending at our properties. The prevailing tough economic environment in South Africa continues to strain consumers' disposable income, particularly discretionary spending on gaming and hospitality. This negatively impacts our profitability. The ongoing political and social challenges in South Africa remain a concern for the group.

2018 update: Consumer and investor confidence improved marginally following the December 2017 election, when Cyril Ramaphosa was elected as the President of South Africa. The upcoming May 2019 South African general elections are important to ensure South Africa can generate social and economic growth. Economic growth prospects across our international operations have improved and stabilised, although global geopolitical risks are increasing.

Opportunities: As the group navigates its way through these tough economic conditions. South Africa's interest rates are attractive for international investors. This provides a platform for increased investor inflows. The group makes a concerted effort to contain costs, improve customer service and become more efficient in this difficult economic climate.

Risks:

- Weak economic conditions
- Times Square not achieving its feasibility

Level of control

Risk level
Serious

SMOKING LEGISLATION

The proposed amendments to the smoking legislation, which will ban smoking in public areas, will severely impact casino revenues.

2018 update: The group submitted comments to the South African Department of Health on the draft Control of Tobacco Products and Electronic Delivery System Bill, following its publication in May 2018, expressing concerns about smoking (including e-cigarettes) being banned in public areas. Extensive lobbying through interested stakeholders such as CASA, gaming boards, and trade unions has taken place to raise similar concerns. Sun International continues to actively monitor this legislation and explore mitigating actions if this Bill is passed.

Risks:

- Smoking legislation

Level of control

Risk level
Serious

HIGH GEARING LEVELS

Managing high debt levels, in a tough economic environment, and managing certain properties that have performed below expectations, is imperative in ensuring we continue to provide sustainable shareholder value.

2018 update: Following the group's rights offer in 2018, which was significantly oversubscribed, R1.6 billion was raised and used to reduce the group's debt levels and strengthen the balance sheet. The group's balance sheet remains resilient and the group experienced strong cash flows.

Risks:

- Weak economic conditions

Level of control

Risk level
Serious

CAPITAL ALLOCATION AND UNDERPERFORMANCE OF OUR INVESTMENTS

The group continues to strategically allocate capital and carefully monitor its underperforming investments, in line with the economic environment.

2018 update: The group closed two underperforming investments in Colombia (Sun Nao Casino) and Panama (International VIP Business and the 66th floor of the Ocean Sun Casino), which led to decreased income and a significant cost reduction. Following the closure of the Sun Nao Casino in Colombia, the group explored a more lucrative business model for the Colombian market by opening several small low-cost halls using Sun Nao Casino's machines and tables. Although the group continues to incur small losses, this business model is an opportunity to turn this business into a profitable venture.

There was significant increased activity at Maslow Time Square with the opening of The Maslow Time Square Hotel. Although casino income is still below expectations, we remain confident it will continue to gain market share, grow revenue, and improve its operating margin. Following a good performance in 2017, Sun City came under pressure due to the difficult economic climate.

Opportunities: Grow Time Square's market share and improve the operating margin. Secure new lines of business for Sun City, particularly mid-week business and focus on increasing foreign visitation out of China and India when government makes the announced changes to the visa legislation.

Risks

- Maslow Time Square not achieving its feasibility
- Weak economic conditions

Level of control

Risk level
Priority

MANAGING RELATIONS WITH OUR KEY STAKEHOLDERS AND REMAINING RELEVANT IN THE AREAS WHERE WE OPERATE

Proactive stakeholder engagement is imperative to ensure we understand stakeholder needs to achieve our strategic objectives, minimise our risks and optimise business opportunities. As most of our casino licences provide for exclusive area rights, we must offer products and services that support, and remain relevant to, the communities in which we operate.

Level of control

Risk level
Priority

2018 update: Community demands for increased local procurement spend was a material stakeholder concern. Sun International has established targets for increasing local procurement spend across its South African operations. Further, we provide formal business development support for current and potential suppliers as part of our E&SD strategy.

In addition to the group's inclusive stakeholder engagement approach, our community engagement methodology was refreshed to ensure that all community engagement and interventions align with the group's sustainability strategy and, more broadly, with provincial and national growth and development plans.

Opportunities: Transparent and positive stakeholder relations lead to greater stakeholder cohesion and inclusivity and provide opportunities to uplift SED within our communities and boost the tourism industry, which remains an important element in stimulating economic growth.

Risks

- Increased demands from stakeholders – communities

MANAGING OUR COMPLEX REGULATORY ENVIRONMENT

We operate in a highly regulated and complex environment. The possibility of increased taxes and more onerous licence conditions will all impact the group's profitability. The group continues to focus on compliance requirements, ensuring we maintain our operational and social licence to operate. The increased availability of alternate gaming and the encroachment of EBTs in our catchment areas remain a concern as our market share has eroded.

Level of control

Risk level
Priority

2018 update: Ongoing lobbying, through CASA, against increased taxes and more onerous licence conditions remains a significant group focus. The Gauteng Gambling Board recently gazette an increase in gaming taxes in Gauteng, applicable from 1 April 2019. CASA is challenging the increase on grounds of a procedural and fairness basis.

Sun International continues to oppose the EBT rollout in the catchment areas of casinos in the current regulatory environment on the basis that significant investments have been made by Sun International in return for the casino licence.

CASA, on behalf of its members, is appealing the proposed decision by the Minister of Trade and Industry to increase the number of casino licences in the country to 41 with the additional one casino licence earmarked for the North West. CASAmade a submission to proposed changes to the National Gambling Bill which seeks to introduce a new body to replace the current National Gambling Board with a National Gambling Regulator.

Risks

- Ongoing changes in licence conditions
- Erosion of market share due to EBTs and LPMs in catchment areas
- Increase in gaming taxes and VAT

IMPROVING OPERATING AND RESOURCE EFFICIENCIES

To remain relevant to our customers and to adapt in a weak trading environment, the group focuses on extracting efficiencies across the business and optimising systems.

2018 update: An efficiency initiative team was established that has identified several processes across the business that need to be revised to function more efficiently. Several initiatives have been or are being implemented at an operational level.

Opportunities: Managing the business more efficiently and improving the utilisation of technology will lead to further cost containments and improve customer service levels.

Risks:

- Weak economic conditions

Level of control

Risk level
Priority

EXPIRING LICENCES AND GRANDWEST EXCLUSIVITY

Our casino business depends on the renewal and exclusivity of our casino licences. The group continues to monitor licence renewal bidding processes and changes in licence conditions that impact the business.

2018 update: The group's bid for the Iquique municipal licence in Chile was awarded to Sun Dreams for another 15 years. While our bids all met the minimum criteria, we lost to a competitor whose economic offer (additional tax) was substantially above ours and at levels which would not generate satisfactory returns for us. The group offset this by acquiring two operations, the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina and Thunderbird Resorts in Peru.

In February 2018, the Western Cape government gazetted draft legislation to establish three zones for casinos in the Cape Metropole and to allow for licence relocation. This legislation includes changes to gaming tax tables and conditions for relocation, entailing additional taxes and fees. The group submitted comments on the draft legislation and simultaneously engaged with several stakeholders including the media, local municipalities in Worcester, Caledon and Mykonos and other interested stakeholder groupings. Overwhelming public support was received against the relocation of licences.

Opportunities: There is an opportunity to look at real estate development at GrandWest to generate additional footfall and realise estate value. Sun Dreams continues to seek further expansion opportunities in Latam and is addressing the issue of renewal of the Monticello license.

Level of control

Risk level
Focus area

Risks

- Loss of GrandWest licence exclusivity
- Ongoing challenges in licence conditions

RELIABILITY AND SUSTAINABILITY OF NATURAL RESOURCES LIKE ENERGY AND WATER

External factors such as water scarcity, the ongoing proposed material energy cost increase and the financial crisis facing South Africa's energy supply continue to create additional pressure on our business.

2018 update: Renewable energy projects are being considered across the group and we are in the process of identifying and evaluating the most suitable approach for participating in energy projects. The water crisis has abated, and we have implemented sustainable solutions to address any future water crises at our properties in the Western Cape and Eastern Cape.

Opportunities: The implementation of energy-efficient projects will assist in reducing our reliance on South Africa's energy supplier and reduce energy and water consumption.

Risks:

- Weak economic conditions

Level of control

Risk level
Priority

RISK MANAGEMENT

Our risk management process aims to achieve an appropriate balance between indentifying and minimising key risks and realising value creation opportunities. The board is ultimately responsible for governing the group's risk management process, which includes formulating the group's risk appetite, and setting and monitoring risk tolerance. The board discharges its duties by mandating specific risk management duties and responsibilities to the group risk committee.

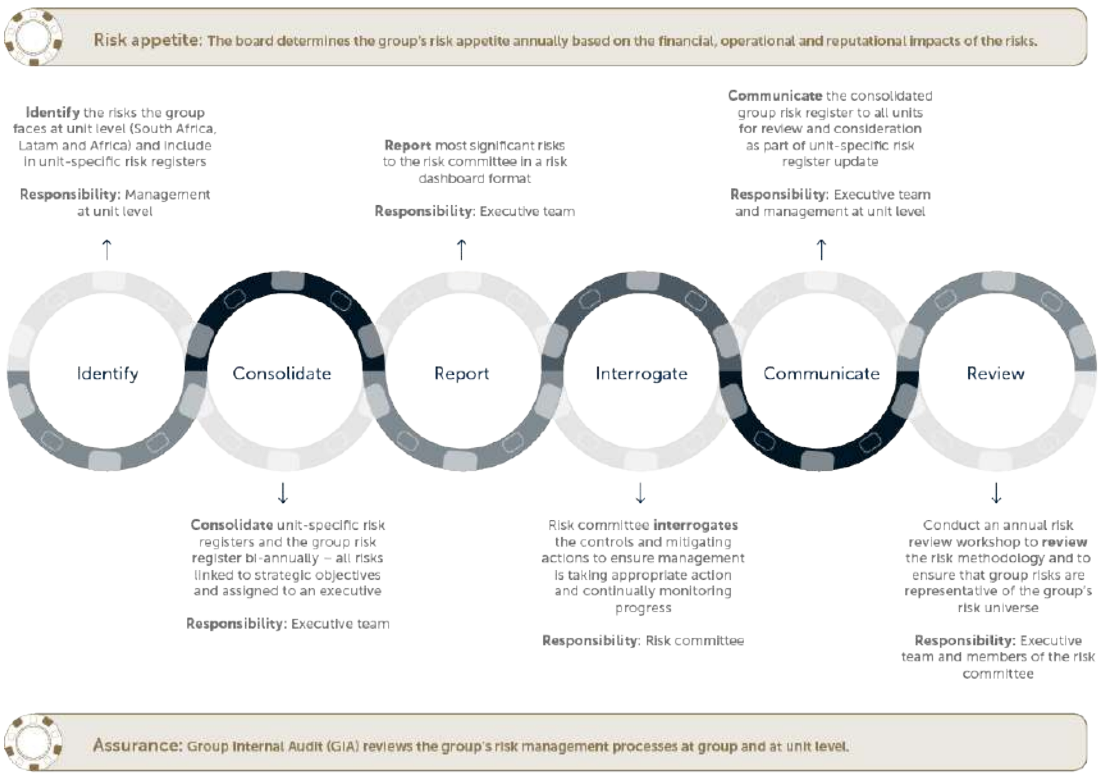
RISK APPROACH

Sun International has a formal risk management process and governance structure with various management and board sub-committees responsible for identifying, reviewing and monitoring the group's risks and identifying opportunities. During 2018, the group's risk approach was consistently applied group-wide and remains robust.

Risks are linked to the group's strategic objectives to understand the likelihood of the group achieving its long-term sustainable business strategy. The group considers its risks in terms of the possible impact and likelihood of a risk occurring, along with the effectiveness of mitigating controls, which results in a residual risk exposure. A residual risk rating is allocated to each risk with a detailed risk mitigation action plan that includes quarterly status updates, contingency plans and possible opportunities, to minimise or prevent the risk.

As part of the revised risk management programme, an annual risk workshop is held to ensure the risk methodology is still relevant and that the risks are representative of the group's risk universe. The risk review workshop includes the risk committee, and relevant executive members. The executive team remains collectively responsible for managing and reviewing the entire register prior to each risk committee meeting.

RISK IDENTIFICATION PROCESS



RISK GOVERNANCE

The group's management team is tasked with identifying the group's risks and each unit in South Africa, Africa and Latam has a unit-specific risk register, using the same methodology, which is compiled and consolidated quarterly. The most significant risks are reported to and reviewed by the risk committee at each meeting in the form of a risk dashboard, where the committee interrogates the controls and mitigating actions to ensure management is taking appropriate action and continually monitoring progress. The chairman of the risk committee reports to the board following each meeting, in accordance with the committee's terms of reference. The committee's mandate provides that material matters are reported to the group's audit committee to ensure the committee has appropriate insight into the group's key risks and opportunities and avoid duplication of matters within the remit of both committees. The board, through the audit and risk committees, considers the risks and opportunities the group may face and assesses each risk.

Factors considered by the board when assessing risk

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

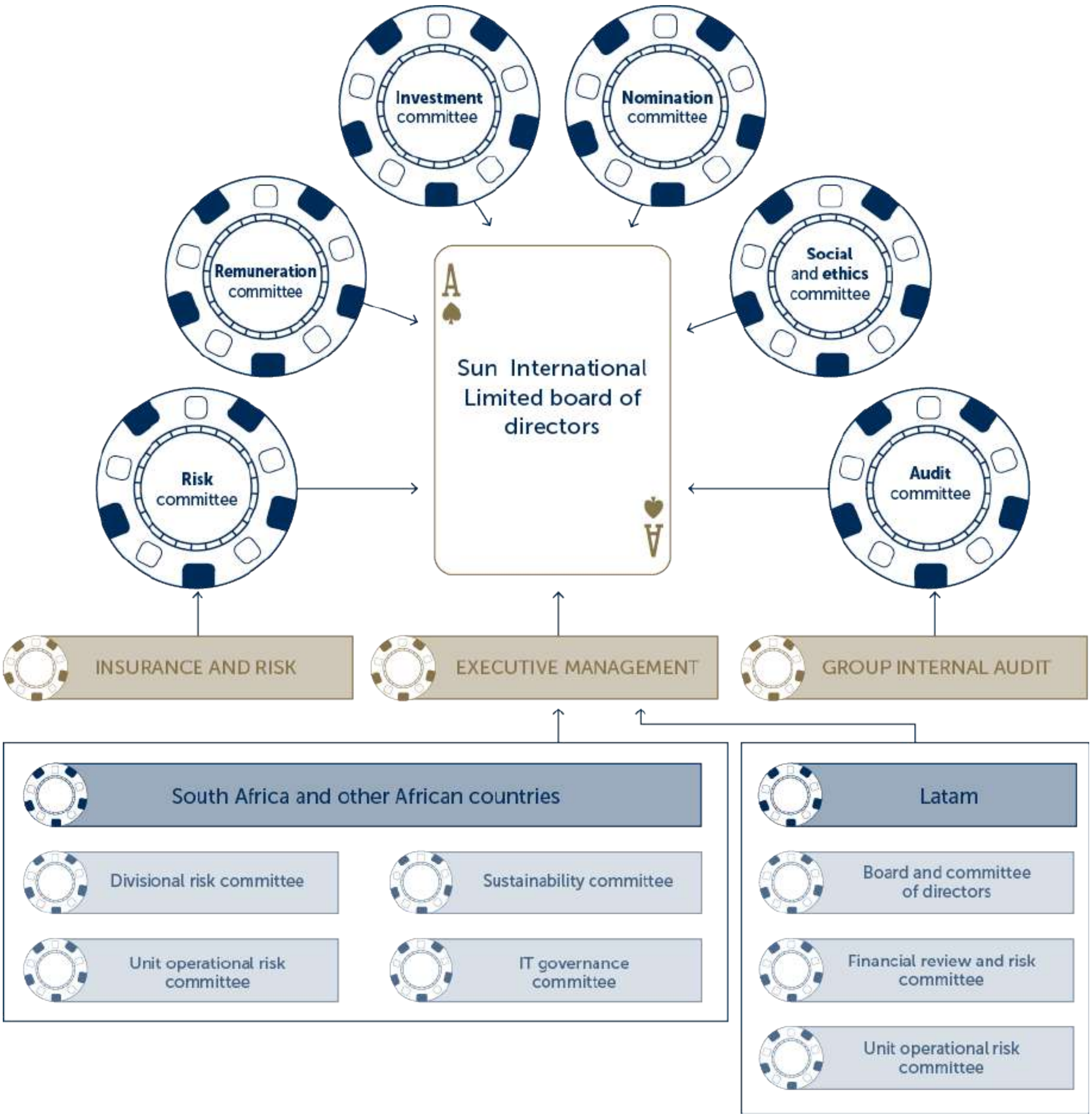
The chairman of the audit committee is a member of the risk committee. The interaction between these two committees is such that the audit committee has an oversight role specifically in relation to financial reporting risks.

As part of Sun International's combined assurance model, GIA's annual internal audit plan includes a review of the consistency of the application of the risk methodology and the effectiveness of risk controls. GIA's overall mandate includes the evaluation of risk exposures and the:

- reliability and integrity of information
- effectiveness of operating processes
- reliable and accurate reporting and communication of risks
- safeguarding of assets
- compliance with laws, regulations and controls.

The risk governance structure depicts the various management and board sub-committees responsible for the risk management process.

Risk governance structure



TOP 10 RISKS

As part of the group's overall risk universe, the following risks have been identified as the top 10 group risks. These risks are used to inform our business strategy accordingly. The residual risk ranking accounts for the impact and likelihood of the risk occurring and the controls in place to effectively mitigate the risk. The residual risk rating determines the urgency of action required by management. For the year under review, two risks (7 and 10) moved into the group top 10 risks, with one new risk (9) being added to the risk register.

Top 10 risks in 2018

Risk rating	Risk description	Residual risk description	Risk category
1 (2017: 1)	Smoking legislation (South Africa and Latam)	Serious	Regulated operating environment
2 (2017: 3)	Erosion of market share due to EBTs and LPMs in catchment areas	Serious	Increased competition
3 (2017: 2)	Weak economic conditions	Serious	Financial sustainability
4 (2017: 10)	Maslow Time Square not achieving its feasibility	Moderate	Financial sustainability
5 (2017: 4)	Loss of Grandwest Casino licence exclusivity	Within appetite	Gaming and other operating licences
6 (2017: 5)	Ongoing changes in licence conditions	Within appetite	Gaming and other operating licences
7 (2017: 11)	Illegal gambling (South Africa and Latam)	Within appetite	Increased competition
8 (2017: 6)	Increase in gaming taxes and VAT[1]	Within appetite	Gaming and other operating licences
9 (New)	Increase demands from stakeholders – communities	Within appetite	Regulated operating environment
10 (2017: 16)	Cyber threats and information security	Within appetite	Business interruption

1 This risk was ranked 13 in the risk register as at 31 December 2018. However, the risk was elevated to 8 post year end due to amended Regulation 85 of the Gauteng Gambling Regulations, 1997, released on 14 January 2019. The amendment purported to introduce a new tax regime for casinos in Gauteng whereby gaming taxes were to be determined with reference to a sliding scale of GGR, effective 1 April 2019. Prior to this amendment, casino licensees were liable to pay a gaming tax amounting to 9% of each licensee's gross weekly gambling income. CASA opposed this amendment resulting in the Gauteng MEC responsible for Economic Development, Environment, Agriculture and Rural Development agreeing to withdraw the implementation of the amendment, and recommence the process to determine the effect such a proposed tax would have on the Gauteng casino industry.

RISK 1: SMOKING LEGISLATION (SOUTH AFRICA AND LATAM) (2017: 1)

Risk description: The draft Control of Tobacco Products and Electronic Delivery System Bill, 2018 was published in May 2018 and includes a ban on smoking (including e-cigarettes) in public areas (both indoor and outdoor areas). This proposed legislation will have a significant impact on casino revenues in South Africa.

Risk rating: Serious
Risk movement: Unchanged
Sun International's level of control: Low
Primary board committee: Risk committee
Key stakeholders: Employees, customers, health authorities and shareholders

Risk movement

Risk mitigation

- Submitting comments on the proposed legislation
- Lobbying and engaging with CASA, the gaming boards, trade unions and other companies who have similar concerns regarding this legislation
- Rolling out alternative non-tobacco products at certain South African operations
- Establishing additional smoking decks at our Latam operations.

Strategic objectives impacted

- Governance and sustainability
- Improve our existing operations and guest experience.

Outlook

- Legislation is not expected to be enacted in the 2019 financial year
- Sun International continues to lobby and coordinate efforts with other affected industries.

RISK 2: EROSION OF MARKET SHARE DUE TO EBTS AND LPMS IN CATCHMENT AREAS (2017: 3)

Risk description: The proliferation of EBT and LPM licences issued in the group's catchment areas have eroded market share from casino operations due to increased competition.

Risk rating: Serious
Risk movement: Increased
Sun International's level of control: Low
Primary board committee: Risk committee
Key stakeholders: Shareholders and potential investors, gaming boards, regulators and suppliers

Risk movement

Risk mitigation

- Pursuing legal action in KwaZulu-Natal against the issue of EBT licencing
- Pursuing legal action in Eastern Cape around licence exclusivity
- Engaging and collaborating with gaming boards around roll out of EBTs and LPMs in catchment areas
- Lodging objections against the Eastern Cape Gambling Board to issue more ISO licences
- Continuing to collaborate with law enforcement to clamp down on illegal gambling activities.

Strategic objectives impacted

- Protect and leverage our existing asset portfolio

Outlook

- Sun International continues to engage government and the gaming boards regarding EBT and LPM rollouts to protect the group's licence exclusivity

RISK 3: WEAK ECONOMIC CONDITIONS (2017: 2)

Risk description: South Africa continues to experience a weak economic climate that impacted the group's revenue and costs. The change in the country's leadership improved investor confidence, which could provide a more positive economic outlook.

Risk rating: Serious
Risk movement: Increase
Sun International's level of control: Low
Primary board committee: Risk and audit committees
Key stakeholders: Shareholders and potential investors and employees

Risk movement

Risk mitigation

- Established an efficiency initiative team that is focusing on improving operational and resource efficiencies across the business
- Focusing on cost containment
- Focusing on customer service and value offerings
- Focusing on repairs and maintenance while carefully considering capital expenditure
- Reducing debt through the proceeds of the rights offer
- Improving investor relationships through regular engagement.

Strategic objectives impacted

- Improve our existing operations and guest experience

Outlook

- Sun International's efficiency initiative team will continue to implement efficiency initiative across the business
- Post the 2019 South African general elections, further clarity may be provided on how the

	government will implement growth-enhancing policies, however, there remains uncertainty • The fragility of South Africa's energy supplier and high energy costs remains a concern.

RISK 4: MASLOW TIME SQUARE NOT ACHIEVING FEASIBILITY (2017: 10)

Risk description: Despite ongoing marketing efforts and with the weak economic conditions, Maslow Time Square is not achieving the original projected estimates and there is a risk of impairment to the asset.

Risk rating: Moderate
Risk movement: Increased
Sun International's level of control: Medium
Primary board committee: Risk committee
Key stakeholders: Shareholders and potential investors, gambling boards

Risk movement

Risk mitigation
- Reconfiguring certain areas of the gaming floor
- Outsourcing certain food and beverage offerings
- Maximising hotel occupancy
- Reviewing operational efficiencies to improve margins
- Continuing to focus on marketing initiatives
- Driving Sun MVG sign-ups
- Increasing events in the arena to improve footfall.

Strategic objectives impacted	Outlook
• Improve our existing operations and guest experience	• Revenue and footfall improved and we remain optimistic that Maslow Time Square will increase market share, given the lacklustre trading environment

RISK 5: LOSS OF GRANDWEST CASINO LICENCE EXCLUSIVITY (2017: 4)

Risk description: Draft legislation was published in February 2018 that allows for the relocation of casinos. If this legislation is implemented, there is a risk of diluting GrandWest Casino's gambling revenues, thereby impacting overall profits which may lead to job losses and revenue displacement – all of which have a negative impact on the local economic environment. There has been significant media reaction to this draft legislation, with most interested parties objecting to the relocation of casinos.

Risk rating: Within appetite
Risk movement: Decreased
Sun International's level of control: Low
Primary board committee: Risk committee
Key stakeholders: Gambling boards, provincial government, communities and guests

Risk movement

Risk mitigation
- Continuing to review and challenge the proposed legislation
- Ongoing lobbying with government to discuss and consider proposal for exclusivity
- Extensive engagement with media, local municipalities and other interested stakeholders informing them of the risks of relocation in respect of revenue declines and potential job losses
- Considering the feasibility of relocating the Worcester casino licence.

Strategic objectives impacted	Outlook
• Protect and leverage our existing asset portfolio	• It is unlikely that this legislation will be implemented in 2019 given the general elections and other matters on which the government is focusing

RISK 6: ONGOING CHANGES IN LICENCE CONDITIONS (2017: 5)

Risk description: Regulators may issue more onerous licence conditions that will impact the group's licence compliance and profitability.

Risk rating: Within appetite
Risk movement: Decreased
Sun International's level of control: Medium
Primary board committee: Risk committee
Key stakeholders: Gambling boards, provincial government, shareholders and potential investors

Risk movement

Risk mitigation

- Negotiating licence conditions with various gambling boards
- Proactively improving relationships with gambling boards
- Maintaining or improving current B-BBEE levels
- Continuing to invest in local and affected communities through SED spend.

Strategic objectives impacted

- Protect and leverage our existing asset portfolio

Outlook

- Sun International continues to engage with the gambling boards

RISK 7: ILLEGAL GAMBLING (SOUTH AFRICA AND LATAM) (2017: 11)

Risk description: The proliferation of Illegal gambling operations continues to erode gambling revenues. Companies need to constantly adapt to these invisible operators. Even with law enforcement keeping a watchful eye on illegal gambling in South Africa and in Latam, there has been limited impact on this illegal industry.

Risk rating: Within appetite
Risk movement: Increased
Sun International's level of control: Low
Primary board committee: Risk committee
Key stakeholders: Gambling boards, CASA, South African Police Service, and provincial and national government

Risk movement

Risk mitigation

- Providing authorities with intelligence around illegal gaming and casino outlets
- Lobbying with CASA and gaming boards for support from law enforcement agencies

Strategic objectives impacted

- Improve our existing operations and guest experience

Outlook

- Sun International continues to engage with relevant stakeholders to assist in combatting illegal gambling

RISK 8: INCREASE IN GAMING TAXES AND VAT[1] (2017: 6)

Risk description: The Gauteng Gambling Board gazetted an increase in Gauteng gaming taxes effective 1 April 2019. This will impact our South African operations' profitability in an already constrained economic environment.

Risk rating: Within appetite
Risk movement: Decreased
Sun International's level of control: Low
Primary board committee: Risk committee
Key stakeholders: Gambling boards, CASA, provincial government and shareholders

Risk movement

Risk mitigation

- Monitoring CASA's progress in challenging the increase on grounds of a procedural and fairness basis
- Lobbying and challenging proposed gaming tax legislation.

Strategic objectives impacted

- Protect and leverage our existing asset portfolio

Outlook

- Ongoing lobbying with CASA to resolve this matter
- Current tax rates to be applied until further clarity on this increase

1 This risk was ranked 13 in the risk register as at 31 December 2018. However, the risk was elevated to 8 post year end due to amended Regulation 85 of the Gauteng Gambling Regulations, 1997, released on 14 January 2019. The amendment purported to introduce a new tax regime for casinos in Gauteng whereby gaming taxes were to be determined with reference to a sliding scale of GGR, effective 1 April 2019. Prior to this amendment, casino licensees were liable to pay a gaming tax amounting to 9% of each licensee's gross weekly gambling income. CASA opposed this amendment resulting in the Gauteng MEC responsible for Economic Development, Environment, Agriculture and Rural Development agreeing to withdraw the implementation of the amendment, and recommence the process to determine the effect such a proposed tax would have on the Gauteng casino industry.

RISK 9: INCREASED DEMANDS FROM STAKEHOLDERS – COMMUNITIES (NEW)

Risk description: There has been a significant increase in demands from local communities surrounding our operations, ranging from procurement, employment, shareholding to land opportunities. Political parties are increasing their involvement and local B-BBEE shareholders' requests are increasing.

Risk rating: Within appetite
Risk movement: Increased
Sun International's level of control: Medium
Primary board committee: Social and ethics committee
Key stakeholders: Communities and suppliers

Risk movement

Risk mitigation

- Ongoing communication with interested stakeholder groupings
- Appointed a dedicated SED and community engagement specialist to improve ongoing communication and engagement with local communities
- Introduced stakeholder engagements forums
- Focusing on local B-BBEE procurement, enterprise development and SED within communities surrounding group operations
- Developing a formal community engagement management plan to improve community dialogue and to identify community needs.

Strategic objectives impacted	Outlook
• Protect and leverage our existing asset portfolio	• Community engagement plan should be completed in July 2019 to be rolled out across our South African operations. • Ongoing SED stakeholder training will take place across units for SED representatives • Ongoing efforts to increase local procurement spend.

RISK 10: CYBER THREATS AND INFORMATION SECURITY (2017: 16)

Risk description: The group's dynamic operating environment includes the digital arena, which is susceptible to cyberthreats leading to business interruption, and the risk of customers' personal information being compromised.

Risk rating: Within appetite
Risk movement: Increased
Sun International's level of control: Medium
Primary board committee: Risk committee
Key stakeholders: Customers and guests, employees and shareholders

Risk movement

Risk mitigation

- A group-wide cyber security policies are in place
- Ongoing cyber training and awareness as well as cyber threat simulations
- Various technologies in place to detect and block multiple levels of threats
- Ongoing monitoring of cyber threats to identify root causes and implement solutions
- Business continuity plans in place including the use of external forensic teams in the event of a sophisticated attack, cyber security insurance in place and certified ethical hackers to test Sun International's IT environment.

Strategic objectives impacted	Outlook
• Protect and leverage our existing asset portfolio	• Sun International continues to proactively secure its IT management systems

STRATEGIC OBJECTIVES

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

Our strategic objectives are incorporated under these five pillars.

IMPROVE OUR EXISTING OPERATIONS AND OUR GUEST EXPERIENCE

In challenging the assumption that the markets in which we operate are relatively mature, we are actively relooking how our business is structured and how we operate to maximise the value we can create, and to improve our guest experience.

Ensuring that existing and new guests keep choosing Sun International properties as their destination of choice, through offering a great experience, is core to this focus area.

PROTECT AND LEVERAGE OUR EXISTING ASSET PORTFOLIO

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

GROW OUR BUSINESS INTO NEW AREAS AND PRODUCTS

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

OUR PEOPLE

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

GOVERNANCE AND SUSTAINABILITY

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

IMPROVE OUR EXISTING OPERATIONS AND OUR GUEST EXPERIENCE

IMPROVE OUR GUEST EXPERIENCE

To create great memories for our guests, we must remain relevant and offer our guests memorable experiences. Our two greatest assets are our people and our properties. Our people work tirelessly to put our guests first, demonstrating how we 'walk the talk' to solidify our vision into reality.

HIGHLIGHTS

- Introduced a digital communication platform for our Sun MVG customers
- Adopted a premium international online gaming software.

CHALLENGES

- Improving customer service levels across all units
- Driving footfall at units in a subdued economy.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Improving customer satisfaction scores and optimising guest communication.	Achieved average customer satisfaction ratings between medium and high, with our premium properties achieving an excellent rating.	In progress
Improving communications and our Sun MVG loyalty programme based on customer feedback.	Introduced a digital communication platform to improve engagement with our Sun MVG customers and system implemented a monthly loyalty programme communication.	Achieved
Migrating to new and improved systems and software for SunBet and SunSlots.	Adopted a new premium international online gaming software and a new website design to enhance SunBet and SunSlots systems.	In progress
Leveraging food and beverage opportunities at SunPark and national events, including SunMet, Miss South Africa and the Nedbank Golf Challenge.	Continued leveraging food and beverage opportunities at our national events and conferences.	Achieved

OVERVIEW

Sun International's business model is based on creating memorable experiences for our customers. We achieve this tenet by instilling a 'customer first' culture at our properties. Customers can rate their experience at each unit. Their comments provide qualitative information to help us determine areas where we can improve, and where our strengths lie. Customer satisfaction scores are also aligned to relevant employees' key performance indicators to drive the correct behaviour and align with our SunWay success formula enabler, 'bending over backwards'. We conduct ongoing customer service training at units to enhance our service offering and customer experience, and empower staff in line with the group's employee value proposition. We will be reintroducing our CLEAR[1] principles, which impact how employees conduct themselves personally and professionally.

1 CLEAR principles: choices, listening, expression, accountability and relationships.

On average we achieved a medium to high customer satisfaction rating for most properties. Premium properties such as The Table Bay Hotel achieved excellent satisfaction ratings. The group needs to ensure we maintain this level of service at all Sun International units. In the year ahead, we aim to increase our average rating.

Customer complaints about general service are addressed and resolved at each unit. Most compliments are for exceptional service and friendly staff. Our automatic complaint escalation process has improved the time it takes to address each complaint, and to close each case to the guest's satisfaction.

We introduced a new case management system in the call centre that pre-emptively provides a customer's history when they contact us. This assists the call centre with providing more informed and relevant solutions to the customer, which in turn improves customer service and satisfaction levels.

We prioritise delivering trusted solutions that inspire and reward customers. Backed by data-driven insights, Sun International's digital marketing efforts have evolved to offer a full suite of content solutions to engage customers in their online journey. We made efforts to optimise the myriad of digital marketing platforms available. Our online brand presence gained a significant share of voice through a mix of 'always-on' and targeted campaigns that yield high conversion rates. Our competitive landscape expands from hotel and gaming companies to industry disruptors like Google, Uber, Airbnb and Facebook. Sun International's digital marketing strategy will focus on building a long-term communication framework that integrates the customer journey with intelligent analytics, which involves continuous customer journey mapping to deliver data-driven responses to real-time customer activities.

To gain maximum benefit from our units, particularly in off-peak times, we continue to explore new ways of driving footfall. An example of this is using our SunPark multipurpose conferencing facility for hosting events, festivals and conferences. Some units have cross-sell opportunities including banqueting, gaming and room nights.

It is important to continually upgrade our iconic properties to ensure they provide guests with lasting memories. Refurbishments to the rooms at Sun City's' Cascades and the Palace are under way. The Vacation Club's phase two refurbishments commenced in 2018, and no displacement of business or customer inconvenience is expected. Sibaya's Privé and various restaurants were refurbished during 2018. At Maslow Time Square, we replaced non-performing food and beverage outlets with restaurants with enhanced customer appeal.

During 2018, the group adopted premium international online gaming software that enriched Sun International's online sports betting offering, SunBet. SunBet showed positive results, increasing 81% (2017: 27%) in the number of bets placed and 42% (2017: 44%) in active users, which resulted in a 57% increase in GGR. The software migration and a new website design enhanced SunBet's online user experience, increasing its sports content and betting market offering to cover over 100 000 live in-play sports events annually. The new platform effectively positions the group to explore entering new online gaming jurisdictions and products.

Food and beverage revenues decreased 2% to R903 million (2017: R921 million), largely due to difficult trading conditions in South Africa, which also adversely impacted hotel occupancy, banqueting and average spend by casino patrons. Revenue was negatively affected by the closure of Morula and Fish River Sun in 2017. Subdued trading conditions at Sun City, Boardwalk, The Table Bay, Maslow Sandton and Carnival City impacted food and beverage revenue.

The water shortage in the Western Cape, where The Table Bay is located, negatively affected tourism. There was a notable increase in tourism towards the end of 2018 after the water crisis was addressed. Going forward, we will focus on driving further efficiencies by optimising and leveraging our supplier relationships to achieve savings within the food and beverage purchasing model. The IFS and micros data clean-up positively impacted profits and improved margins. Looking ahead, the food and beverage strategy is to drive margins and continue to offer unique food experiences, such as the Food Fest at MAslow Time Square.

Our scheduling system, Kronos, enables better staff management based on property demand. We developed a comprehensive marketing strategy to drive conferencing activity throughout the group. On-the-job training, mentoring, succession planning and emphasising the SunWay culture are some key drivers to ensure our people deliver meaningful customer experiences and improve back-office efficiencies.

During 2018, we focused on familiarising our customers with the refreshed loyalty programme, Sun MVG's rewards and benefits. Customers can sign up online within the property environment, which enables fast and more accurate data collection, distribution of more relevant information and improved customer service. We reduced our carbon footprint by moving from a postal to a digital environment, ensuring efficient and effective communication platforms are available to our customers. We implemented monthly loyalty programme related communication to our Sun MVG cardholders, specifically around points expiry. Going forward, we will focus on looking for opportunities to drive new signups, encourage active participation through tiered rewards and benefits, deliver relevant information to Sun MVG cardholders through digital communication, and continue to create a seamless customer experience at all touchpoints.

LOOKING AHEAD

- Continuing to improve customer service levels and great memorable experiences
- Enhancing Sun International's digital marketing strategy to improve customer communication and analytics
- Explore new ways of driving footfall at our properties
- Exploring opportunities to enter new online gaming jurisdictions and products
- Driving further efficiencies across our properties to improve margins
- Exploring opportunities to drive new Sun MVG signups.

EFFICIENCY AND OPTIMISATION OF OUR PROCESS

We continually review our processes and systems to optimise efficiencies across the business. This enables us to contain and reduce our costs and improve the quality of our information so we can make better and more informed decisions, leading to improved guest experiences.

HIGHLIGHTS

- Identified several efficiency opportunities across our South African units
- Implemented system integrations and modifications to increase operational efficiencies
- Improved our marketing content by insourcing a creative function.

CHALLENGES

- Continually identifying opportunities to make better decisions around customer behaviour and experiences
- Improving margins in a subdued economy.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Establishing an efficiency and optimisation team.	Established an efficiency initiative team at head office that has identified various ways to improve efficiencies across our South African operations.	Achieved
Critically assessing margins and benchmarking.	Benchmarked the group's EBITDA margins against our peers.	Achieved
Driving system utilisation and process standardisation.	Implemented system integrations and modifications, which increased operational efficiency.	In progress
	Updated standard operating procedures for the cashiering and casino administration.	
Expanding shared services centres to other properties.	Expanded the shared services centres to various other properties nationally.	In progress
Insourcing a design team to improve marketing.	Insourced a creative team, who improved the quality of our marketing content.	Achieved
Assessing the effectiveness of direct marketing campaigns.	Achieved costs savings across the marketing function and improved brand content and messaging.	Achieved

OVERVIEW

Over the past few years, the group has made significant investments in new gaming and operational systems to improve customer service excellence and enhance business alignment. To assist our back-office effectiveness, an efficiency initiative team was established in 2018. The steering committee leads this team to review various operational functions and find solutions to any gaps in our processes, systems and procedures. Several initiatives to address operational and system concerns continue to be implemented throughout the business.

During 2018, system integrations and modifications were implemented, which increased operational efficiencies, improved transaction accuracy and the control environment, and standardised systems across our South African operations. These improvements are geared towards strengthening customer service levels to create memorable guest experiences that ensure our units remain a destination of choice. Primarily, the focus was around our customer-facing systems, including efficiencies and food and beverage, which includes standard operating procedures and training videos available on the group's intranet. Employee training is tracked and monitored to ensure service levels and customer offerings are constantly improved and refreshed. The integration of our micros point-of-sale system with IFS was implemented and has enhanced control and stock management.

Our shared services centre continued to improve efficiencies by centralising the finance and payroll functions, and enhancing economies of scale. This allowed our units' operational management to focus on the needs of our customers and guests. The group is committed to expanding the shared services centre to other properties and provinces.

We continue to look at modernising our world-class gaming systems to reduce the cost of doing business and enhance customer service levels. This allows us to make better decisions around customer behaviour and experiences.

Kronos was implemented at all our local units and allows us to measure labour costs more accurately, improve our scheduling according to business demands, improve payroll processing, and reduce overtime costs.

LOOKING AHEAD

- Continuing to extract efficiencies across the business
- Aligning the business at the unit level to continually compete in our dynamic business environment
- Extracting relevant business intelligence to make informed strategic decisions around customer interaction and behaviour
- Upskilling employees around mobile application development and data security.

PROTECT AND LEVERAGE OUR EXISTING ASSET PORTFOLIO

Our diverse portfolio of assets includes world-class, five-star hotels, modern and well-located casinos, and premier resorts and events facilities. It is essential that we harness the full potential of our portfolio, explore land development opportunities, and review our offerings to identify properties that need reinvestment and upgrading, and those that may no longer be core to our strategy.

HIGHLIGHTS

- Finalised certain land development opportunities
- Finalised Wild Coast Sun's land settlement claim
- Opened the Maslow Time Square Hotel, on time and within budget.

CHALLENGES

- Roll-out of EBTs in our catchment areas continues to impact market share
- Protecting GrandWest's exclusivity
- Awarded one out of five casino licence bids in Latam.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Submitting our bid for the Wild Coast Sun licence renewal.	Submitted our bid for Wild Coast Sun's licence, which expires in August 2019.	Achieved
Commencing development of successful municipal gaming licence bids.	Submitted bids for a further five municipal licences, however, we were only awarded one licence (Iquique).	Limited progress
Restructuring the Carousel and pursuing land development opportunities at Carousel, Carnival City and Sibaya.	Received approval from the North West Gambling Board to restructure the Carousel operations.	In progress
	Looking to dispose of the Carousel unused land.	In progress
	Finalised agreements with a consortium of partners to develop the vacant land at Carnival City.	Achieved
	Concluded the land claim settlement to dispose of Sibaya land for R45 million.	Achieved
Completing the Boardwalk restructure and commencing with construction of the Boardwalk Mall.	Received partial approval for the restructuring application and began the union consultation process regarding affected employees. Commenced with the Boardwalk mall development.	Limited progress
Finalising the North West licence conditions.	Submitted our proposal for renewing licensing conditions.	In progress
Protecting GrandWest's exclusivity.	Conducted extensive stakeholder engagement in support of GrandWest's exclusivity and we are awaiting government's response on the draft bill.	In progress
Opening Maslow Time Square Hotel.	Opened the Maslow Time Square Hotel in March 2018.	Achieved
Managing the water crisis impacting our properties in the Western Cape and Eastern Cape.	Implemented various sustainable solutions to ensure our guests are not negatively impacted.	Achieved
Focusing on scheduled property repairs and maintenance.	Implemented a scheduled maintenance plan that prioritises property upkeep across our operations.	In progress

OVERVIEW

SOUTH AFRICA

Boardwalk's income decreased 4% with casino income down 3% and adjusted EBITDA in line with the prior year. This unit continues to be affected by the roll-out of EBTs. We launched a High Court challenge to the issuing of EBT licences on the basis that granting them breaches the exclusivity that Boardwalk paid for as part of its licensing bid commitments. We received partial approval for our restructure application, which will limit our ability to implement a full restructure. We are in discussion with the gambling board in this regard, and have started engagement with the unions. The shopping mall development is progressing slower than expected.

Carnival City income and adjusted EBITDA decreased 2% and 9% respectively. Although increased footfall continues, the average spend is dropping, reflecting the weak economic conditions. We entered into joint venture agreements with a consortium of construction companies to proceed with land development. The Carnival City Privé and a number of the hotel rooms will be refurbished in 2019.

The Carousel was severely impacted by Maslow Time Square, resulting in income declining 34%. We received approval from the North West Gambling Board to restructure the Carousel operations and consultations with the unions have commenced. We are exploring land development opportunities.

GrandWest's income and adjusted EBITDA increased 3% and 2% respectively. Slots income was up 2% and tables income was up 6%. GrandWest's exclusivity remains under threat, as draft legislation from the Western Cape to establish three zones for casinos in the Cape Metropole and to allow for the relocation of casino licences from the Western Cape to the Cape Metropole was released in February 2018. We submitted comments on the draft legislation and conducted comprehensive stakeholder engagement, which garnered positive support from the public against relocating licences.

Maslow is not trading to expectations, with income and adjusted EBITDA decreasing respectively by 4% and 59%. We focus on improving marketing and sales initiatives, and exploring opportunities to increase conferencing activity, particularly over weekends to increase footfall. Improving efficiencies in the hotel and food and beverage remains a priority to improve customer service levels.

Sibaya's income increased by 2% andadjusted EBITDA decreased by 2%. The Sibaya Privé and food and beverage offerings were refurbished during 2018. The recent opening of two EBT outlets in Sibaya's catchment areas is concerning. We continue to challenge the award of these licences on the basis that the correct process was not followed.

Sun City experienced difficult trading conditions, with income down 3%. Tables was impacted by a lower drop and slots came under pressure in the local market following the opening of a third EBT outlet in the catchment area and a weak economy. We focus on increasing conferencing activity, and marketing and sales initiatives to attract more local and foreign customers to enjoy Sun City's offerings. The rooms at the Cascades and the Palace of the Lost City are undergoing refurbishments, and plans are in place to expand the Vacation Club. In addition, the storm in December 2018 severely impacted Sun City, with the Vacation Club being the hardest hit. Sun City was insured against revenue losses and refurbishment costs.

The Table Bay was impacted by the water crisis in early 2018, which resulted in cancellations and a reduction in bookings. There was a notable improvement in forward bookings due to the indefinite move out of day zero. Room occupancy decreased by 6% to 69% and the average room rate improved by 6% to R3 188.

Maslow Time Square achieved income and adjusted EBITDA of R1.3 billion and R305 million respectively, with market share tracking at 14%. We received encouraging feedback on the Maslow Time Square Hotel, which opened at the end of March 2018. The hotel achieved occupancy of 48% at a room rate of R1 197. We continue to try increase our market share through focused marketing of our arena, hotel and conferencing facilities to drive an increase footfall to the precinct. As part of the group's commitment to the environment, MAslow Time Square's external design blends in with the surrounding green design principles and overall aesthetics of the Menlyn Maine eco-precinct.

Wild Coast Sun's income and adjusted EBITDA increased by 4% and 2% respectively. We submitted our bid for the casino licence renewal. The current casino licence will expire in August 2019. The land settlement claim was finalised in 2018 and the official handover will take place during 2019. Wild Coast Sun leads in the waste management space and recently achieved certification from the South African Green Buildings council as a zero-waste-to-landfill facility.

SunSlots continues to trade well with income and adjusted EBITDA increasing by 10% and 15% respectively.

Sustainable water solutions
Although the water crisis in the Eastern Cape and Western Cape significantly declined, management continues to look at implementing sustainable water solutions to ensure our guests are not negatively impacted should the water crisis escalate.

Maintaining our assets
We are improving the aesthetics of our casinos and hotels through a scheduled maintenance plan that prioritises the upkeep across our operations. Ongoing maintenance assists in driving footfall to our properties and improving customer service and satisfaction levels.

Cyber security
In South Africa, cyber attacks are increasing. Our internal detection processes noted an increase in these attacks. To mitigate this risk, we have a mature cyber practice and we actively engage several external experts to benchmark our ability to manage this risk. We also engage 'certified ethical hackers' who test our systems security biannually. Going forward, we will be scoring our cyber threat response and maturity to ensure best practice and to reduce our cyber insurance premiums.

LATAM

Sun Dreams submitted bids for its two municipal licences in Chile, namely Iquique and Porta Varas. Iquique was awarded a licence for a further 15 years. Although our bids met all the minimum criteria, we lost to a competitor whose economic offer (additional tax) was substantially above ours and at levels which would not generate satisfactory returns for us. Sun International has launched a court application objecting to the award of Puerto Varas and Pucon licences on the basis that the competitor's bid did not meet the minimum requirements and the matter is currently in court. We anticipate that Puerto Varas will continue trading for the 2019 financial year, but the court challenge could delay the licensing process and impact revenue going forward.

Monticello benefited from its new arena and a refresh of its restaurant. This helped drive footfall and income, which was up 14% and adjusted EBITDAwas up 37%. We only secured one of the five municipal licences we bid for in Chile (Iquique).

The closure of the International VIP Business and the 66th floor of the **Ocean Sun Casino** led to a decrease in income and a significant reduction in costs. We are pursuing opportunities to dispose of the business unit, however, until such time we will continue to operate the casino. Following the closure of the **Sun Nao Casino** in Colombia, we opened a few small low-cost halls using the machines and tables from the Sun Nao Casino. The group will dispose of these operations to another Colombian operator and will take a minority stake in the business. We settled the outstanding rental for the Sun Nao Casino at US$1.5 million, US$2.3 million below what we provided for. The Colombian and Panama operations are accounted for as discontinued operations.

The Peruvian operations (excluding Thunderbird Resorts) increased income by 4% and adjusted EBITDA remained in line with prior comparative period. **Thunderbird Resorts,** which acquisition was effective 11 April 2018 generated revenue of R194 million and adjusted EBITDA of R25 million.

The **Park Hyatt Hotel, Casino & Spa** in Mendoza, Argentina became unconditional on 11 July 2018 and has performed ahead of expectations in US dollar terms with a strong performance from the hotel. Its US dollar based income was offset partly by the casino, which was impacted by the weak currency.

LOOKING AHEAD

- Completing the Boardwalk restructure and commencing with construction of the Boardwalk Mall
- Restructuring the Carousel
- Pursuing land development opportunities at certain properties
- Finalising the North West licence conditions
- Protecting GrandWest's exclusivity
- Continuing with maintenance across our properties
- Managing our Latam operations to ensure they meet expectations
- Continually monitoring the risk of cyber attacks across the business.

GROW OUR BUSINESS INTO NEW AREAS AND PRODUCTS

During 2018, we grew our Latam business through two strategic acquisitions, and we continue to seek opportunities to offer new products in Latam. We continue to strengthen our balance sheet.

HIGHLIGHTS

- Finalised the Thunderbird Resorts acquisition in Peru
- Concluded the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina
- Increased our interest in Sun Dreams to 65%.

CHALLENGES

- Delivering investment returns and growing our business in a challenging economic environment

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Investigating online gaming and sports betting in Latam.	Investigations for online sports betting in Latam is ongoing.	In progress
Concluding the Thunderbird Resorts acquisition and integrating operations.	Concluded the Thunderbird Resorts acquisition. The integration of the business is progressing well.	Achieved

OVERVIEW

We focus on bedding down our significant investments and achievements over the past five years. This is to ensure we deliver a return on investment and grow the business in the eight countries where we operate.

4 040 active LPMs Limited Payout Machines

19 869 total slot machines

The group finalised its 50% acquisition of EDS, approximately 20% shareholding in Sun Dreams, increasing its interest in Sun Dreams to approximately 65%. The other minority, Pacifico, acquired the balance, which increased its interest to approximately 35%. The acquisition of EDS's interest was funded through an available cash resources and a 10-year bond of R1.5 billion.

In June 2018, Sun Dreams acquired a 100% interest in the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina for R333 million (US$25 million). The Park Hyatt Hotel, Casino & Spa comprises 186 rooms, 695 slot machines and 19 tables. The casino licence is valid for a 20-year period.

Sun Dreams concluded the acquisition of Thunderbird Resorts and Casinos Peruanos S.A. (Thunderbird Resorts) in April 2018. Thunderbird Resorts includes four gambling operations. The purchase consideration of R317 million (US$26 million) includes net assets of R192 million, intangible assets of R118 million and goodwill recognised of R7 million.

The online sports betting market is rapidly increasing as customers prefer the convenience of using their mobile devices. The group continues to investigate online gaming and sports betting opportunities in Latam.

SunSlots is part of the group's alternate gaming strategy. Sun Slots holds six licences in four provinces: Gauteng, KwaZulu-Natal, Mpumalanga and the Western Cape. It has over 4 000 LPMs across 840 sites. In 2018, Sun Slots increased its GGR by 10% to R1.16 billion (2017: R1.06 billion). The average GGR per machine per day of R833 was up 8% (2017: R772), largely due to product improvements at existing outlets and additional revenue from new sites. During 2018, we submitted over 400 machine licence applications to the gaming boards for approval across our various Sun Slots units. Encouragingly type B licences were secured for the first time in KwaZulu-Natal, which will allow for the roll-out of up to 40 LPMs and fill the demand for additional game play and improve LPM revenues. Grandslots, our LPM operator in the Western Cape, reached full capacity of 1 000 LPMs and Sun Slots engaged with the gaming board for issuing additional licences.

The international VIP gaming business remains suspended at Sun City and Ocean Sun Casino. We are looking at opening our facilities to host international guests within our existing casino limits and not on a rebate programme. The local VIP management was successfully decentralised to the units to focus on serving our local VIPs and, specifically, to facilitate the movement of guests who wish to visit our other casinos (different from their home/local casino). This decentralisation also assisted in driving and hosting the correct level of customer to major events such as the NGC and the SunMet.

LOOKING AHEAD

- Continuing to manage our assets efficiently to provide acceptable returns on investment
- Continuing to investigate online gaming and sports betting in Latam.

OUR PEOPLE

Our employees are important enablers of the group's ability to achieve its strategic objectives. We operate in a highly governed and competitive service-oriented industry. It is important that we continually develop and motivate our employees to perform well and provide memorable experiences to our guests.

HIGHLIGHTS

- Rolled out an improved HIV management programme to encourage and monitor adherence to appropriate ARV therapy
- Implemented a leading ELMS
- Improved employees' retirement outcomes by moving from our in-house membership provident fund to an external fund
- Rolled out a financial literacy programme to employees in conjunction with the ASISA Foundation
- Achieved 92.2% black employment in our South African operations
- 55.27% female representation across our South African operations (94% of whom are black females) and 51.17% for the group
- Rolled out a coaching programme for senior and middle management
- Successfully onboarded about 1 200 temporary employees.

CHALLENGES

- Ensuring our employees understand the alignment of remuneration and benefits
- Aligning recruitment practices with the group's employment equity plans
- Improving the representation of people with disabilities and increasing black representation across middle and senior management to align with B-BBEE targets
- Keeping abreast of proposed amendments to sections of the Employment Equity Act and its impact on the group, particularly mandatory sectoral targets and the national minimum wage framework.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Embedding our succession management practices and integrated management strategy group-wide.	Completed and implemented the group's talent management programme that informs succession planning.	In progress
Developing leadership skills throughout our workforce and strengthening the manager's role as coach and mentor.	Rolled out a coaching programme for senior and middle management.	In progress
	Formulated a manager learning journey with core training programmes to guide managers.	
	Developed and implemented a performance management programme for all line managers to enhance effective performance management.	
Aligning our employee remuneration following the 'equal pay for work of equal value' review.	Continued working around 'equal pay for work of equal value' and applied these principles when appointing new employees and promoting existing employees.	In progress
Embedding the EVP within the group and addressing challenges employees have identified.	Embedded the EVP and SunWay culture programme through presentations and competitions at all South African units.	In progress
Managing employee productivity to avoid unnecessary absenteeism costs.	Implemented a WAM programme to reduce absenteeism.	Limited progress
Actively engaging with employees and addressing concerns as they arise.	Ongoing active engagement through the SunTalk and OneSun platforms.	In progress

Focusing on disabled people at the workplace.	Increased targets for employing persons with disabilities in the new employment equity plans.	In progress
	Implemented phase two of the group's disability strategy.	

KEY PERFORMANCE INDICATORS

		December 2018	December 2017
Total group employees	Number	14 632	12 959
– South Africa including SunSlots	Number	9 001	8 244
– Other Africa	Number	543	548
– Latam	Number	5 088	4 167
Employee turnover	%	23.3	24.1
Female representation	%	51.17	51.5
Black representation[1]	%	92.2	91.5

1 South African operations.

PERFORMANCE OVERVIEW

The prior financial year was earmarked with good progress in bedding down our SunWay culture journey; empowering employees through talent, learning and leadership development initiatives; intensive employee engagement; and maintaining transformation progress. These focus areas were our guiding principles in supporting the business and enabling the group's 'our people' strategic objective.

Workforce profile

At 31 December 2018, we had 14 632 (2017: 12 959) employees across our operations, a 13% year-on-year increase. The increase was mainly as a result of the employment of 1 200 temporary employees, following a constitutional ruling in July 2018 that required employees earning below the Basic Conditions of Employment Act threshold, and who worked for a three-month period to be permanently employed. We engaged extensively with labour brokers and trade unions, which resulted in an amicable outcome for all affected parties. The onboarding process at our various units was managed seamlessly and without any complications. We acquired 315 employees following the group's acquisition of a casino and hotel in Mendoza, Argentina. Our permanent employees in South Africa comprise:

- permanent full-time employees
- permanent part-time employees, who are paid the same hourly rate as full-time employees; and work according to a roster that guarantees minimum monthly work hours.

For more details on our workforce by employee statistics and region and gender for 2018 refer to Annexure A.

Employment equity at our South African operations

Our approach is to achieve legislative and substantive transformation through numerical and non-numerical targets aligned to the group's strategic objectives. These targets are tracked and monitored quarterly and included in line managers' performance contracts. The social and ethics committee is responsible for monitoring our progress against set targets.

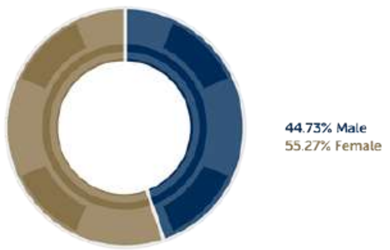
During 2018 we established and adopted a property-specific, three-year employment equity plan that supports the group's strategic objectives. It also accounts for our transformation and talent management strategies, succession planning, talent attraction, career progression and retention. It takes account of the demographics in the provinces where we operate. Each property is positioned to set its own goals and objectives for employment equity, while meeting the provincial gaming boards licensing criteria.

We increased our South African black employee representation to 92.2% (2017: 91.5%), exceeding the distribution of the national economically active population. The management team is made up of 82% (2017: 80%) black people, of whom 46% (2017: 45%) are females. This was mainly due to the increase in black representation at junior and middle management levels. However, there are still challenges at middle and senior management levels, where representation of black people, particularly black females is lower than white people.

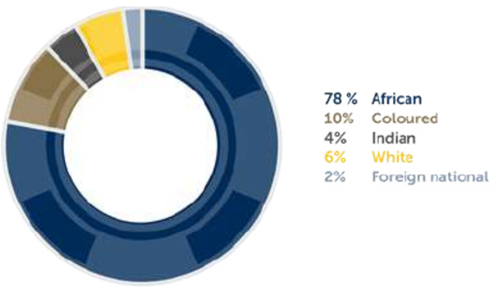
To mitigate our previous challenges in retaining persons with disabilities, we introduced disability capacity building workshops and disability awareness days. This resulted in the retention of persons with disabilities and provides us with an opportunity to increase representation.

Our SunSlots operations' black representation is at 89.6% (2017: 90.6%) and black people make up 82% (2017: 85%) of the management team with 45% (2017: 40%) being female.

Workforce profile by gender (2018)



Workforce profile by race (2018)



Diversity profile South Africa[1]

Employee class	Occupational levels	Male					Female					Foreign nationals		Total
		A	C	I	W	Total	A	C	I	W	Total	Male	Female	
Permanent	Top management	2	1	1	3	7	1	1	0	0	2	0	0	**9**
	Senior management	18	6	24	45	93	12	8	12	21	53	8	0	**154**
	Middle management	96	33	37	98	264	93	24	20	44	181	13	9	**467**
	Skilled technical/supervisor/junior management	709	169	93	121	1 092	660	169	73	100	1 002	31	9	**2 134**
	Discretionary decision-making	2 046	210	61	39	2 356	3 173	278	54	55	3 560	59	31	**6 006**
Permanent total		2 871	419	216	306	3 812	3 939	480	159	220	4 798	111	49	**8 770**
Temporary		176	28	5	21	230	210	30	2	12	254	3	1	**488**
Total		**3 047**	**447**	**221**	**327**	**4 042**	**4 149**	**510**	**161**	**232**	**5 052**	**114**	**50**	**9 258**

1 Excluding SunSlots' headcount of 231

Employee turnover

During the year under review there were 3 257 (2017: 3 178) employment terminations employment group-wide, and group turnover was 23.3% of the total headcount (2017: 24.1%).

The tables below provide the reasons for employment termination by region and by age.

Consolidated labour turnover

Region	2018 Average headcount	2018 Terminations	2018 Turnover	2017 Average headcount	2017 Terminations	2017 Turnover
South Africa	8 870	913	11.0%	8 019	1 214	14.6%
SunSlots	231	43	19.0%	225	53	23.5%
South Africa total	9 001	956	11.5%	8 244	1 267	14.87%
Africa	543	56	10.2%	548	40	7.3%
Latam	5 088	2245	44.0%	4 167	1 871	46.6%
Total	**14 632**	**3257**	**23.3%**	**12 959**	**3 178**	**24.1%**

Reason for termination by region

Reason	South Africa	South Africa SunSlots	Swaziland	Nigeria	Argentina	Chile	Colombia	Panama	Peru	Group
Death	32	1	1	1	1	4	0	0	2	42
Dismissal – Incapacity health	6	2	0	0	0	0	0	0	0	8
Dismissal – Incapacity/poor work performance	0	0	1	0	0	0	0	0	0	1
Dismissal – Misconduct	268	5	2	10	38	782	32	64	223	1 424
Dismissal – Operations requirement	8	0	0	0	0	0	0	0	0	8
Mutual agreement separation	3	1	0	0	14	62	19	14	1	114
Resignation	538	34	19	19	48	420	22	17	482	1 599
Retirement	58	0	3	0	0	0	0	0	0	61
Total	**913**	**43**	**26**	**30**	**101**	**1 268**	**73**	**95**	**708**	**3 257**

Reason for termination by age band

Reason	18 – 20	21 – 30	31 – 40	41 – 50	51 – 70	Total
Death	0	5	10	17	10	42
Dismissal – Incapacity health	0	1	0	1	6	8
Dismissal – Incapacity/poor work performance	0	0	0	1	0	1
Dismissal – Misconduct	30	605	538	193	58	1 424
Dismissal – Operations requirement	0	1	5	3	0	9
Mutual agreement separation	0	30	54	20	9	113
Resignation	28	770	550	203	48	1 599
Retirement	0	0	0	0	61	61
Total	**58**	**1 412**	**1 157**	**438**	**192**	**3 257**

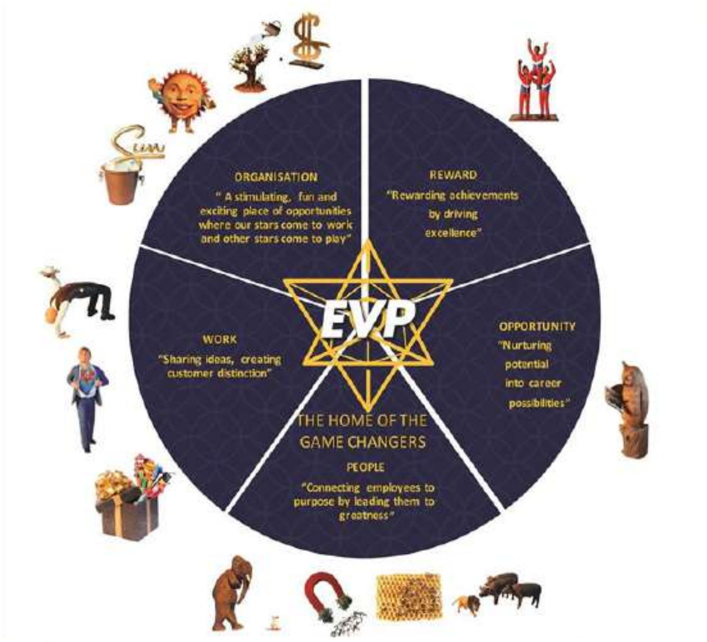
Improving our organisational culture

SunWay formula for success

Sun International's SunWay formula for success gained traction across all South African units. As part of the process to measure the SunWay formula, employees provided feedback on how they identified with the formula and gave ideas on how to improve process and efficiencies.

Employee value proposition

Our EVP ensures that our people remain at the heart of everything we do. We attract and retain the very best talent group-wide by delivering world-class benefits and a positive work culture and value system at every level of our business. We positioned our EVP externally to attract talent. This was achieved through external presentations and various recruitment platforms.



Sharing the Sun campaign

Our Sharing the Sun campaign is a senior leadership that grants wishes to some of employees. The senior leadership team engaged directly with employees, who give a lot of themselves to our business every day. The senior leadership team personally gave something back and realised some of our employees' wishes. Sun International matched the personal funds pledged by leadership to deliver a truly impactful campaign that created lasting memories from within.

Wishes were granted for: medical assistance; shelter, food; education; and security.The initiative commenced in December 2016 and wishes are granted in January of the following year:

- 2016: 134 wishes received – 34 wishes granted across all South African properties.
- 2017: 164 wishes received – 54 granted
- 2018 306 wishes received – 103 granted

Employee and union relations

Employee communication

We engage with our employees in an open, honest and transparent manner through our SunTalk and OneSun platforms. The SunTalk mobile communication platform launched in the prior year continues to gain traction, with 5 300 employees having registered to date. Registered members from The Table Bay, GrandWest and Sun City are the most active on this platform. One of the most popular sections on the platform is the 'questions and answers' section. Other popular sections include competitions, news, leadership messages and digital stories from *One Sun* magazine.

Union relationships

64% (2016: 61%) of our South African workforce (excluding SunSlots, Africa and Argentina) is covered by collective agreements. It is imperative to maintain healthy relationships through meaningful engagements with the various unions. During 2018, all employee relations policies were reviewed and implemented.

Human rights and freedom of association

The group recognises that it has a responsibility to ensure the effective management of human rights. The principle of freedom of association as it relates to the constitution of each country where we operate is formally endorsed in our employee relations policy statements, and in our recognition agreements with the trade unions in South Africa and other countries where we operate.

Creating a high-performance culture

Talent management is an important process in rolling out the business strategy. The 2018 talent management process comprehensively addressed the senior management level across the organisation. Talent reviews were held for the executive, general and group management levels in all units, with a focus on succession for executive management level.

Talent management initiatives

Initiative	Description
Talent management	• Revitalised the performance management processes by redesigning performance management training aligned to employee feedback. • Redesigned performance evaluation ratings to provide a comprehensive understanding of the differentiation between various ratings. • The performance evaluation was rolled out through the organisation and adopted in the 2018 performance cycle.
Organisational Design	• Reprofiled all jobs to ensure alignment to the business strategy with clear and defined roles and responsibilities for each job. • Introduced the organisation design committee to enhance organisational structures and the optimise deployment of human resources in the organisation. • Controlled headcount costs by streamlining the process for approval to ensure a systematic and proper planning approach for our workforce.

Learning and development

To ensure that our employees are equipped to carry out their responsibilities, Sun International has several learning and development initiatives aimed at empowering and developing our talent group-wide. Several of these initiatives were developed, implemented or piloted during the financial year as tabled below.

Food and beverage training

The food and beverage executive team launched a training manual that is available in three languages (English, Zulu and Xhosa) on the Sun International Intranet. They partnered with the International Hotel Training School to produce training videos, featuring Sun International employees, to create an accredited Sun Academy programme.

Learning and development initiatives

Initiative	Description
Leading the SunWay	We rolled out the International Hotel Training School to present a revised and more functional leadership programme.
Managing the SunWay	We continued to embed the Managing the SunWay initiative that offers foundational management skills and knowledge customised to the SunWay of leading and managing.
Customer experience	We continued to embed Sun International's standard operating procedures across all units. This was reinforced by implementing a reward and recognition programme that rewards employees who focus on and invest in improving our service delivery and on our brand promise, of 'creating lasting memories'. The outcome we seek is engaged people who can and want to engage with our customers and create the lasting memories for which we are renowned. The CLEAR serving is another way in which we want to entrench: • our service principles • our interaction process • our people paying attention to detail and focusing on our customers.
Onboarding	An online onboarding module is complete and will be embedded as part of the employee learning journey.
Coaching for performance	Rolled out a coaching for performance programme with the University of Stellenbosch Business School for senior to middle managers, that includes practical application to create maximum impact.
Performance management	Developed and implemented a performance management programme for all line managers to enhance effective performance management by setting objectives and incorporating coaching.
B-BBEE skills plan	**Learning management system** We implemented the PeopleSoft ELMS that stores learning records for legislative reporting. We scoped an end-user learning solution with the International Hotel Training School. This solution will enable better learning engagement. **Training needs analysis** The groupwide training needs analysis was conducted at all units to ensure a more qualitative and proactive approach to our employees' learning needs and B-BBEE skills plans.

Skills development spend

Group training spend was R133 million (2017: R110 million), an increase of 21%. Total employees trained was up 17% (2018: 9 588 vs 2017: 8 221). Our skills development spend across our South African operations, excluding SunSlots, increased by 23% to R117 million compared to R95 million in 2017. This investment included formal and informal learning interventions, with 4 714 South African employees (2017: 4 249) benefiting. Interventions are targeted at employees' roles and growing the leadership pipeline. The number of employees trained per region includes employee terminations during this period.

Skills development spend per region and country

Region	Country	Total expenditure December 2018 R million	Total learners December 2018 Number
South Africa	South Africa	117.42	4 714
SunSlots	South Africa	1.80	220
Sun Dreams Latam	Argentina	0.02	840
	Chile	13.09	2 737
	Colombia	0.06	78
	Panama	0.00	193
	Peru	0.03	764
Africa	Nigeria	0.15	27
	Swaziland	0.11	15
Total		**132.69**	**9 588**

Training costs as a percentage of leviable payroll (South African units only, excluding SunSlots)

	December 2018 R million	December 2017 R million
Leviable payroll	**1 753**	1 682
Training costs	**117**	95
% of leviable payroll	**6.7**	5.6

Grants and levies

To access skills development grants from the Culture, Art, Tourism, Hospitality and Sport Sector Education and Training Authority under the levy grant scheme, we are required to:

- pay a skills development levy to SARS
- submit a MGP detailing all learning interventions to be undertaken for the year
- submit a mandatory grant report confirming the implementation of the MGP for the previous year.

The group received the maximum recovery for mandatory grants, which is 20% of levies paid to SARS.

South Africa: Grants and levies	December 2018	December 2017
Skills development levy paid (R million)	**17.5**	16.8
Mandatory grants received (R million)	**3.5**	3.4

Remuneration and benefits

We participate in and consider market remuneration surveys and align our pay decisions to the principles set out in our remuneration policy. We made progress in aligning our ‘equal pay for equal work of value’ legislative requirements following an extensive benchmarking exercise. We addressed anomalies in the March 2018 increase process. We aim to conduct an annual ‘equal pay for equal work of value’ process to ensure that we remove any disproportionate income differentials over time.

Retirement benefits

Management decided to move from the in-house restricted membership provident fund to an external and more comprehensive umbrella fund. We conducted extensive research during 2018 to determine a suitable provider, which was approved by the remuneration committee. This new fund will improve members' retirement outcomes. The transfer to the new fund will take place in 2019.

Performance management

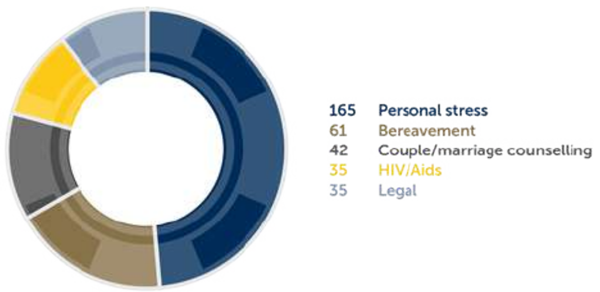
We accurately measure and provide feedback on performance by linking employee performance to business objectives through a KPI scorecard. The scorecard includes KPIs for managing and developing people and transformation, as these are important areas of our business.

Individual employment contracts include minimum requirements and standards for each role. Reward is directly linked to performance at group, team and individual levels. Performance feedback sessions provide opinions on achieving or exceeding the standards set, and are used to address performance that fails to meet requirements. These sessions include a review of development needs and the setting of plans for future development, talent and career management discussions.

Employee wellness

In 2018, we maintained the favourable case utilisation at a rate of 10.2% of headcount, which is above the employee wellness programme norm. This confirms that there is a need in our business units for support in psychosocial matters, and that, through proactive interventions, the propensity for referrals to the programme will increase. It confirms that the business units are responding to the needs identified within the workplace and therefore positioning activities that are relevant to the employees.

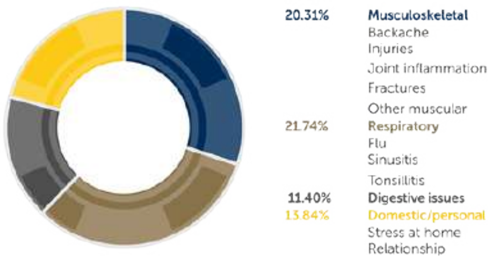
Top five reasons affecting employee wellness (2018)



Workplace absenteeism management (2018)

The WAM programme was rolled out to all South African units. We made 2 666 contacts with employees who were flagged for being absent. Most employees contacted by WAM had musculoskeletal, respiratory, digestive and HIV issues. We identified employees with domestic and personal problems that resulted in absenteeism which are referred to the employee wellness programme for further counselling and advice. The WAM service assists with sick note verification to ensure that sick leave is managed appropriately.

Reasons for workplace absenteeism (2018)



Healthcare cover for union employees

The healthcare cover introduced for our union employees commenced in January 2018. This programme is tailored for eligible employees who are not on a Sun International appointed medical aid scheme. It allows access to quality healthcare screening and treatment for achieving personal health. It also provides annual health screening, hospital trauma cover and other benefits. A comprehensive maternity benefit was tailored for eligible employees.

HIV management programme

We rolled out an improved HIV management programme in January 2018. The purpose of the programme is to assist HIV-positive employees on primary healthcare with maintaining ARV treatment adherence; to help them overcome any barriers; and ensure they live a healthy and productive life. This improved programme had significant success in its first year.

The on-site testing service is active at all units. A total of 2 995 (2017: 2 002) on-site tests were conducted (which includes HIV and health risk assessments) during the year. The prevalence of HIV is approximately 2.95%, but TB symptoms are low. Ongoing awareness campaigns on employees knowing their HIV and TB status continued. Units also include the posts exposure prophylaxis programme, which can prevent employees contracting HIV through accidental exposure.

Smoking, obesity and hypertension remain a focus at all units.

The comprehensive offering of the OneSun wellness strategy helps mitigate the risk of psychosocial and health problems. All business units need to ensure their annual wellness strategies focus on the inclusion of the above interventions to help control these risks. The focus going forward will be on financial wellbeing and HIV management.

Financial assistance programme

We acknowledge that employees are impacted by the difficult economic climate. To assist employees with financial literacy training and retirement planning, we rolled out financial literacy workshops, in conjunction with the ASISA Foundation, to employees earning R20 000 or less per month. During 2018, more than 1 300 eligible employees attended these workshops, with the overall objective of equipping them with knowledge and skills about finance to influence a behavioural change, and to improve their financial wellness. We will continue with this programme going forward.

Waya Waya WageWise

A new savings initiative was launched in 2018 in partnership with the ASISA Foundation as an additional offering under the OneSun Wellness Programme. The initiative's objective is to teach personal financial literacy. We aim to reach all Sun International units in South Africa by August 2019 through targeted workshops.

LOOKING AHEAD

- Tracking proposed amendments to Employment Equity Act and ensuring that current practices are aligned
- Integrating the new employment equity plans with our processes and practices
- Embedding a multi level succession roadmap
- Introducing a dynamic and innovative approach to talent management and skills development
- Enhancing the employee experience to improve customer service levels
- Continuing to provide a balanced working environment for employees, conducive to a healthy lifestyle
- Continuing to manage human resource risks and leverage opportunities for optimising people-driven business performance.

ANNEXURE A: EMPLOYEE STATISTICS

Regional employee statistics

South Africa		December 2018	December 2017
Permanent full-time employees	Number	4 773	4 928
Permanent part-time employees	Number	3 997	3 091
Skills development spend	R million	117	95
Female management employees	%	45	45
Employee turnover	%	11.5	15
Employees in bargaining unit	%	64	60

SunSlots		December 2018	December 2017
Permanent full-time employees	Number	229	223
Permanent part-time employees	Number	2	2
Skills development spend	R million	1.8	2
Female management employees	%	38	40
Employee turnover	%	19	24
Employees in bargaining unit	%	0	60

Africa		December 2018	December 2017
Permanent full-time employees	Number	543	548
Permanent part-time employees	Number	0	0
Skills development spend	R million	0.27	0.17
Female management employees	%	38	38
Employee turnover	%	10	7
Employees in bargaining unit	%	21	22

Sun Dreams Latam		December 2018	December 2017
Permanent full-time employees	Number	4 512	3 612
Permanent part-time employees	Number	576	555
Skills development spend	R million	13.17	13
Female management employees	%	32	27
Employee turnover	%	44	47
Employees in bargaining unit	%	35	25

Number of employees

		December 2018				December 2017			
Region	**Country**	**Female**	**Female (%)**	**Male**	**Total**	Female	Female (%)	Male	Total
South Africa	South Africa	4 847	55.27	3 923	8 770	4 416	55.07	3 603	8 019
SunSlots	South Africa	100	43.29	131	231	105	46.67	120	225
South African total		**4 947**	**54.96**	**4 054**	**9 001**	4 521	55.84	3 723	8 244
Other Africa	Nigeria	105	30.88	235	340	107	32.13	226	333
	Swaziland	78	38.42	125	203	82	38.14	133	215
Africa total		**183**	**33.70**	**360**	**543**	189	34.49	359	548
Sun Dreams	Argentina	295	48.36	315	610	0	0	0	0
	Chile	1 562	48.20	1 679	3 241	1 664	48.47	1 769	3 433
	Colombia	23	50.00	23	46	53	43.44	69	122
	Panama	71	39.89	107	178	71	37.97	116	187
	Peru	406	40.08	607	1 013	176	41.41	249	425
Sun Dreams Latam total		**2 357**	**46.32**	**2 731**	**5 088**	1 964	47.13	2 203	4 167
Group total		**7 487**	**51.17**	**7 145**	**14 632**	6 674	51.50	6 285	12 959

GOVERNANCE AND SUSTAINABILITY

Doing business sustainably is no longer optional, but a competitive business necessity. It allows Sun International to integrate strategic business decisions to create long-term shared value for our business, employees, society and the environment.

Sun International's sustainability journey started in 1996. We wanted to create a company that balanced doing business with doing good. Since then, the group's sustainable business approach has evolved to include, among others, measurable sustainability practices that engage all our stakeholders through relevant internal and external sustainability reporting; face-to-face community engagement; health, safety and environmental initiatives; and sustainability campaigns.

As an internal and external communication aid for all stakeholders, we created sustainability icons to represent focus areas within our three sustainability portfolios. These are: environment, health and safety, and socio-economic development (SED).

ENVIRONMENT	HEALTH AND SAFETY	SOCIO-ECONOMIC DEVELOPMENT
• Energy • GHG • Waste • Water	• Health • Hygiene • Safety	• Socio-economic development • Community and stakeholder engagement

HIGHLIGHTS

- Appointed dedicated sustainability professionals at all local units
- Conducted the group's first sustainability culture survey
- Launched the group's new internal and external sustainability branding
- Maintained a Level 1 B-BBEE rating and were rated the sixth most-empowered South African company[1]
- Established management targets for all sustainability portfolios (environmental, health and safety and SED)
- Trained all safety, health and environment (SHE) professionals to be lead SHE auditors and conducted our first round of cross-unit SHE audits for all South African units
- Developed an integrated management system for SHE, based on the ISO 45001: 2018 and ISO 14001: 2015 standards.

1 http://www.empowerdex.com/images/Documents/TheEmpowermentReportOctober2018.pdf

CHALLENGES

- Collecting accurate and consistent sustainability data
- Implementing metering project across all local units
- Slower-than-expected progress towards our zero-waste-to-landfill initiatives at local units
- A delay in implementing a formal stakeholder engagement management process which will be completed in 2019
- Fully integrating and aligning Latin America's (Latam's) operations to the group's sustainability strategies, policies and procedures
- Consistent and impactful awareness and training for sustainability portfolios.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Implementing sustainability policies, procedures and frameworks across all portfolios.	Finalised the group's sustainability policies, standard operating procedures and frameworks for environmental, health and safety and SED.	Achieved
Developing a sustainability manual for Sun International.	Developed a sustainability manual to be rolled out in 2019 across all units locally and internationally.	In progress
Training all SHE professionals to conduct cross-unit SHEaudits at our local units.	Successfully trained all South African SHE teams as internal SHE legal auditors and implemented the first phase of our SHEcross-unit auditing programme.	Achieved
Developing and implementing our sustainability culture programme.	Good progress was made during 2018 – we conducted a sustainability culture survey to assess the current sustainability culture and determine what we need to prioritise going forward. The culture programme concept was also finalised.	In progress
Improving sustainability awareness through training and unit initiatives.	Sustainability initiatives and training were carried out across all local units.	Achieved
Maintaining our Level 1 B-BBEE scorecard.	Most units achieved a Level 1 or 2 B-BBEE rating.	Achieved
Improving communication and awareness within South Africa, with focus on specific awareness days and using all forms of media through a communications and marketing strategy.	An integrated communication and awareness strategy was implemented to assist in breaking down silos and improving sustainability awareness group-wide. We need to place more focus on external communication around our sustainability strategy and achievements.	In progress

KEY PERFORMANCE INDICATORS

To measure our sustainability performance, we have developed specific KPIs for each of the sustainability portfolios, namely environmental, health and safety, and SED. These indicators are reported on in each of the sustainability portfolio sections as indicated above. The group sustainability portfolio specialists track and monitor the specific KPIs and progress is regularly reported to our governance committees.

Strategy

The table depicts and highlights how our sustainability strategy is aligned with the group's strategic objectives.

Improve our existing operations and our guest experience	Protect and leverage our existing asset portfolio	Grow our business into new areas and products	Our people	Governance and sustainability
Adopt a proactive approach to SHE management. Standardise processes, to improve efficiencies and operational management Achieve cost reductions through efficiencies and awareness campaigns	Prevent harm, reputational damage, and reduce our risk through SHE initiatives Improve stakeholder commitments and brand reputation through targeted SED initiatives	Encourage engagement and improve participation in sustainability initiatives by breaking down silos and becoming an industry leader in the gaming and hospitality sector	Create a caring, responsible and vigilant workforce through improved awareness and communication and embedding a group-wide sustainability culture	Maintain compliance with all applicable legislation and conform to adopted standards. Continue integrating sustainability into the business strategy and create a sustainable work ethic

In line with top management's commitment to a sustainable business practice, we saw the need for a more formal approach to sustainability group-wide. As such, a sustainability department was established in 2017 to support, coordinate and drive the group's sustainability strategy across all units, standardise all policies and procedures group-wide, and ensure all engagement efforts align with the group's strategic messaging. The following portfolios are incorporated under the sustainability department:

- environmental
- health and safety
- socio-economic development.

The group sustainability manager is responsible for ensuring that the integrated sustainability strategy is filtered down to each portfolio specialist responsible for environmental, health and safety, SED, and stakeholder engagement. Each group specialist, responsible for the three portfolios, developed portfolio-specific strategies and frameworks that align to the group's sustainability strategy. These are embedded throughout our operations.

The sustainability organogram shows the various sustainability roles implemented throughout our local operations. The structure of the sustainability teams was determined by the size, location, structure and specific needs of each unit.

An important part of the group's sustainability strategy includes monitoring the performance of non-financial aspects so that informed business and board decisions can be made. The sustainability department developed a sustainability data reporting template that includes all relevant sustainability indicators and group-specific definitions for these indicators. The group's indicators are generally aligned with the GRI standard and/or industry best practices. This ensures accurate reporting and timely monitoring of the group's non-financial performance.

Sustainability is embedded within the group and impacts Sun International's strategic objectives. The governance and sustainability strategic objectives assist the group in monitoring and reporting on progress against specific short, medium and long-term sustainability KPIs. It also focuses on initiatives around cost saving, breaking down silos, and integrating management systems and communication approaches.

Our commitment towards sustainability demonstrates our business objective of **creating long-term value for our shareholders** by considering the group's impact on surrounding communities, our people, our suppliers and the environment. Our strategy further demonstrates Sun International's commitment to advancing its capitals: financial, productive, human, intellectual, social and relationship, and natural through continually improving our sustainability performance.

Governance and risk management process

We continue to implement Sun International's policies, procedures and standards internationally. The group sustainability manager focuses on strategy development and implementation; improving resource efficiencies; and embedding a sustainability culture to ensure that sustainability remains relevant and continues to create value. Further sustainability responsibilities include collating sustainability data group-wide and coordinating, compiling, designing and manging the group's integrated annual reporting and risk management processes.

GROUP SUSTAINABILITY POLICY OBJECTIVES

- Demonstrating **sound financial value** and **responsible commercial behaviour**
- Demonstrating **environmentally responsible behaviour**
- Demonstrating **responsible health and safety behaviour**
- Demonstrating **socially responsible behaviour**
- Demonstrating **good corporate governance**

The group has various sustainability policies in place that align to the group's strategy and demonstrate Sun International's commitment to advancing its sustainability performance as highlighted above. These policies are available online at https://corporate.suninternational.com/sustainability/ and include:

- group sustainability policy
- group environmental policy
- group health and safety policy
- group socioeconomic development policy
- group community and stakeholders' engagement policy
- group sustainable seafood policy.

As mentioned earlier, group sustainability is governed by various committees, as indicated below, and reports on strategic developments, risks and progress on KPI to these committees.

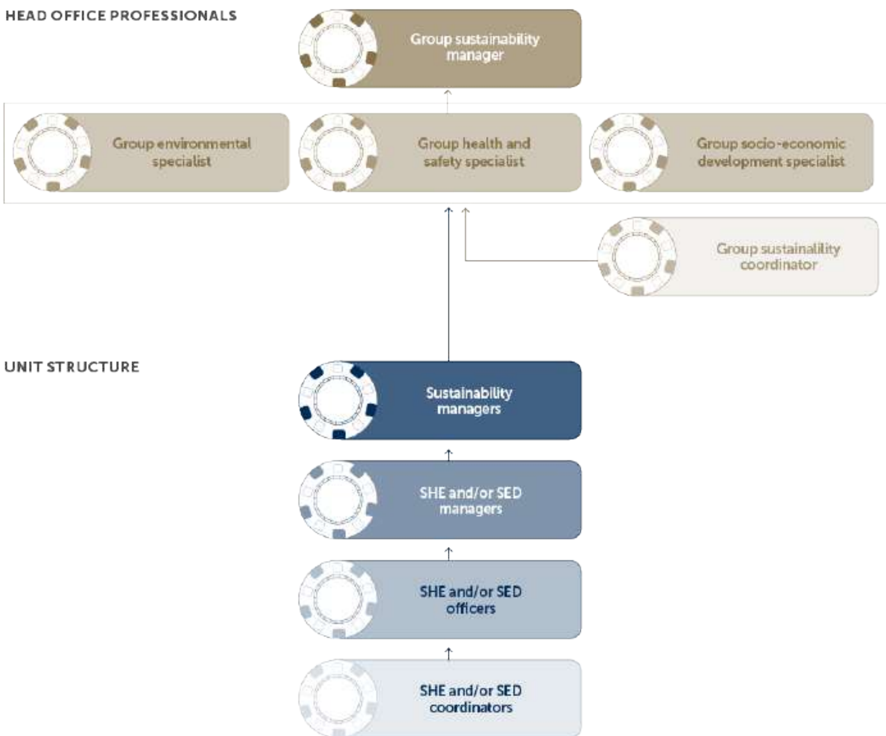
	Governance	Risk	Strategic objectives
Group sustainability	• Sustainability committee • Social and ethics committee • Risk committee • Executive committee • SISCDT	• Failure to accurately and timeously track and report sustainability data groupwide • Unable to determine feasible sustainability initiatives across all portfolios • Failure to spend entire SED budget as required by the B-BBEE Act and the Gaming Board licence conditions • Unable to achieve SHE reduction and cost-saving targets for each unit.	• Improve our existing operations and our guest experience • Protect and leverage our existing asset portfolio • Grow our business into new areas and products • Our people • Governance and sustainability.

Sustainability organogram

Although similar in approach, Sun International's sustainability structure is customised to each unit's needs. This approach depends on the size, location and structure of the unit, with a focus on improving our guest experience, delivering value to our shareholders, providing a safe and sustainable work environment for our employees, and uplifting our communities.

A team of dedicated and enthusiastic sustainability professionals at head office and unit level ensures we continue to add value while achieving our group sustainability targets.

Group sustainability organogram



Sustainability legislation and frameworks

Sun International complies with all relevant legislation and frameworks. The legislative requirements depend largely on unit location, namely South Africa, Nigeria, Swaziland and Latam. Each country's compliance department is responsible for monitoring legislative developments to ensure Sun International remains compliant with country-specific legislation.

The sustainability department developed a SHE legal register for our South African units, which includes a legal library of all the SHE legislation that units need to comply with. The SHE legal register allows for updates and new legislation to be added and is stored in the cloud to ensure easy and secure access. Any regulatory changes are updated, flagged and communicated to our SHE professionals. This ensures that the units have access to the latest relevant legal requirements.

The group also considers various local and international standards, frameworks and best practice initiatives and, where relevant, aligns our strategy to these requirements. Below are some of the sustainability requirements considered and implemented by the group:

- *Corporate governance*: Good corporate governance ensures the robustness of the organisation's framework that leads to accountability, fairness and transparency in how it conducts business and how it engages with all stakeholders. Sun International embraces the King Code on Corporate Governance for South Africa 2016 (King IV™), which includes 16 principles of good corporate governance.

- ***Environment***: Environmental legislation ensures that the group complies with local, provincial and national environmental legislation with the aim of reducing the organisation's environmental impact.
- ***Health and safety***: Health and safety legislation extends to employees, contractors, concessionaires and guests. The relevant legislation provides guidelines on how to monitor and maintain a safe and healthy operating environment.
- ***SED***: The gaming industry is required to adhere to gaming legislation as required by the Provincial and National Gaming Board's requirements and licence conditions in each country. In addition to gaming legislation, our South African operations are required to comply with the B-BBEE Act, which aims to empower and distribute wealth across as broad a spectrum of previously disadvantaged South African society as possible.
- ***Reporting***: Reporting financial and sustainability information to all stakeholders continues to evolve and improve. Regarding sustainability, the group uses the Global Reporting Initiative to guide sustainability reporting and continues to embrace the United Nations Global Compact (UNGC) requirements. Integrated reporting continues to gain traction, with many companies, including Sun International, following the International Integrated Reporting Council's (IIRC) reporting framework (the <IR> Framework). Sun International continue to participate in the CDP (previously the Carbon Disclosure Project), reporting for both carbon and water disclosures in 2018.
- **Sustainability Development Goals (SDGs):** The United Nations released its SDGs, which address the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. Sun International embraces the United Nations SDGs, and we endeavour to help achieve them through our operations and business strategies. While Sun International is only formally aligning and assessing the relevant goals in 2019, we are working towards addressing various SDGs in our ongoing sustainability journey. Refer to the Sun International report on Sustainable Development Goals for more details.

Assurance
The group's assurance process incorporates an integrated audit compliance programme across all sustainability portfolios. This process follows a tiered structure as depicted below.

STAKEHOLDER ENGAGEMENT APPROACH

Every aspect of our business interacts with stakeholders and all our stakeholder relationships impact directly and indirectly on our business and its reputation. Our social and relationship capital has a direct impact on our financial capital, as it influences whether consumers decide to become guests; whether suppliers choose to be vendors; and whether government believes that we are complying with regulations, giving back to the community and driving economic development. Key stakeholders include employees, equity partners and debt funders, customers and guests, regulatory and industry bodies, gaming boards, unions, and communities.

The group continues to improve its stakeholder engagement approach, which identifies stakeholder concerns and provides a governance reporting framework for reporting any material concerns through to the relevant board and management committees. In addition, the sustainability department focuses engagement within the communities in which we operate, as most of our units are situated within or close to surrounding communities. The group SED and stakeholder engagement specialist, along with the SED professionals at the various units, are responsible for engaging and cultivating relationships with stakeholders, including communities, non-governmental organisations (NGOs), non-profit organisations (NPOs) and public benefit organisations (PBOs). This engagement ensures that Sun International's relationships with these stakeholders offer shared value and sustainable socio-economic development.

Communications and awareness

To continue promoting group sustainability awareness, the sustainability department continuously rolls out initiatives and awareness campaigns for all three portfolios through different communication platforms. These communication and awareness programmes assist in breaking down silos, and improving employee engagement and participation that reinforces the SunWay formula for success.

Sustainability culture programme

Our sustainability culture programme encompasses all sustainability portfolios and aims to improve employee awareness, accountability and ownership in protecting the health and safety of all stakeholders, the environment, and the communities in which we operate.

To date, the sustainability culture programme:

- successfully implemented various sustainability practices into business processes
- completed a sustainability survey to assess the sustainability culture in Sun International
- improved awareness and commitment to sustainability policies, procedures and frameworks
- completed the development of the group SHE management system and the sustainability manual
- celebrated group SHE awareness days
- developed concepts for the e-learning and behavioural changes to be implemented as part of the overall culture programme.

Sustainability culture survey

Sustainability is often misunderstood internally as only being related to the environment. To clarify what sustainability means for the group, we conducted a sustainability survey, aimed at gauging the current understanding of what sustainability means in Sun International. The survey targeted all South African units and achieved a 40.6% response rate from the sample surveyed.

The following factors were examined in the survey:

- how aware employees are about the sustainability policies and practices of Sun International
- to what degree employees participate in sustainability initiatives at Sun International
- how committed management is to adhering to recognised sustainability policies and practices
- to what degree the Sun International culture is compliant with sustainability policies and practices.

The overarching comments centered around a need to improve sustainability training and awareness, as well as communication around who the sustainability representatives are within units. In addition, the survey revealed that employees felt that sustainability-related information was not cascaded down from management level to general employees and that a more consultative approach should be implemented between management and employees. Employees also stated their willingness to increase participation in employee volunteerism projects. These concerns will be addressed in the sustainability culture and behavior programmes planned for 2019.

PERFORMANCE OVERVIEW

To ensure the sustainability strategy is aligned and embedded throughout the group, the sustainability department identified the need for an integrated approach to managing sustainability. The group's integrated SHE management system enables ongoing sustainability performance overview and a holistic approach to managing and implementing sustainability at unit level. Sustainability data is captured, at our South African units, on this integrated system and the collated information is submitted to the group sustainability department for review and submission to relevant governance committees. Going forward, we aim to implement this integrated system at our Latam and African operations, that currently report sustainability information to the group on an annual basis.

The portfolio specialists monitor the group's environmental, health and safety and SED performance.

LOOKING AHEAD

- Launching and implementing Sun International's sustainability manual (locally and internationally)
- Identifying integrated SED projects that incorporate environmental and health and safety initiatives
- Implementing and maintaining our new SHE management system based on ISO 14001:2015 and ISO 45001:2018
- Launching our internal sustainability SharePoint site
- Implementing our sustainability culture programme – including our e-learning and behavioural change programmes
- Achieving our SHE reduction targets
- Increasing internal and external communication around Sun International's sustainability strategy
- Improving resource efficiencies across the group
- Aligning Latam and African operations with the new group sustainability strategy
- Continuing to improve our overall B-BBEE score.

ENVIRONMENTAL

Sun International remains committed to protecting the environment and minimising our environmental footprint. We place major focus on managing our environment and understand that the group's long-term future depends on using natural resources sustainably. Our environmental strategy is therefore integral to our business strategy.

HIGHLIGHTS

- Appointed Safety, Health and Environment (SHE) professionals across our South African units
- Achieved our Scope 1 and 2 emissions reduction target of 7% for South African units
- Implemented a water purification plant at GrandWest to address water quality and water scarcity
- Improved environmental data capturing and trend analysis through the eco-intelligence dashboard and ongoing training programmes
- Trained all SHE professionals as internal SHE legal auditors and conducted cross-unit SHE audits at all South African units
- Improved our emissions Carbon Disclosure Project (CDP) score and maintained our CDP score for water
- Achieved our first zero-waste-to-landfill (ZWTL) certification for Wild Coast Sun.

CHALLENGES

- Stability of energy supply from national energy supplier and increased energy costs
- Delays in the development and implementation of the group water and electricity metering projects
- Slower-than-expected progress towards achieving ZWTL for South African units
- Data accuracy and reporting from Latin America (Latam) and Africa units
- Identification and implementation of renewable energy initiatives
- Achieving our local WWF-South Africa's Southern African Sustainable Seafood Initiatives (SASSI) targets
- Driving behavioural change to ensure efficient use of water and energy resources, and effective waste management
- Achieving our water reduction targets.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Improving data quality throughout the group by training SHE professionals and implementing the use and update of the new eco-intelligence dashboard.	Appointed dedicated SHE professionals at our South African units. Trained all SHE professionals to accurately capture and record all environmental data that updates the group eco-intelligence dashboard.	Achieved
Conducting cross-unit SHE audits to improve awareness, share best practice and increase efficiencies.	Trained all South African SHE professionals as internal SHE auditors and implemented a SHE cross-unit auditing programme.	Achieved
Updating the environmental strategy to align with the group's new sustainability strategy and the overall business strategy.	Developed an environmental strategic framework. This framework is defined by our corporate sustainability strategy and aligned to the requirements of international environmental standards and best practices for corporate environmental responsibility.	Achieved
Implementing the group water and	We made solid progress in 2018. We reassessed our	In progress

electricity metering project.	approach from metering hardware and moved towards using an integrated online software platform, capable of providing real-time monitoring to ensure accurate billing of concessionaires. A request for proposal was issued in 2018 with a suitable supplier to be selected in 2019.	
Monitoring and achieving our environmental reduction targets for 2018.	Established and rolled out our energy, water and waste reduction targets to all local units to improve resource efficiencies and reduce costs. The improvement in data reporting enabled units to better monitor progress against the set targets.	In progress
Developing and implementing an integrated SHE management system based on ISO 45001 and ISO 14001 standards.	Developed an integrated SHE management system based on ISO 14001 and ISO 45001 standards; implementation to commence in 2019.	In progress

Strategy

Our environmental strategy is premised on understanding that the environment is integral to how we do business. We ensure our business paths are holistic, sustainable, and aligned with international standards and best practices. The state of the environment impacts local communities, our guests, our employees, our reputation and our bottom line. Our environmental journey continues to evolve as new technologies, risks and opportunities arise. As part of the environmental strategy, we have developed and implemented water and energy reduction targets, and continue to remain committed to ZWTL for all South African units.
In Latam, the next key steps are to assess the accuracy, completeness and reliability of environmental data, to establish a reliable baseline for setting environmental targets.

Governance and risk management process

Our board of directors and chief executive (assisted by the board's social and ethics, risk and sustainability committees) are accountable for approving and monitoring Sun International's environmental strategy and reduction targets.

Alongside aligning the environmental portfolio within the sustainability department, we restructured our SHE teams at all local units, by combining our efforts and maximising value across the group. Restructuring the South African units sustainability teams were dependent on unit size, location, operational requirements, and applicable environmental and legislative requirements. This structure allows us to standardise SHE job profiles and requirements, and minimise the risks associated with succession planning and intercompany moves.

The group environmental specialist is responsible for:

- updating and implementing the environmental strategy and framework
- ensuring a consistent approach to environmental risk management by facilitating policy, procedure and performance standards
- monitoring, evaluating and reporting on group environmental performance
- guiding and supporting the SHE professionals at unit level
- ensuring that ongoing awareness and training are conducted for all employees in the group.

GROUP ENVIRONMENTAL POLICY OBJECTIVES

- **Developing, implementing** and maintaining an integrated management system **(IMS) aligned with ISO 14001** and **45001 standards**
- **Improving our IMS** to enhance the group's environmental performance
- Ensuring **compliance** with relevant environmental legislation, regulations and standards
- **Promoting efficient use of materials and natural resources** throughout our facilities through initiatives and technologies
- Setting and regularly **reviewing environmental objectives and targets**
- **Communicating and promoting awareness** of shared employee responsibility and accountability
- **Engaging** and **informing stakeholders** of **our environmental commitments** through ongoing monitoring and reporting initiatives.

Our team of professionals continues to add value by focusing on all aspects of water, waste, energy and emissions management across the group.

PERFORMANCE OVERVIEW

To ensure our environmental targets and commitments are monitored and achieved, the group developed an IMS and trained all SHE professionals to conduct cross-unit internal audits. This allows for learning experiences, shared value and improving best practice at unit level. Formal monthly SHEawareness campaigns are held at all units. The group developed a sustainability culture programme to integrate various SHE elements across all local units.

Environmental data is collected, consolidated and analysed monthly. It provides group-wide visibility and ongoing monitoring against environmental targets, resource efficiencies and cost reductions at unit level, through the eco-intelligence dashboard. Revised reduction targets for energy, water and waste were identified and rolled out across local units.

To improve group reporting, we will review and evaluate the current SHE management processes in Latam, following which similar environmental policies, standards and procedure will be developed and implemented. One initiative is to introduce our new group sustainability manual (in Spanish) to all Latam units. This will improve data accuracy and reporting and enable the establishment of environmental reduction targets going forward.

KEY PERFORMANCE INDICATORS

Sun International remains committed to reducing its environmental footprint across all units. As part of our commitment, we align our environmental reporting to the GRI disclosures. We comply with the CDP requirements for water and emissions, implement the WWF-SASSI requirements and, where possible, align our environmental initiatives to address the Sustainable Development Goals (SDGs).

South Africa		**December 2018**	December 2017[1]
Energy consumption	kWh	249 911 965	248 869 294
Water usage (withdrawals[2])	kl	4 515 725	4 537 054
Waste[3]	kg	6 863 382	7 636 750
Carbon emissions (Scope 1 and 2)	tonnes CO_2e	253 875	255 904

1 2017 environmental data restated for water, energy and carbon emissions. This number excludes Fish River (closed in 2017) to enable an accurate year-on-year comparison.

2 Water data is restated as water withdrawals vs water consumption in 2017. The definition of water withdrawal and consumption as per the CDP Water Security 2018 note on Water Accounting is as follows:

- Water withdrawal – The sum of all water drawn into the boundaries of the organisation (or facility) from all sources for any use over the course of the reporting period.
- Water consumption – The amount of water drawn into the boundaries of the organisation (or facility) and not discharged back to the water environment or a third party over the course of the reporting period. This is calculated by subtracting total water discharge from the total water withdrawal.

3 Waste in this regard refers to total watse generated for the group including general and hazardous waste that was recycled and/or disposed.

WATER MANAGEMENT

Water is a critical resource and remains a key focus area for all units. Sun International is committed to stewarding water resources responsibly, while ensuring we have a secure supply of water for all our units. We continue to investigate additional sustainable water sources from a cost, time and efficiency perspective to determine the most feasible and responsible options for the group.

To reduce our overall water consumption, the group committed to implementing electronic water meters. This will allow the group to view real-time consumption of water and eliminate data capturing errors and incorrect billing by utilities. Data will update our eco-intelligence dashboard, which will flag anomalies and track progress against reduction targets, while identifying water and cost savings.

The group's focus is to improve reporting water data, increase water efficiencies at a unit level and achieve cost reductions where possible.

Impact of water scarcity at GrandWest, The Table Bay and Boardwalk

The group implemented solutions to address the crisis of critical water scarcity that impacted three of our properties in the Western Cape and Eastern Cape – GrandWest, The Table Bay and Boardwalk. GrandWest installed a water purification plant that treats borehole water to potable standards. This plant includes four groundwater wells and a treatment plant, with iron-removal sand filtration, reverse osmosis and stripping capability to deliver up to 10 000kl per month. This solution is a water-wise, cost-saving initiative that guarantees safe drinking water, and has significantly reduced our risk for any future water scarcities.

At The Table Bay, the unit embarked on an employee and guest awareness campaign to influence behavioural changes around water usage. From an operational perspective, the unit installed low-flow aerators on taps and changed showerheads to reduce water consumption. A greywater treatment system was also implemented, and the treated water is used for irrigation purposes. All cloth napkins were replaced with high-quality, branded biodegradable napkins, and bed linen service was extended to every four days instead of every two days (dependent on guest length of stay and requirements). The gardens were replaced with water-wise plants that significantly reduced water consumption for irrigation.

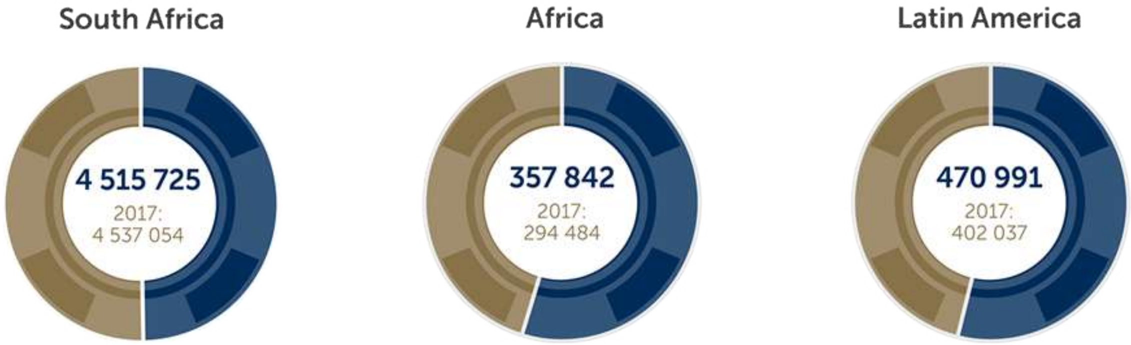
At Boardwalk, the unit embarked on an employee and guest awareness campaign to influence behavioural changes around water usage. From an operational perspective, the unit fitted four 10kl tanks to collect greywater for irrigation in the hotel gardens. The unit pumps water from the casino basement parking area to prevent flooding due to water seepage. This water is discharged directly to the current storm water system. The unit tested and verified the water quality and volumes, and is investigating the possibility of installing a reverse osmosis plant to purify the water to potable water standards for use in the hotel and casino.

Other initiatives were implemented across the group to save water, reduce cost and improve our overall water footprint. We continue to investigate additional sustainable water sources from a cost, time and efficiency perspective to determine the most feasible option for each unit.

Water key performance indicators

Water – South Africa		2018	% change	2017
Total water usage (withdrawals)	(kl)	4 515 725	0.47% decrease	4 537 054
Recycled water	(kl)	686 514	20% decrease	860 737
Recycled water	%	15	21% decrease	19
Cost of water usage (withdrawals)	(R)	67 854 054	16% increase	58 403 654

Water usage (withdrawals)



Municipal water supply is the largest source of overall water withdrawals (water usage) for South Africa and accounts for 92% of the main water supply used in our local units. The targets set for local units are based on a scientific target aligned methodology over a three-year period, and annualised for each unit. The target is to reduce water withdrawal of our South African operations by at least 11% by 2020.

Although we achieved a reduction in water use, we exceeded our 2018 water reduction target of 4 347 683kl (4 515 725kl). The main reasons we did not achieve our 2018 target include:

- the opening of Maslow Time Square Hotel which increased footfall, resulting in a 66% increase in water usage. Water usage is expected to increase until the unit has reached it optimal operating capacity
- water leaks experienced at most units due to ageing infrastructure
- a 12% increase by Carnival City due to legacy issues with increased pressure in water pipes resulting in water leaks that are difficult to address due to the design and layout of the complex
- a 12% increase at Carousel due to increases in water usage and several pipe failures at the housing village.

We remain committed to the reduction of our water withdrawal and are pleased with the seven units that achieved their water reduction targets. Recycled water volumes are reported by three units: Sun City, Wild Coast Sun and Carousel. These units are the only units that have their own waste water treatment plants that use recycled water. The reduction in recycled water use from 2017 (860 737kl) to 2018 (686 514kl) is primarily due to a reduction in volumes at Sun City. The unit had a major pipe burst in October 2018 and water was diverted to the Elands River as opposed to using the water within the complex. The unit reduced the irrigation on the golf courses during winter. The unit is making amendments to their water use licence to enable the use of more effluent water for irrigation of open areas at the Cabanas and Soho lawns, when the winter irrigation is reduced at the golf courses.

The cost of water at local units increased by 16% in 2018 to R67.8 million (2017: R58.4 million). GrandWest, The Table Bay, Boardwalk, Meropa and Head Office experienced over 50% year-on-year increases in the cost of water usage (withdrawals). The units in the Western Cape had a 51% increase in tariffs in February 2018, which were in place until the end of June 2018. Between July 2018 and December 2018, tariffs decreased by 45%. Other local units had incremental increases in tariffs during 2018.

Comparative data reporting improved as units interrogated the municipal and utility billing systems regarding tariff charges and the volumes of water billed back to the unit.

Sun International voluntarily participates in the CDP's annual water disclosure programme. For the 2018 CDP water report, only South African units were assured. Until the data collection systems and procedures are embedded in our Latam operations, we will continue to assure our South African units only. Based on year-on-year comparisons of our CDP water submissions, the independent assurance process shows an overall improvement in data reporting, resulting in fewer challenges in data accuracy, consistency, completeness and reliability. This translated into our CDP water score remaining within the management band (B scoring). Recommendations were made by the CDP to review the efficiency indicator and continue improving water consumption procedures, systems and controls.

To reduce our overall water withdrawal, the group committed to implementing electronic water meters at local units over the next two years. In 2018, we revised our approach from a metering hardware only solution, to an integrated online software platform that provides real-time monitoring to assist with accurate billing of concessionaires and verification of utility bills. To facilitate this improvement, a revised request for proposal was issued in 2018 and a suitable supplier will be selected in 2019. The electronic metering project will be implemented as a phased project from 2019 to 2020.

Going forward, the group will continue to create awareness around water-saving initiatives through our monthly environmental awareness programme, planned culture programme, e-learning initiatives and training programmes. The key driver for 2019 will be to minimise water wastage at all units by implementing a robust maintenance programme and improving recycled water usage. We are investigating the feasibility of installing a reverse osmosis plant at Boardwalk, which will address water needs for the hotel and casino, and reduce dependence on municipal water supply.

WASTE MANAGEMENT

Sun International remains committed to zero-waste-to-landfill (ZWTL) for our local units. This forms part of our commitment to minimise our waste footprint and save costs. Although progress towards achieving this target at our local units is slower than expected, we continue to work tirelessly to achieve this target. By reducing our waste-to-landfill, we reduce our carbon footprint, create job opportunities, improve our reputation and positively impact our bottom line.

The focus across the group is to improve reporting of waste data, minimise the generation of waste, increase waste recycling and achieve cost reductions where possible.

	2018		2017	
Waste – South Africa	**kg**	**%**	kg	%
Total volume of general waste to licenced landfill	3 364 544	(49)	3 916 482	(51)
Total volume of general waste diverted from landfill for beneficiation	20 405	(0.30)		
Total volume of general waste recycled	3 221 485	(47)	3 655 200	(48)
Total volume of hazardous waste to licenced landfill	29 256	(0.43)	27 485	(0.36)
Total volume of hazardous waste recycled	227 692	(3.32)	37 583	(0.49)
Total waste for the South Africa	6 863 382	100	7 636 750	100

During 2018, the total waste measured throughout our local units was 6 863 tonnes (2017: 7 637 tonnes), a 10% reduction. The reduction in waste can be attributed to:

- improved recycling and beneficiating measures applied at units
- the Wild Coast Sun maintaining its ZWTL status in 2018 and further reducing the volume of waste generated by 1%. The unit achieved certification by the Green Building Council of South Africa for its waste management process in January 2019 – the first in South Africa
- Sun City's significant 42% waste reduction – this unit is the largest local producer of waste
- improved data reporting in 2018, however, data inaccuracies remain a problem at certain units, particularly the volumes of general waste sent to landfill. This is being addressed by reviewing our waste management contracts and implementing the group's ZWTL programme.

Since reinforcing the South African waste monitoring programme in August 2017, annual waste reduction targets were implemented at each unit to ensure ongoing progress towards achieving ZWTL. Ongoing reporting and tracking of waste reduction and recycling initiatives allow us to monitor year-on-year cost savings in the group.

In 2018, the foremost group waste management project was to standardise waste management practices, which resulted in the development of the ZWTL programme: Waste management and handling standard operating procedure. This guidance document addressed issues identified in 2017 such as: inconsistencies in waste management procedures; difficulties in optimising waste contacts due to a broad range of service providers; and the lack of standard operating procedures for all types of waste.

One of the main reasons for our slower-than-expected progress towards achieving our ZWTL target was the ineffective waste separation systems and the weighing and recording of waste data on-site by some of our waste contractors. This resulted in the group developing a comprehensive terms of reference based on our ZWTL programme for all waste service providers. All local units are engaging and reviewing SLAs to ensure all contractors are aligned to the new ZWTL programme. Our units in the Western Cape (GrandWest and The Table Bay) completed new SLAs in 2018 with new service providers to commence services in 2019. SLAs for our units in Gauteng, Eastern Cape and KwaZulu-Natal will be completed in 2019.

In 2017, Sun City commenced with the prefeasibility phase for investing and developing a waste-to-energy project in the form of a pyrolysis plant. The aim of the project is to assist the unit with achieving the goal of ZWTL. Sun City is the largest unit in the group and the largest contributor to our overall waste, energy and water statistics. This project will allow the unit to eliminate waste to landfill while generating energy. In 2018, the Sun City received authorisation to close the landfill site and has made significant progress in obtaining the required environmental permits for the pyrolysis plant. With the closure of the Sun City landfill site scheduled for 2019, the pyrolysis plant is scheduled to be online in early 2020. The unit will continue to recycle most of its waste, and non-recyclable waste will be used to generate energy as part of the pyrolysis project.

ENERGY MANAGEMENT

Our energy management initiatives focus on improving efficiency, effectiveness and energy conservation. We aim to achieve this by implementing energy-saving initiatives, investing in renewable energy and focusing on behavioural change related to electricity consumption. Sun International has been collecting and analysing energy data since 2015 to establish baseline data for South African operations.

Through the eco-intelligence dashboard, we can track energy consumption and energy usage against our reduction targets, and study trends and anomalies. The dashboard links into real-time electronic electricity meters, which eliminates incorrect data capturing, and ensures data with high levels of integrity, accuracy and traceability. With the mandate from executive management to initiate reductions in electricity consumption and costs, this dashboard will provide the relevant data to motivate for potential energy-saving and renewable energy initiatives.

The focus across the group is to improve the data reporting, increase energy efficiencies, invest in renewable energy and achieve cost reductions where possible.

Energy data

	2018		% year-on-year change	2017	
Electricity purchased	**kWh**	**Rand**		kWh	Rand
South Africa	**249 911 965**	**259 259 341**	0.42% increase kWh	248 869 294	233 172 899
Latam	**59 538 684**	**121 712 922**	7% increase kWh	55 463 591	107 786 516
Africa (Nigeria and Swaziland)	**13 918 839**	**22 886 892**	14% increase kWh	12 243 844	18 005 624
Total	**323 396 488**	**403 859 156**	2% increase kWh	316 576 729	358 965 039

Direct: Fuel use for generator	2018 litres	2018 Rand	% year-on-year change	2017 litres	2017 Rand
South Africa	**148 041**	**11 505 484**	118% increase litres	68 035	840 912
Latam	**126 568**	**1 149 841**	17% decrease litres	152 663	1 495 830
Africa (Nigeria and Swaziland)	**1 848 559**	**16 475 197**	24% decrease litres	2 444 939	17 734 298
Total	**2 123 168**	**29 130 522**	20% decrease litres	2 665 637	20 071 041

Direct: Liquefied petroleum gas (LPG)	2018 kg	2018 Rand	% year-on-year change	2017 kg	2017 Rand
South Africa	**652 230**	**12 574 937**	10% decrease kgs	724 974	11 868 318
Latam	**863 315**	**10 123 836**	10% increase kgs	783 928	8 126 890
Africa (Nigeria and Swaziland)	**40 897**	**873 364**	1% increase kgs	40 412	845 502
Total	**1 556 442**	**23 572 137**	0.46% increase kgs	1 549 314	20 840 710

The total amount of electricity (Scope 2) purchased by our local units was 249 911 965kWh (2017: 248 869 294kWh), reflecting a 0.42% increase. Of the 16 local units, 11 achieved reductions in their consumption, with the highest reductions of 10% achieved by Boardwalk and GrandWest. Sun City achieved a 1% reduction, despite being the largest electricity consumer in the group. Maslow Time Square was fully operational in 2018, and we expect energy usage to increase until the unit has reached it optimal operating capacity.

The increase in fuels at local units is largely attributable to improved data reporting in 2018 with Golden Valley, Head Office, Maslow Time Square, Windmill, Wild Coast Sun and Naledi reporting data for the first time. Diesel consumption decreased at Carnival City, Maslow and Meropa.

There was improved data reporting from Head Office for LPGs, and an increase in consumption at Flamingo, Meropa and Maslow Time Square. All other units achieved a consumption reduction in 2018.

EMISSIONS MANAGEMENT

Together with our energy management focus, Sun International is committed to reducing greenhouse gas (GHG) emissions and our impact on the environment. Through setting science-based intensity targets[3] for our Scope 1 and 2 emissions, we encourage all units to form part of the movement of transitioning towards low-carbon energy sources.

[3] Science-based intensity targets have been set for the South African units. The target is calculated by taking our total Scope 1 and 2 emissions and dividing them by the unit total person hours worked. Our strategy is to set similar targets for Latam and Africa units once a verified baseline is established for Scope 1 and 2 emissions.

Sun International participates in the annual CDP as part of our commitment to measuring and reducing our carbon footprint. We continue to show significant improvements in reporting data, resulting in fewer challenges with data accuracy, consistency, completeness and reliability. Through monitoring emissions and reporting our carbon footprint, we can estimate the environmental and financial impact carbon tax is likely to have on our bottom line in 2019. As a group, we continue to implement initiatives to reduce our carbon emissions, which will result in cost savings.

As part of our medium-term environmental strategy, Sun International is committed to addressing the impact of our Scope 3 emissions. In preparation for managing our Scope 3 emissions, we aim to evaluate and verify our them, following which we will commit to setting science-based reductions targets.

South Africa carbon emissions data

Scope	Source	Total 2018[1] (Tonnes CO_2e)	Total 2017 (Tonnes CO_2e)	% year-on-year change
Scope 1	Company-owned vehicles	**2 473**	3 167	22% decrease
	Stationary fuels	**2 314**	2 315	0.04% decrease
	Refrigerant gas (Kyoto gases)	**11 672**	6 530	79% increase
	Subtotal Scope 1	**16 459**	12 012	32% increase
Scope 2	Electricity consumption	**237 416**	243 892	3% decrease
	Subtotal Scope 1 and 2	**253 875**	255 904	1% decrease
Out of scope	Fugitive emissions (non-Kyoto gases)	**3 326**	4 509	26% decrease
	Total emissions (including other direct)	**257 201**	261 413	2% decrease

1 Science-based intensity targets have been set for the South African units. The target is calculated by taking our total Scope 1 and 2 emissions and dividing them by the unit total person hours worked. Our strategy is to set similar targets for Latam and Africa units once a verified baseline is established for Scope 1 and 2 emissions.

Total Scope 1 emissions increased by 32% (2018: 16 459 tonnes; 2017: 12 012 tonnes), largely due to improved data reporting particularly on refrigeration gases and diesel. Total emissions for Scope 2 in 2018 was 237 416 tonnes CO_2e (2017: 244 428 tonnes CO_2e), a 3% decrease that can be linked to our marginal consumption increase (0.42%) and the reduction in the Eskom grid emission factor in 2018 to 0.95 (2017: 0.98). To achieve our 2023 intensity target of a 15% reduction, the local units need to achieve an annual 2.6% reduction when compared to the 2017 baseline data. The local units achieved the 2018 reduction target for Scope 1 and 2 by being 7% below the 2017 baseline.

Renewable energy projects are being considered across the group. With the global shift towards low-carbon (clean) energy use, the group established an internal working group to strategise the process for identifying and evaluating the most suitable approach for participating in energy projects. The goal for 2019 is to commence with preliminary studies for a suitable local unit to pilot a renewable energy project for implementation in 2019 or 2020.

Sun International participated in the 2018 CDP, where only South African operations were assured. Until the data collection systems and procedures are embedded in our Latam operations, we will continue to assure South African operations. The primary objective of the assurance process was to provide stakeholders with an independent 'moderate level assurance' opinion of our carbon data. It also provided insight into the overall energy usage of the group to improve and/or reduce energy consumption.

Based on the year-on-year comparisons of our CDP carbon submissions, the independent assurance process indicated a significant improvement of reporting data, resulting in fewer challenges with data accuracy, consistency, completeness and reliability. This translated into an improved CDPscore, and the group moved up into the management band (B scoring) from the awareness band (C scoring). Recommendations were made to review the efficiency indicator and to continue to improve energy and carbon data, procedures, systems and controls.

Reducing energy consumption remains a group focus. The group committed to installing electronic electricity meters at all local units in 2018. We reassessed our approach from only metering hardware to using an integrated online software platform that offers real-time monitoring, to assist with accurate billing of concessionaires and verification of utility bills. A request for proposal was issued in 2018 and a suitable supplier will be selected in 2019. The electronic metering project will be implemented as a phased project over 2019 to 2020.

BIODIVERSITY

Our impact on biodiversity remains largely the same. In addition to our standard management measures to protect important biodiversity, many units continue to monitor and support biodiversity initiatives in and around their operations. Although most units have a limited impact on biodiversity, units such as Wild Coast Sun and Sun City are situated in sensitive areas and we continue to monitor their impact on biodiversity. We participate, where applicable, in managing and protecting biodiversity, such as rhino protection, and the protection of our coastline (specifically near sensitive fauna and flora). Sun International is a member of the WWF and continues to participate in events that protect and leverage our biodiversity.

Sun International operates in the food and beverage industry, where supplying sustainable seafood is important. We appreciate the global concern over exploiting marine resources and the environmental impacts of fishing and aquaculture activities on marine ecosystems. As such, we partnered with WWF SASSI to ensure we continually implement a sustainable seafood strategy across our food and beverage outlets and restaurants. We are committed to driving positive change in the way we source and serve seafood in our restaurants by:

- supporting sustainable seafood choices and obtaining our seafood from legally and responsibly managed seafood suppliers
- working with our seafood suppliers to ensure that all our procured seafood is traceable back to its origins
- informing our food and beverage operations to recognise and purchase sustainable seafood
- providing our guests with sufficient and accurate information on seafood products, allowing them to make environmentally responsible choices.

In July 2018, Sun International hosted its annual WWF SASSI Supplier Workshop where all its seafood suppliers were invited to participate in Sun International's journey towards sustainable seafood. We achieved a 66% rating compared to 65% in 2017. This marginal increase is due to the continuous improvement in procurement processes and procedures to reduce and/or eliminate endangered seafood species purchasing.

ENVIRONMENTAL AWARENESS

Our group-wide SHE communications and integrated awareness strategy continues to ensure collaborative communication across all units within South Africa. An awareness calendar (see below) is used to break down silos and align with the group's SunWay formula for success

Month	Awareness event
March	World Water Day
May	International Biodiversity Day
June	World Environment Day
September	Recycling (Clean-up) Week

As part of the sustainability culture programme, we focus on changing employee behaviour regarding water and energy usage, and improve waste separation at source to improve waste recycling at the units. The poster campaigns were instrumental in providing day-to-day learnings to employees that can be implemented in the work and home environments. They have fostered an environmental consciousness culture, which is one of the key outcomes of our environmental strategy.

LOOKING AHEAD

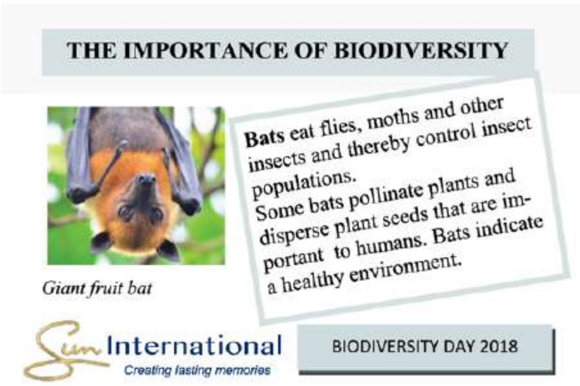
- Managing the introduction of the proposed carbon tax in June 2019
- Implementing the group water and electricity metering project
- Designing and implementing a pilot renewable energy project
- Improving environmental data accuracy in our Latam and Africa units
- Achieving our ZWTL target at another South African unit.

ENVIRONMENTAL INITIATIVES

World Biodiversity Day

WILD COAST SUN

Wild Coast Sun, together with the Departments of Environmental Affairs, Tourism and Forestry celebrated World Biodiversity Day with Ithuba Community College on 22 May 2018. The learners received topic discussions, posters, educational cards and keyrings on biodiversity.



GOLDEN VALLEY

Golden Valley celebrated the South African National Biodiversity Institute World Biodiversity Day in May at the Aan De Doorns Primary School. The unit donated 20 plants to improve their landscaping.


SUN CITY

Sun City sustainability department celebrated World Biodiversity Day with Rateo Primary School. Members of Sun City's SHE representative club participated in the event together with grades 6 and 7 learners.

This **World Environment Day** event was hosted at Sun Central in June 2018. Posters and pledges posters were mounted for participating employees and guests to reduce plastic pollution. Several participants signed their pledge to reduce plastic pollution. Guests and staff were handed ecofriendly bags made from recycled plastic by a community project. The reusable bags are replacing plastic shopping bags.

Environment Day Pledge Desk

Employees and guests signing their pledge against plastic pollution

FLAMINGO – THE INTRODUCTION OF A BARN OWL BREEDING PAIR ON SITE

Flamingo – The introduction of a Barn Owl breeding pair on site

These owls were hand raised and donated to Sun Flamingo by the Honbu Sanctuary. The aim was to breed the pair and for them to serve as natural rodent control in the gardens and surrounding area, which should also reduce the prevalence of snakes in the vicinity. The owls roam freely in their new surroundings.

Barn Owl breeding pair, Upington (Right – male) and Steff (Left – female).

HEALTH AND SAFETY

Occupational health and safety management is critical to Sun International's sustainability portfolio. The health and wellbeing of our employees, guests and communities directly impacts our bottom line. Our health, safety and wellness framework enables the group to protect relevant stakeholders, maintain legislative compliance, and position the group to become an industry leader in health and safety.

HIGHLIGHTS

- Appointed dedicated SHE professionals across our South African units
- Implemented a SHE cross-unit auditing programme
- Trained all South African SHE professionals as internal SHE legal auditors
- Developed the first set of OHS reduction targets for our South African units
- Standardised our OHS incident reporting process, templates and definitions group-wide
- Developed a group fire standard to ensure standardisation and conformity to design, installation and maintenance of our fire systems
- Implemented a SHE awareness campaign in South Africa with specific health and safety awareness themes
- Developed an integrated SHE management system based on ISO 14001 and 45001 standards
- Implemented a compliance management platform to standardise our risk assessment, legal register and compliance management functions.

CHALLENGES

- Ageing infrastructure across various properties remains a challenge, however, the group continues to review, update and implement maintenance plans across all units
- Reporting health and safety information for our Latin America (Latam) operations
- Standardistion and implementation of OHS definitions at our local units
- Ineffective integration of wellness initiatives between OHS and human resources
- Awareness and improvement of our group's OHS culture.

FOCUS AREAS

Our focus for 2018	**What we achieved**	**Self-assessment**
Implementing a medical surveillance programme.	Appointed an occupational health provider to facilitate and implement a medical surveillance programme.	In progress
Implementing a sustainability culture programme across our local operations.	The sustainability culture programme is being developed and implemented through a phased approach. Phase one is complete, and phase two is in the final development stages and will be implemented in 2019.	In progress
Developing and implementing an integrated SHE management system based on the ISO45001 and 14001 standards.	Developed an integrated SHE management system based on ISO 14001 and ISO 45001 standards, with implementation to commence in 2019.	In progress
Implementing cross-unit SHE audits to improve awareness, share best practice and increase efficiencies.	Trained all South African SHE professionals as internal SHE auditors and implemented a SHE cross-unit auditing programme.	Achieved
Standardising the Latam and African properties incident reporting to the South African reporting systems.	Due to operational requirements and the mergers and acquisitions that took place in the reporting period, this requirement was placed on hold.	Not achieved

Enhancing our combined assurance process to ensure efficient compliance management.	Implemented a compliance management platform to standardise our risk assessment, legal register and compliance management functions.	Achieved
Improving incident reporting and collection of contractor data within South Africa.	Internal audits, refresher training and a definitions document were implemented, which has improved data reporting significantly.	Achieved
Improving emergency preparedness processes through introducing realistic simulations across all South African properties.	Small-scale emergency simulations were conducted at most South African properties and will continue in 2019.	Achieved
Addressing ageing infrastructure at properties by establishing a preventative maintenance plan.	The development department conducted structural audits at most South African properties to establish the short, medium and long-term maintenance requirements at those units to develop an informed preventative maintenance plan.	In progress
Developing a group fire standard.	Developed a group fire standard to ensure standardisation and conformity to designing, installing and maintaining fire systems.	Achieved

KEY PERFORMANCE INDICATORS

Sun International remains committed to reporting on relevant and applicable indicators as tabled below. Data was segmented by region to ensure an accurate reflection of our key performance indicators across the group.

South Africa

		December 2018	December 2017
FIFR[1]	Rate	**0.00**	0.00
LTIFR[2]	Rate	**0.96**	1.27
TRIFR[3]	Rate	**2.05**	3.35
TIFR[4]	Rate	**7.94**	7.86
Total number of guest injuries[5]	Number	**242**	148
Total number of employee/contractor injuries[6]	Number	**334**	517
Total fatalities	Number	**0**	0

Africa

		December 2018	December 2017
FIFR[1]	Rate	**0.00**	0.09
LTIFR[2]	Rate	**0.97**	0.00
TRIFR[3]	Rate	**0.70**	191.04[7]
TIFR[4]	Rate	**13.21**	301.71[7]
Total number of guest injuries[5]	Number	**0**	6
Total number of employee/contractor injuries[6]	Number	**8**	2 156[7]
Total fatalities	Number	**0**	1

Latam

		December 2018	December 2017
FIFR[1]	Rate	0.02	0.04
LTIFR[2]	Rate	3.47	4.27
TRIFR[3]	Rate	16.66	11.22
TIFR[4]	Rate	22.47	17.27
Total number of guest injuries[5]	Number	10	3
Total number of employee/contractor injuries[6]	Number	783	547
Total fatalities	Number	1	2

1 FIFR is the determination of the frequency of fatalities resulting from a work injury or work-related disease/illness, i.e. the number of fatalities per 200 000 employee hours worked.

2 LTIFR is the determination of the frequency of LTIs, number of LTIs per 200 000 employee hours worked.

3 TRIFR is the determination of the frequency of all RIs – inclusive of all fatalities, LTIs and MTCs per 200 000 employee hours worked.

4 TIFR is the sum of all injuries (i.e. FACs, MTCs, LTIs and fatalities) per 200 000 employee hours worked, where the difference between TRIFR and TIFR is the addition of FACs.

5 Total number of recordable guest injuries includes all injuries that required treatment other than first aid.

6 Total number of recordable employee and contractor injuries that required treatment other than first aid.

7 The material variance between 2017 and 2018 is due to the incorrect application of definitions by Royal Swazi Sun in the comparative period. This was corrected in 2018.

PERFORMANCE OVERVIEW

Following an extensive restructuring process in 2017, we focused on bedding down the refreshed health and safety framework and standard operating procedures. Progress made in 2018 is discussed below.

Work-related fatalities and frequency rates

Fatal injury frequency rates (FIFR)

It was with great sadness that we experienced a contractor fatality at Monticello during the period under review. With the assistance of its labour department, the unit implemented additional safety measures to improve control over contractors and subcontractors. No fatalities were reported in the South African or other African operations. The group remains committed to zero fatalities and reducing incident rates group-wide.

Lost-time injury frequency rates (LTIFR)

The LTIFR is measured and compared on a region-specific basis due to some challenges with accurate data reporting across our Latam operations. Our South African operations noted a significant reduction of 63% in the LTIFR over a three-year period. In 2018, we achieved a 24% reduction compared to a 51% reduction in 2017. These reductions were achieved through:

- the development and implementation of our health and safety strategy and initiatives
- further improvements in the reporting process
- training on our reporting definitions
- an improved focus on health and safety issues and awareness in the group.

The LTIFR at our African operations increased to 0.09 injuries per 200 000 hours worked (2017: 0.00).

The LTIFR in Latam has reduced to 3.47 injuries per 200 000 hours worked (2017: 4.27). Monticello achieved a 50% reduction in their LTIs which contributed significantly to the current reduced LTIFR. Due to new acquisitions in Peru, the 2017 data is not comparable to the current year's data. Accurate reporting and the application of our sustainability definitions by our Latam properties remains a challenge that will be addressed in 2019.

Total Recordable injury frequency rates (TRIFR)

The TRIFR is measured and compared on a region-specific basis due to some challenges with accurate data reporting across our Latam operations. The rate in South Africa reduced by 39% to 2.05 injuries per 200 000 hours worked (2017: 3.35). This was in addition to the 44% reduction in TRIFRachieved in 2017. Over the past three years, we achieved an overall reduction of 66% in TRIFR. These reductions were achieved through the various initiatives implemented, ranging from improved data reporting to increased awareness and training initiatives.

Africa's TRIFR reduced significantly to 0.70 injuries per 200 000 hours worked (2017: 191.04). The material variance between 2017 and 2018 is due to the incorrect application of sustainability definitions by Royal Swazi Sun in the comparative period. This was corrected in 2018.

The TRIFR in Latam increased to 16.66 injuries per 200 000 hours worked (2017: 11.22). Contributing factors for this increase include the additional properties and the ongoing challenges we are experiencing with data standardisation across Latam.

Reduction targets

In 2018, the group developed the first set of injury reduction targets for our South African units.

To establish realistic injury reduction targets, we researched the LTIFR and TRIFR averages of our sector (travel, hotels and leisure) and various other high, medium and low-risk sectors, as well as the overall JSE averages. Based on this research, we aligned our LTIFR target to the 2016 JSE average, and our TRIFR target to the 2017 JSE average. Our TIFR reduction target was based on an overall group reduction of 20%.

	South African targets 2018	Achieved 2018
LTIFR	0.75	0.96
TRIFR	1.29	2.05
TIFR	5.92	7.94
Fatalities	0	0

Sun International did not achieve the first year's injury reduction targets. With various initiatives prioritised to identify injury trends, reduce incidents and improve awareness, we aim to make significant progress in 2019.

The group is improving awareness and data reporting on OHS information for our African and Latam units, with the intention of implementing reduction targets for these regions going forward. To assist the Latam operations with the OHS initiatives, we developed a sustainability manual that will be translated into Spanish to ensure all units are aligned to the same strategy, use the same definitions and report data consistently.

Units with clinics provide on-site medical treatment to our stakeholders (employees, service providers, contractors, concessionaires and guests) when required. All unit incidents and treatments are recorded monthly, tracked to ensure the wellness and safety of our stakeholders, and compared with our reduction targets to ensure we continually improve the health, safety and wellbeing of our stakeholders.

STRATEGY

Our OHS strategy is defined by our sustainability strategy and overarching group business strategy. It is aligned to the requirements of international OHS standards and best practice for effective health and safety management. This ensures we remain socially and ethically responsible.

Our OHS strategy reinforces how health and safety impacts our ability to:

- maintain memorable guest experiences
- protect the communities where we operate
- meet our shareholders' expectations
- maintain and improve our reputation
- reduce financial impacts on our bottom line.

To achieve our OHS goals and commitments, Sun International integrates OHS management into sustainable group practices throughout every level of our business. This integration assists the group in creating value, improving efficiencies and saving costs.

Our primary health and safety objectives are to:

- maintain compliance with applicable occupational health and safety legislation
- fully integrate health and safety into all aspects of the business
- identify, implement and achieve health and safety reduction targets set for the group
- reduce incident rates and improve our guest experience
- foster a proactive and caring health and safety culture and workforce that lives by the SunWay culture
- standardise and manage our activities, operations, processes and risks in an integrated, efficient and controlled manner
- prevent harm, reputational damage, and reduce our risk through implementing health and safety initiatives
- position our organisation as an industry leader in health and safety.

Governance and risk management process

Our health and safety governance and risk management process is shown below. The group's health and safety policy details our commitment to improving our health and safety performance. Each property has an approved site-specific health and safety policy, which is reviewed annually and aligned with the group policy.

Compliance

Safety management is critical to the group's strategy and is underpinned by the OHS legislative frameworks in the countries in which we operate. As a result, we are focused on achieving and maintaining compliance within all aspects of safety management. To facilitate this process, we implemented a compliance management platform that creates a 'management-on-the-go' mindset in terms of compliance and safety management. Using this technology, SHE professionals complete compliance checklists, SHE audits and risk assessments on the platform. They have access to all local, regional and national SHE legislation.

In addition to the compliance management platform, we conduct audits to verify compliance with applicable SHE legislation. By training and employing dedicated SHE professionals at our South African units, we developed a SHE cross-unit audit programme whereby our internal SHEprofessionals were trained to serve as internal compliance auditors. This creates an environment conducive to sharing SHE knowledge and experience across our business units. The compliance department implemented a compliance assurance process to ensure that any non-compliances identified are rectified within the specified closeout period, and escalated to the necessary management committees if required.

Our international properties are governed by applicable local laws. The units adopted specific health and safety standards. All international operations comply with relevant laws and regulations and successfully implemented SHE policies, standards and systems.

By integrating functional departments, we break down silos, improve communication, and manage compliance. This includes departments like food and beverage, legal and compliance, internal audit, human resources, procurement, IT, events, public relations and marketing, development, and maintenance. Integration is critical to implementing our OHS strategy effectively and creating a health and safety culture.

Fire and life safety

Fire and life safety audits are conducted annually by an independent third party to ensure that all fire and life safety risks are identified. All units receive detailed reports with concerns and possible risks to be addressed. Detailed action plans are developed and implemented to mitigate and control our shareholder risk. A group fire standard was developed in 2018 to ensure standardisation and conformity to the design, installation and maintenance of our fire systems.

Culture programme

While compliance is the cornerstone of managing safety, our employees' drive these initiatives within our units. This necessitated developing and implementing a sustainability culture programme. This programme informs our three-year tiered approach to changing behaviour group-wide. It focuses on health and safety, environment and SED.

Improved awareness

Our group-wide SHE communications and integrated awareness strategy ensures collaborative communication across all units in South Africa. An awareness calendar is used to break down silos and align with the group's SunWay formula for success.

Group safety and health awareness day calendar

Month	Awareness event
February	Healthy Lifestyle Awareness Day
April	World Day for Safety and Health at Work
July	Corporate Wellness week
October	Mental Health Awareness Month

In addition to basic awareness, we ensure all employees are aware of their health and safety responsibilities by facilitating induction training for all new employees. Employees exposed to risks in the working environment, and who are responsible for ensuring compliance to specific regulations also undergo compliance and specialised training based on the risk involved. This training extends to all service providers and contractors that are contracted to perform work on-site on behalf of Sun International. All our OHS training requirements have been standardised for our South African units.

Group SHE management system

An IMS aligned with ISO 45001:2018 and ISO 14001:2015 was developed to standardise SHE management and reporting. The IMS is hosted and managed through the compliance management platform. The system will be implemented across our South African properties in 2019.

GROUP HEALTH AND SAFETY POLICY COMMITMENTS

- Adopting a **zero-tolerance approach to harm** without affecting the quality of our service
- Developing, implementing and maintaining a **health and safety management system** aligned with ISO 45001 standards
- Ensuring **compliance** with relevant health and safety legislation, regulations and standards
- Identifying, assessing and adopting appropriate measures to **prevent, minimise or eliminate risks to all our stakeholders**
- Ensuring **preparedness** to respond to any emergency
- **Communicating and promoting awareness** of shared employee responsibility and accountability, and **engaging** with our stakeholders
- **Demonstrating responsible health and safety behaviour** through strategic objectives, targets, internal and external reporting, employee training and development, guest awareness, and governance, and encouraging a group-wide health and safety culture.

Chile

Sun International acquired seven properties in Chile. All these properties are governed by various laws, including but not limited to the Supreme Decree No 40, 54, 76, 109 and 594, and Law No 16744 and 20123 of Chile. They did not adopt any international standards. However, their legislation governs the minimum requirements and guidelines for a health and safety management system.

Panama
Ocean Sun Casino is governed by the Panamanian labour code with no specific legislation developed in terms of health and safety. The unit adopted Sun International's standards. However, a health and safety management system has not been developed.

Peru
With the Sun International's Sun Dreams acquisition, we have five properties in Peru. These properties are governed by Law 29783 on Health and Safety at Work, as well as various regulations and international conventions which were ratified into law. They are required to comply with the National System of Health and Safety at Work.

Argentina
The Sun Dreams group recently acquired a property in Mendoza. This property is governed by various resolutions for occupational health, hygiene and safety of various working risks, covering a similar scope as the South African OHS Act 85 of 1993.

South Africa
In South Africa, we are governed by the following health and safety legislation, including but not limited to:

- OcHS Act 85 of 1993 and its regulations
- Compensation for Occupational Injuries and Diseases Act 130 of 1993
- Safety at Sports and Recreational Events Act 2 of 2010 and its regulations
- National Health Act 61 of 2003 and its regulations
- National Building Regulations and Building Standards Act 103 of 1997

Swaziland
Royal Swazi is governed by the Occupational Safety and Health Act 9 of 2001 of Swaziland, which is similar in its application to South African legislation. The unit adopted various health and safety management system elements to ensure compliance without adopting a specific international standard.

Nigeria
Federal Palace is governed by the Occupational Health and Safety Act 2012, Employee Compensation Act 2011, and the Labour Act Chapter 198 1990 of Nigeria. The unit adopted Sun International and Nigeria's OHS and management system standards. The unit is inspected regularly by the authorities based on legislative provisions, in particular the health and environmental teams. To date, zero non-compliances have been identified.

HEALTH MANAGEMENT

Medical surveillance

Sun International protects employees' health through various compliance and best practice initiatives. All South African units are required to conduct occupational hygiene assessments every two years and a health risk assessment every year, as prescribed by legislation. These assessments identify employee health risk exposures, and the measures required to mitigate, control and prevent their health from deteriorating. Where additional monitoring is necessary, a medical surveillance programme is required in terms of the OHS Act 85 of 1993 and its regulations, with specific reference to certain regulations. We developed and implemented a medical surveillance programme to monitor our risk exposure in respect of these regulations. We conduct medical examinations on a scheduled basis, as specified by the medical surveillance programme.

OCCUPATIONAL HYGIENE AND MEDICAL SURVEILLANCE REGULATIONS

- Construction Regulations (GNR 84)
- Asbestos Regulations (GNR 155)
- Hazardous Chemical Substances Regulations (GNR 930)
- Hazardous Biological Agents Regulations (GNR 1390)
- Lead Regulations (GNR 236)
- Noise-Induced Hearing Loss Regulations (GNR 307)
- Ergonomics Regulations (draft).

Health and wellness

One Sun Wellness, our wellness programme, provides employees with health and wellbeing facilities to improve their mental and physical health. The programme provides trauma counselling to employees and their immediate family members, and facilitates HIV/Aids monitoring through on-site testing, which includes HIV and health risk assessments. The programme operates in conjunction with our human resources department.

Our guests are equally important to us, as we would have no business without them. Protecting their health and safety is how we create memorable experiences. As such, proactive health and safety management is crucial to effectively anticipating our health and safety risks and mitigating them timeously. The group continually looks for ways to improve the safety and wellbeing of our employees and guests. Through our ongoing reporting system, we identify incident trends and take appropriate action to minimise and prevent the recurrence of similar incidents.

Hygiene and food safety

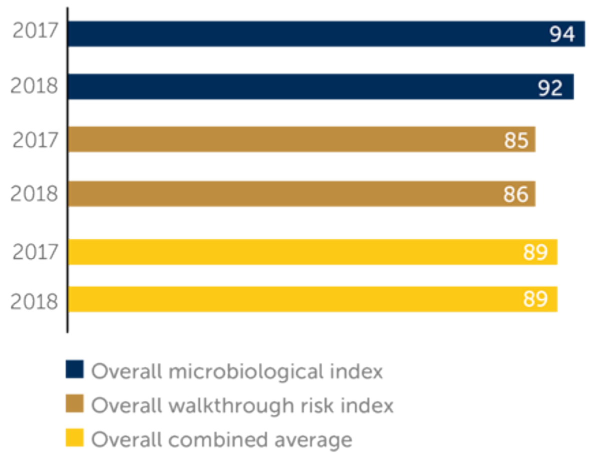
Being in the entertainment and food and beverage industry, the group is largely guest facing and requires great focus on guest safety and employee hygiene. Sun International monitors hygiene and food safety quarterly through an independent, third-party and SANAS-accredited laboratory. The following areas are covered in the assessments and quantified into indices:

- microbiological evaluation as per standard protocol
- scrutiny of visual cleanliness throughout food production areas
- full appraisal of food safety practices
- detailed inspection of facilities, including design, structural and maintenance issues
- investigation of relevant documentation and compliance with legislation relating to food hygiene practices.

All new employees are trained by accredited training providers to maintain high standards of food safety and practice good hygiene. Refresher training is provided annually to all food and beverage employees. Ongoing awareness campaigns reinforce the need to practice good hygiene across the group.

As depicted in the graphs below, Sun International achieved 92% compliance in its overall microbiological index for the South African and African units (2017: 94%). This is testament that our food and beverage departments are managing cleanliness and hygiene in critical areas, and we successfully achieved the group target of 90%. The overall walkthrough risk index improved by 1%, and we achieved 86% compliance (2017: 85%). Issues identified were mainly due to a lack of ongoing maintenance and infrastructure challenges experienced in our kitchens. We have plans in place to address these shortcomings. Our combined average (microbiological and walkthrough risk indexes combined) remains at 89%.

Sun International group hygiene averages year-in-year

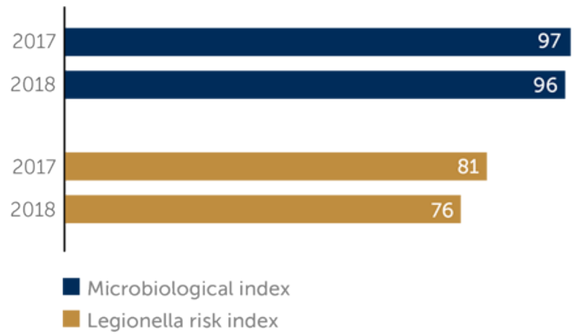


In 2018 there was an outbreak of listeriosis and bird flu in South Africa. Sun International's health and safety, food safety and procurement procedures ensured that no units were impacted by these diseases.

Legionella risk management
Legionnaires' disease[1] is a significant risk in the hospitality industry. Sun International monitors this risk through an independent third-party assessment and the use of SANAS-accredited laboratories.

1 Legionnaires' disease is a form of atapical pheumonia caused by the inhalation of Legionella bacteria, which can be found in hot and cold water systems.

Group Legionella averages year-on-year



As depicted in the graphs, Sun International's Legionella microbiological index reduced by 1%, and the Legionella risk index reduced by 5% compared to 2017. The reduction in our risk index is primarily due to the introduction of the SANS 839 standard for Legionnaire's disease. This standard imposes stricter requirements on the group that were not enforced previously. Plans are in place to improve our risk index further.

Sun International is committed to providing a safe environment for all our stakeholders. Through our dedicated team of professionals, improved systems and procedures and ongoing training and awareness, we aim to ensure memorable experiences for all.

LOOKING AHEAD

- Implementing the SHE e-learning and behavioural change projects as part of the integrated sustainability culture change programme
- Implementing the group's integrated SHE management system
- Implementing incident reduction initiatives
- Implementing the group fire safety standard
- Improving compliance management and monitoring through the compliance management platform
- Standardising reporting of requirements and aligning health and safety management to South African standards in Latam by rolling out our sustainability manual
- Improving integration to implement preventive maintenance plans.

HEALTH AND SAFETY INITIATIVES

BURN AWARENESS MONTH

Sun International collaborated with the National Burn Association of South Africa to promote burn awareness during February 2018. The awareness focus on types of burns, how they impact people's lives, and how people can protect themselves and their family against burns and fire.

SUN CITY'S SHE REPRESENTATIVE CLUB

To promote participation and create a culture of caring employees, Sun City established a SHE representative club in February 2018 for its SHErepresentatives. In November 2018, the top SHE representative club members were awarded for their assistance in promoting a safe and healthy working environment, and supporting the unit's SHE initiatives.

INTERNATIONAL DAY AGAINST DRUG ABUSE AND TRAFFICKING

In June 2018, various units raised awareness around drug abuse. Wild Coast Sun partnered with the South Coast Recovery Centre, SAPS and Mzamba Youth Centre to raise awareness about drug and substance abuse. The awareness day focused on our employees, surrounding communities' leaders and youth.

In a show of drug awareness support, employees at various units tied yellow ribbons around trees on their properties.

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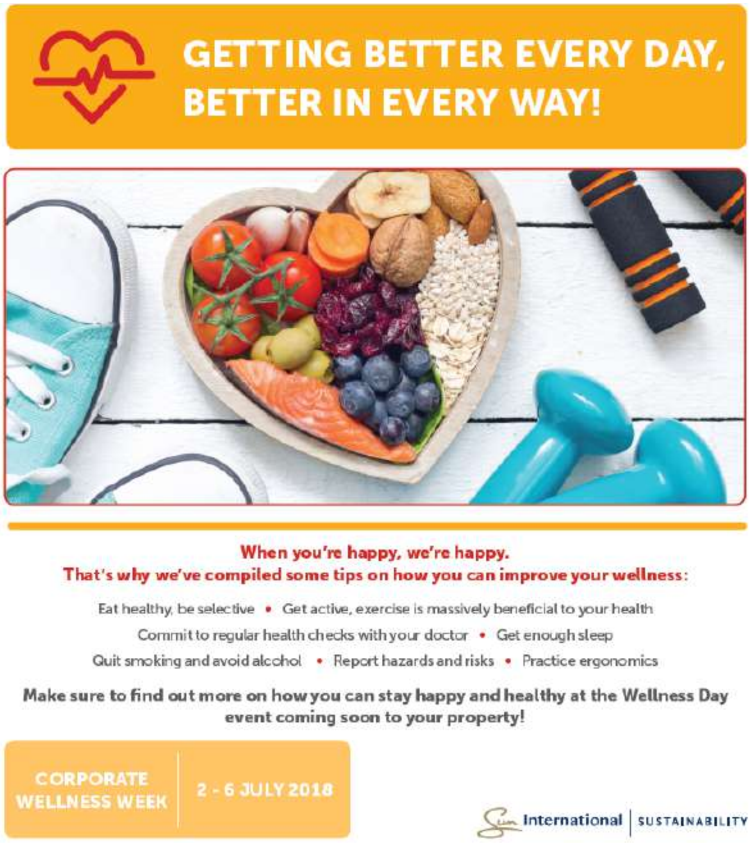
CORPORATE WELLNESS WEEK

In celebration of corporate wellness week, our units incorporated wellness elements into their annual wellness days. Maslow Time Square sponsored stress balls for all the units and awareness posters were distributed.



WORLD HEARING DAY

In celebration of world hearing day in March 2018, Golden Valley invited the National Institute for the Deaf to inform employees on how they should protect their hearing. Awareness was created around how and when to uses PPE and how loud sounds and noises can affect your hearing over a period of time.

SAFETY AND HEALTH AT WORK – CLIMBING THE CORPORATE LADDER

In May 2018 we raised awareness about working at heights and using ladders. Email communication was distributed to employees.

EYE SAFETY AWARENESS MONTH

November is eye safety awareness month, and employees were given eye safety packs. Awareness posters were also distributed.

SOCIO-ECONOMIC DEVELOPMENT

Socio-economic development (SED) is integral to our sustainable business strategies. This allows us to create shared value, fulfil our licence conditions, and promote B-BBEE and corporate governance processes, while doing good. Our social licence to operate means we strive to uplift, empower and share value across the communities where our business units are located. We understand that community cohesion is critical to our future sustainability.

HIGHLIGHTS

- Invested R23 673 966 million in SED projects across our focus areas: education, sports, and arts and culture
- Improved the SED project governance process through policies, standard operating procedures and a new SED IFS to capture all SED projects and project budgets
- Commenced the SED audit programme and continued to roll this out at various units across South Africa
- Packed about 320 000 meals through our partnership with Rise Against Hunger South Africa, which impacted over 1 200 children's lives by feeding them one nutritious meal, five times a week for one year
- Continued to nurture and promote talented artists through our annual arts and culture donation
- Appointed dedicated SED representatives at five of our big units and identified SED coordinators at the other units to assist with the SED strategy.

CHALLENGES

- Ensuring the integration and alignment of social, health, wellness and environmental concerns in future SED projects to enhance Sun International's social impact
- Continuous and effective stakeholder engagement with our communities and employees
- Ensuring corporate accountability through reporting and monitoring the group's SED investments
- Collecting and reporting on group CSI spend, including donations (in-kind, whether monetary or non-monetary), sponsorships and charitable givings.

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Encouraging more students to register on Sun International's hospitality curriculum development programme.	Approximately 5 000 students have registered to date. The programme was successfully handed over to the Department of Education.	Achieved
Continuing to create value through the group's SED focus areas – education, sports, and arts and culture.	Various SED initiatives were successfully implemented across our focus areas.	Achieved
Implementing the new SED and community and stakeholder engagement strategic framework and policy.	Finalised and implemented the group community and stakeholder engagement policy. Developed a new SED and community stakeholder engagement framework that will be rolled out to all South Africa units in 2019.	In progress
Improving the capturing of SED, CSI and licence conditions spend for reporting purposes.	Developed and implemented a new SED IFS to capture all SED projects and project budgets. This has improved overall project governance and accurately tracks the group's 1% net profit after tax SED spend. A new process was identified for capturing and reporting CSI. This will be implemented at unit level going forward.	In progress
Maintaining full points for SED as part of B-BBEE commitments.	All business units achieved full points for SED in the 2018 Empowerdex audit.	Achieved

KEY PERFORMANCE INDICATORS

Sun International's 1% NPAT spend for the period under review amounted to R23 673 966 million (2017: R16 million). This amount includes the SEDspend for all 17 local units compared to 15 units reported on in the prior years (2017 SED spend did not include SunBet and SunSlots SED spend). In addition, the group invested in various CSI initiatives including donations, sponsorships and charitable givings.

	1% NPAT (SED 2018) Rand	1% NPAT (SED 2017) Rand
Boardwalk	580 000	338 768
Carousel	9 940	619 356
Carnival City	1 653 300	2 310 000
Flamingo	103 228	194 616
Golden Valley	213 981	182 867
GrandWest	5 746 862	4 642 000
Meropa	573 782	453 550
Sibaya	2 998 971	2 546 000
Sun City	1 333 363	1 348 034
Wild Coast Sun	849 000	680 158
Windmill	452 348	403 254
The Table Bay	439 837	293 209
Maslow Time Square	1 070 670	629 125
Maslow	38 110	338 602
Head Office	600 000	1 098 960
SunSlots	7 005 574	Not available
SunBet	5 000	Not available
TOTAL	23 673 966[1]	16 078 499

1 SED spend for 2018 includes SED spend for SunSlots and SunBet

STRATEGY

As a responsible corporate citizen, Sun International understands the necessity of empowering communities in the areas we operate. Therefore, SED is key to the group's sustainable business strategy. We not only create economic value, we also aim to maximise the positive social impact on surrounding communities through creating shared value.

CSI was recently incorporated within the group's SED portfolio. However, CSI is a unit-specific operational expense and is allocated to projects that are of interest to the group and its employees. CSI does not form part of the SED budget. Most of our CSI initiatives are funded by each business unit, and donations received from our guests and partners. Although the gaming boards recognise CSI spend, the B-BBEE scorecard only recognises the SED expenditure from NPAT. Our SED projects are allocated to initiatives that facilitate sustainable access to the economy for our beneficiaries. They are governed by our SED policy, which focuses on education, sport, and arts and culture. SED expenditure is based on our NPAT and is aligned with the B-BBEEAct requirements.

SOCIAL CAPITAL

Much of our social capital is accumulated through contributions from our business units and group initiatives close to the heart of our communities. We believe that the success of the communities in which we operate are paramount to the continued viability of our operations.

During 2018, we finalised our group SED strategy, which incorporates our SED framework. The strategy ensures all processes are streamlined across our South African business units. Our framework guides us in adhering to gaming licence conditions, data reporting and group targets. It guides applicable standards when identifying, approving and implementing SED projects, and provides a platform for projects that integrate environment and health and safety into the SED focus areas.

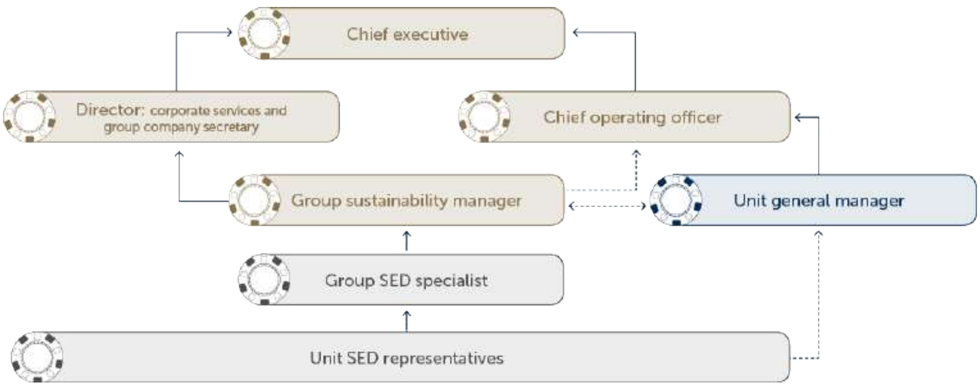
Governance process

Our SED governance process is depicted below. The SED portfolio comprises a dedicated group SED specialist, whose responsibilities include:

- monitoring SED, group and unit projects, gaming legislation, regulations and standards
- implementing and managing effective community engagement throughout the group.

This engagement ensures that Sun International's stakeholder relationships offer shared value and improved opportunities.

SED reporting structure



During 2018, the group's SED and community and stakeholder engagement policies were finalised and rolled out group-wide. Both policies align to the group's sustainable business strategy, demonstrating our commitment to social upliftment and wealth creation for communities and stakeholders affected directly and indirectly by our operations. These policies also demonstrate our commitment to transparent and inclusive engagement.

To standardise SED processes group-wide, we implemented an SEDstandard operating procedure in 2018. This document provides a high-level overview of processes to follow when submitting information, requesting approvals and providing feedback on all SED initiatives to the group. It also ensures that all SED information is reported timeously, accurately and in line with the group's SED strategy.

The group's IFS, where SED projects are captured and reported on, gained traction during the year. In 2018, all business units captured their SED spend on the IFS. This system ensures constant monitoring of SEDprojects and project spend, which ensures accountability at each business unit and the that B-BBEE scores are accurately and timeously monitored to achieve maximum points.

GROUP SED AND COMMUNITY AND STAKEHOLDER ENGAGEMENT POLICY OBJECTIVES

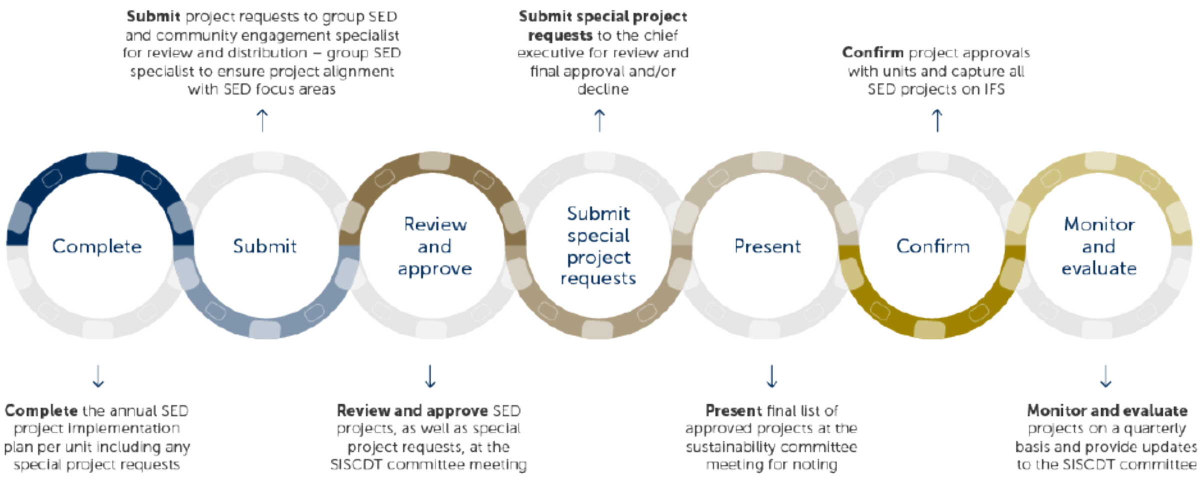
- Making a **positive, sustainable and measurable impact on communities**
- **Investing and empowering communities** through our core SED focus areas
- **Transparently and inclusively engaging** with surrounding communities and stakeholders
- **Building and improving relationships** with surrounding communities
- Continuing to **enhance the group's caring corporate citizen reputation**
- **Demonstrating responsible behaviour** through strategic objectives, targets, good governance, targeted engagement and SED investment

SED project approval governance process

The group follows a robust process for identifying and governing SED approvals. This process ensures that the group continues to make a positive impact on one of our key and most vulnerable stakeholders — communities. All business units complete a project briefing template that highlights project background and sponsorship details. If projects do not align to our focus areas, the business unit's general manager and SED officer complete a special project form that states the project purpose and reason for project consideration. These forms are reviewed and approved or declined by the SISCDT and the chief executive on an ongoing basis.

The SISCDT meets quarterly to review, approve, and monitor SED projects and budget spend. Management representatives from various functions within the group attend the SISCDT meetings to respond to any questions the trustees may have regarding the proposed projects. These functions include SED, sustainability, group finance, human resources, tax, public relations, and learning and development. All SED project payments are processed through the SISCDT to ensure the correct tax concessions are claimed by Sun International.

The following SED project approval process is followed:



Creating value

Social capital investments are essential to our long-term business sustainability. We create economic value in the communities we operate, and aim to maximise shared value. Return on investment is measured by the lasting positive impact and self-sustaining structure that all SEDprojects should have. Our people play an active role in investing their personal time in our social investment projects that resonate with them, from volunteering and mentoring bursary students, to providing business advice and training.

VALUE CREATION

- **70%** of SED spend is allocated to **group projects**
- **30%** is allocated to **property-specific projects**
- SED initiatives are focused on **education, sports, and arts and culture projects**
- **Effective stakeholder engagement is critical** to the group, and continues to receive increased focus

Our SED project focus areas are **education, sports, and arts and culture**, with an emphasis on education. We believe education is critical in assisting poverty alleviation and ensuring economic stability. These focus areas were selected to unify the Sun International brand and meet the various gaming board licence conditions set out by the different gaming regulatory authorities. We strive to be known for innovative, inspired projects that positively impact our communities and afford them access to the economy. We also recognise the value in developing a sustainable model that connects our social investment to our core business strategy.

SED projects, as per the B-BBEE Codes, are funded by Sun International's 1% NPAT and adhere to the various provincial gaming licence conditions. Our B-BBEE scorecard recognises only projects funded from NPAT, but not CSI initiatives. In addition to the NPAT SED spend, some provincial gaming boards specify an additional percentage of GGRe to be allocated to SED initiatives.

CSI projects are a combination of business unit and guest donations. Through the white cards, winnings from self-excluded guests and various anonymous donations from our guests and partners, we continue to improve the lives of communities. As a group, and more specifically at business unit level, we also actively sponsor, donate and contribute to charities as part the SunWay culture.

As part of ongoing improvement, we will implement a formal system to track in-kind donations, which are distinguished as donations with and without rand value. **In-kind donations with rand value** include the donation of venues, accommodation, food, drinks and any other donations that could have been sold. These in-kind donations do not form part of the NPAT for calculating the group's SED spend per the B-BBEE Codes. **In-kind donations without rand value** include donations of goods from which Sun International has already derived rand value and cannot be sold for the original value. For example, items such as discarded linens, furnishings and TVs would form part of this in-kind donation and would not be included in the NPAT for calculating the group's SED spend per the B-BBEE Codes.

STAKEHOLDER ENGAGEMENT APPROACH

Stakeholder engagement is important in building and maintaining solid, transparent relationships in the areas we operate. Some of our stakeholders include communities and traditional leaders, provincial and national government, NGOs, NPOs, PBOs, foundations, and labour organisations. During 2018, the group's engagement methodology was refreshed to ensure that all engagement and interventions are aligned with the group's sustainability strategy and, more broadly, with provincial and national growth and development plans. This revised engagement methodology involves assessing various social aspects related to the wellbeing of the group's communities, and their collective needs. Following these assessments, possible interventions are identified and discussed with the relevant stakeholders. It is anticipated that the new engagement methodology will be rolled out to all South African business units in 2019.

LOOKING AHEAD

- Implementing our stakeholder engagement process and framework across all South African business units
- Increasing the impact made on the 'Adopt a Sustainable School' initiative as part of our integrated sustainability approach
- Maximising our employee volunteering initiatives
- Effectively report on all CSI spend
- Training dedicated SED managers and officers on our community engagement process
- Training dedicated SED managers and officers as internal SED auditors
- Conducting cross-unit SED audits at all local units in 2019

SED INITIATIVES

The case studies below detail some SED and CSI initiatives in which group-wide business units are involved.

EDUCATION

CARNIVAL CITY

Sci-Com Foundation – a 10-year partnership with a 100% pass rate for 10 consecutive years
Sci-Com Foundation is an organisation that runs the Saturday School and Holiday Project to help disadvantaged learners improve their grade 10 to 12 results. Sci-Com targets learners who need additional tuition to excel in matric and go on to register at a tertiary institution. The foundation's objective is to give the learners a solid grounding in mathematics and natural sciences at an early stage, and give exposure to science-related careers. In addition, learners participate in various team-building activities such as mentoring, attending a life science exploration camp, and receiving career advice to facilitate career options and encourage healthy lifestyle choices. About 89% of the learners who participated in this programme attained university entrance, and the number of distinctions averaged four per learner. Sci-Com also made a remarkable contribution to the academic performance of the Gauteng East District, which was among the top 20 highest-performing districts in 2018. Carnival City is the only funder of this organisation, and its resources are targeted at staff salaries and specific needs.

Grootvaly/Blesbokspruit – providing environmental education
Grootvaly/Blesbokspruit is the educational environmental facility at the Grootvaly Wetland Reserve. Through Carnival City's annual contribution (R120 000) learners participate in field trips to the reserve where they learn about the ample bird life and various environmental aspects.

GRANDWEST

African Institute for Mathematical Science Schools Enrichment Centre (AIMSSEC) – inspiring future mathematicians
GrandWest engaged AIMSSEC to coordinate a tutoring project for Kulani High School in Langa in 2018 for school learners from grades 10 to 12 (about 76 learners in total). This was following a previously successful pilot project between GrandWest and AIMSSEC where masters' students from AIMSSEC South Africa tutored school learners from grades 11 and 12. The pilot project resulted in an increased matric pass rate of 87% from 60%. AIMSSEC trained the masters' students, provided training material for each mathematical session, arranged for transport for the learners and evaluated and provided project feedback. The masters' students also received a stipend from AIMSSEC for the tutoring sessions. GrandWest invested R103 252 and provided food and beverages to the learners, tutors, lecturers and teachers who attended the sessions. Guest speakers were invited to provide motivational talks about the importance of mathematics; how to choose a career; and shared personal experiences on how they used mathematics in their careers. Positive feedback was received from several learners stating that they understood mathematics better. There was also an expression of appreciation from the tutors, lecturers and teachers who enjoyed giving back to the community and helping learners to be future mathematicians and future professionals that could help develop the African community.

Saxonsea Secondary School – providing on-the-job learnings in the hospitality industry and upgrading class rooms
Saxonsea High School was established in 1985 for several communities in the Western Cape. Despite many challenges facing this school, the learners have managed to achieve 80% or higher matric pass rates since 2012. GrandWest provided financial assistance (R300 000) to Saxonsea High School for upgrades to their consumer studies classroom. These upgrades include eight stoves, a fridge, a microwave, 15 workstations

and some kitchen appliances. Refurbishments included painting, improved lighting, new cupboards, fixing kitchen sinks and taps and repairing the damaged floors and ceilings. GrandWest believes that education is a critical lever to achieve sustainable social upliftment. By creating education opportunities for the youth in our communities, GrandWest ensures a growing pool of talented and skilled people, which companies like Sun International can employ in the future.

A day in the life of a chef: GrandWest invited 10 learners from Saxonsea, who hope to become chefs, to participate in GrandWest's SED career orientation programme. These learners were mentored by GrandWest chefs and experienced what it takes to work a hospitality environment so they can consider pursuing a career path in the hospitality industry.




MEROPA

Gojela High School – providing a classroom make-over for the hospitality class
Sun Meropa provided financial assistance (R300 000) to renovate and refurbish the Gojela High School hospitality classroom. These renovations and refurbishments included, among others, painting, flooring, plumbing, steelworks, extraction fan, and safety facilities and equipment.


SIBAYA

Ekutheleni Primary School – helping to improve literacy skills
The Ekutheleni Primary School is in a disadvantaged community, where most parents are unemployed, and many learners are from child-headed households. Many cannot afford school fees. The school relies on donations and fundraising campaigns, and reciprocates by opening itself to the community on weekends and after school hours for church services and computer lessons. Sibaya provided financial assistance (R191 220) to employ English teachers for the learners' to assist in developing a strong foundation for listening, speaking, reading and comprehension skills.

PROTEC – providing effective learner supplementary mathematics, science and technology education and career development opportunities
PROTEC was established in Soweto in 1982, with the aim of increasing the number of matriculants by preparing them for successful entry into the job market sustainably and effectively. The focus is on science, engineering and technology, which support the growth of technically skilled South Africans. In addition, PROTEC provides social and emotional support at both secondary and tertiary education levels to the point of successful integration into the job market. PROTEC has grown and is now a national organisation operating in all nine provinces. Sibaya's financial resources (R100 000) assist in funding PROTEC's 10-year learner excellence programme, which incorporates the school phase and the post-school phase. The school phase covers grades 10 to 12 and draws learners from rural and township schools to participate in its learner excellence programme (120 learners in total). The post-school phase prepares learners for successful placement in the work place and it offers learners support for seven years after completing grade 12.

The ELET – promoting literacy and numeracy education in the classroom
The ELET was established in 1984 to promote English language education in schools where it was a second language and the language of instruction. To date, these English teacher education projects are provided to five South African provinces (Eastern Cape, Free State, KwaZulu-Natal, Limpopo and Mpumalanga). English teaching material is published for use in primary and secondary schools. ELET works closely with various universities and holds a long-standing relationship local and national government. Sibaya invested R437 720 in the project to ensure the course is grounded in actual classroom practices and addressed teachers' and learners' language needs. These resources are used to fund workbooks and mathematics resource kits, aimed at improving numeracy and literacy levels.



SUN CITY

Lerome school classroom construction – building four classrooms
Lerome Secondary School caters for about 780 learners. To ensure learners have a safe schooling environment conducive to achieving expected academic results, Sun City is providing funding of R1.6 million to construct four classrooms. This investment should increase the probability for historically disadvantaged learners to be motivated to study.



THE TABLE BAY

St Mary's School and Stephen Road Primary – uplifting children and empowering communities through education
With the high cost of living, high unemployment rate and financial pressure, many children in poorer communities wear ill-fitting, old shoes or none at all at school. This makes the children uncomfortable and can lead to various orthopedic problems. Many of these children also walk considerable distances to school every day. The Table Bay takes a special interest in Cape Town's community life and decided to donate shoeboxes, individually decorated by The Table Bay employees, with a special message to make the gift more personal. The shoeboxes contain a pair of new school shoes and socks. This inspiring project gave 908 primary school children from these previously disadvantaged communities brand new school shoes at the beginning of the 2019 academic year.


MASLOW TIME SQUARE

Mamelodi East Pre-Vocational School – enriching learners by refurbishing and renovating hospitality classrooms
The Mamelodi East Pre-Vocational School was established to provide vocational studies to leaners of Mamelodi who have learning deficiencies. This school has achieved remarkable success with limited resources and has the following centres: hospitality/consumer, sewing, hairdressing, metal/welding and motor mechanics. Maslow Time Square invested R537 070 to refurbish each of these centres in three phases, starting in 2018.



WILD COAST SUN

Zondubuvila Cooperative – uplifting the community
Amadiba community owns the land on which Wild Coast Sun is located. They are important beneficiaries of our CSI initiatives as they enable Sun International to provide shared value and maintain its social and legal licence to operate. Wild Coast Sun provided financial capital (R85 000) to procure equipment and seeds to develop a vegetable garden that will supply food to local schools (for free) and to local suppliers for revenue to maintain the vegetable garden. The funds will be used to build a shelter from where the vegetables can be sold to the public to generate additional revenue.

Free Methodist School – constructing buildings for learners and teachers
The Free Methodist School needed a crèche, kitchen and toilets. Wild Coast Sun provided funding (R400 000) to meet these needs so the 250 learners could learn in a conducive environment that enables them to do their best in their studies. The handover took place in February 2019.

Maqongwana Senior Secondary School – helping a girl-child to go to school
Wild Coast Sun donated sanitary towels to Maqongwana Senior Secondary School. Previously, some girls would miss class during their monthly menstrual cycle as their parents could not afford to buy them sanitary products. This initiative enabled girls to attend classes. Pupils, teachers and community members were all present to witness this jubilant day.

Marhwatini community – empowering the community with entrepreneurial skills and alleviating poverty
As part of community upliftment, the Wild Coast Sun identified an NGO (Zondubuvila Cooperative) that will be supported for a three-year period to start and maintain a vegetable garden of five hectares, following which it should be self-sustaining. The support includes preparing land for ploughing, fencing, providing water pumps, seedlings, training and uniforms. This project will also enable the community to generate revenue to sustain their livelihood.



WINDMILL

Lethabo Day Care Centre – assisting with obtaining a certificate of acceptability
Lethabo Day Care Centre was established in 1998 and provides early childhood development for almost 70 children aged from new-born to six years. The centre focuses on developing the children physically, emotionally, mentally and socially, as well as providing balanced meals. The centre requires a certificate of acceptability from the Department of Health to continue operating. It approached Sun Windmill to assist with funding (R76 845) to obtain the necessary equipment to upgrade the kitchen and fence to obtain their certificate. The handover was completed at the end of 2018, and Windmill employees donated toys and supplied food hampers.

Enviro Quiz
Sun Windmill has been a sponsor of the annual Enviro Quiz since 2009 and is part of the judging panel. This Enviro Quiz is a well-established environmental education programme that establishes environmental projects at schools in the Free State. The programme's purpose is to increase environmental awareness at schools. Various themes are used each year to educate learners on specific topics. The 2018 theme was waste – previous themes included energy reduction, vegetable gardens and water. Over the years, there has been a positive impact on many schools in creating a love for the environment and playing a role in creating a sustainable future for all.

SPORTS

SUN CITY

PGM Golf Academy – developing aspiring golfers and caddies
Sun International hosts the iconic Nedbank Golf Challenge (NGC) each year, which impacts the local community beyond the event week. The Sun City caddie, Mr Peter Mazibuko, has always had a passion for golf and helping local children in the North West, where Sun City is located. Peter arranges for the aspiring golfers to attend the NGC and his dream is to get some of the children competing in the under-12 and under-15 age group amateur tournaments at Sun City.

Sun International partners with Golf Operations and the North West Union to support this academy, which aims to provide sporting and job opportunities (caddies and/or pro golfers) to the youth. The academy has benefited about 25 children from the North West.

Sun International supports Peter's efforts by transporting the children to our resorts and back, offering them access to the Lost City Golf Club's driving range and supplying food packs. Sun International is aligning its CSI with the academy to benefit from the NGC charity funds raised, to support golf development in the North West at local schools.

Hall of Fame – honouring South African achievers
Sun City partnered with The South African Hall of Fame, whereby The Hall of Fame exhibition is located rent-free for a 10-year period. This exhibition affords many South Africans the opportunity to learn about various South African achievers celebrated by The Hall of Fame. The entry fee of R100 for guests staying at Sun City who visit the exhibition is discounted to zero by Sun City, as a direct service offering to the community. This allows The Hall of Fame to host numerous groups and schools from rural and informal areas, and more than 20 000 learners have been hosted to date.

ARTS AND CULTURE

SIBAYA

FLATFOOT Dance Company – changing the world, one person at a time
The FLATFOOT Dance Company has an established track record of dance education and development in KwaZulu-Natal. About 1 000 children and youth participate at the organisation. Previous financial resources from Sibaya enabled the FLATFOOT to establish a Waterloo Dance programme that has been active for four year and has about 42 participants, as well as an ADD programme with 15 participants, catering for youth aged between 17 and 21 years. In 2017, two dancers from the ADD programme were afforded a 12-month work placement mentorship with a professional company where they worked side-by-side with professional dancers full-time. In 2018, Sibaya provided further funding (R100 000) in support of FLATFOOT's new Junior ADD pilot programme which aims to promote the development of township female children towards a sustainable arts career. Presently 12 female dances (aged nine to 13 years) participate in the pilot programme.

SUN CITY

Moses Kotane Secondary School – equipping learners with life skills orientation for making future life choices
This biodiversity, arts and culture programme provides learners with life skills critical for making choices in their lives. The programme provides a platform for recreation, leisure and entertainment, which many participants cannot afford. 310 learners were transported from their respective schools to Sun City to participate in a tour which complements the school curriculum in social science and arts and culture. Learners are taken on game drives, and provided leisure and entertainment. The learners enjoyed the Valley of Waves, after which they were taken back to their schools. Sun City's financial support (R66 532) embedded a culture of life-long learning and pursuit of career path, and these skills can be utilised in Sun International's workplace.

HEAD OFFICE

ACT – supporting and awarding talented South Africa artists
Sun International is a founding trustee of the ACT – South Africa's premier independent arts and culture funding and development agency. Cofounded by Sun International and Nedbank in 1994, the trust supports, nurtures and promotes artists by providing bursaries for tertiary education and mentorship programmes. The ACT's vision is to establish a self-sustaining perpetual fund for the development of arts, culture and heritage in South Africa. Its mission is to attract and provide funding to achieve the trust's vision. The trust activities include development, scholarship and building blocks programme, an arts and culture conference and the annual ACT awards. Each of the founding trustees contributed R1 million to minimise dependence on annual grants. Over the past 20 years, the ACT disbursed more than R20 million to arts and culture projects across South Africa.

CSI

CAROUSEL

Carousel visited Wisani Old Age Home and Moepathutse Children's Home and donated much-needed linen to make the residents' lives easier.

ENTERPRISE AND SUPPLIER DEVELOPMENT

E&SD remains a key focus for the group, and we continue to identify and invest in local procurement opportunities. The group further creates and maintains an efficient and equitable supply chain aligned to our strategic objectives through a robust governance process.

HIGHLIGHTS

- Invested R46 million in supplier development
- Invested R10.2 million in enterprise development
- Improved efficiencies and streamlined processes, including:
  - introducing formal BDS into our beneficiary programmes
  - enhancing automated compliance management processes to ensure good corporate governance within the group's supply chain
  - launching a tender bulletin board on the corporate website to attract a wider variety of responses to our various sourcing opportunities for suppliers
  - reducing active non-compliant suppliers through stringent controls over existing and new supplier management, with procurement spend being redistributed within our supply chain, in accordance with the requirements of our preferential procurement strategy.

CHALLENGES

- Continuing to entrench internal operational efficiencies and the principles of the E&SD programme
- Shifting the E&SD reporting focus from compliance to a broader social and economic impact
- Implementing E&SD effectively with limited operational resources, capacity and knowledge base

FOCUS AREAS

Our focus for 2018	What we achieved	Self-assessment
Consolidating E&SD activities into a structured and consistent offering, ensuring we leverage opportunities to introduce additional efficiencies.	Enhanced internal processes, resulting in improved reporting efficiencies. Introduced an E&SD programme group-wide with a formal BDS successfully rolled out at one unit. The BDS will be rolled out to other units in 2019.	Limited progress
Supporting and enhancing the Sun International brand within our communities.	Introduced a tender bulletin board to proactively engage with suppliers in surrounding communities to expose them to our supply chain processes.	In progress
Positioning the E&SD function group-wide and entrenching the 2020 strategy.	Ongoing.	In progress
Finalising and implementing the fronting policy.	Defined a fronting process within the draft compliance management standard operating procedure, that will be implemented in early 2019. Created a task team to review existing and new fronting incidents.	Achieved
Focusing on effective reporting of E&SD funding.	Achieved greater use of IFS projects to record and monitor ESD loan funding, resulting in greater visibility in the loan recovery process.	Achieved
Meeting our B-BBEE target for E&SD suppliers.	Significant spend redistribution at group level, benefited and enabled existing, new and SMME businesses. Focus on achieving B-BBEE targets at unit level.	Achieved

KEY PERFORMANCE INDICATORS

	Spend 2018 R million	Spend 2017 R million	B-BBEE score achieved 2018 Points/(%)	B-BBEE score achieved 2017 Points/(%)
Preferential procurement	3 306	4 010.8	100	24.90 (99%)
Supplier development	46	34.5	100	11.00 (100%)
Enterprise development	10.2	9.0	100	6.00 (100%)
Total points out of a possible 44.00 (40 + 4 bonus points)	40	n/a	100	41.91 (100%)

PERFORMANCE OVERVIEW

The group remains committed to creating opportunities for all suppliers, especially B-BBEE compliant SMMEs. Ethical conduct throughout our supply chain is imperative, and we require our suppliers to commit to the highest standards of ethical conduct. Sun International's supplier code of conduct(is based on recognised international standards, principles and best practices. All suppliers are required to adhere to this code, which also complies with the group's code of ethics. Suppliers are encouraged to follow specific requirements in respect of labour conditions, human rights and occupational health and safety, and demonstrate consideration in mitigating harmful environmental impacts.

Preferential procurement

Sun International's total measured procurement spend for the financial year exceeded R3.3 billion (2017: R4.0 billion), of which R3.04 billion was procured from over 3 000 verified B-BBEE-compliant suppliers. This 92% valid spend compliance was below the group target of 95% for 2018. Our 2020 goal is to reach and maintain 95%.

The group prefers to engage suppliers that support our objectives and meet our optimum B-BBEE standard: black-owned with a level 3 rating or better. 41% of group spend met this optimum requirement, exceeding our 40% target for 2018. Our 2020 goal is to reach and maintain 50%.

Black-owned SMME spend of 35% (2017: 14%) was achieved, exceeding our 20% target. We intend to increase our annual target to 30% by 2020.

Stringent B-BBEE compliance controls are implemented throughout the year, including suspending a significant number of non-compliant suppliers. These controls positively impacted the transformation of our supply chain when measured against internal indicators (defined below), and were introduced as part of our preferential procurement strategy towards achieving optimal compliance by 2020.

Category	Target by 2020	Achieved in 2018	Achieved in 2017
Black-owned spend	60%	45%	33%
Black female spend	30%	19%	13%
Level 1 to 3	80%	63%	64%
Optimum spend[2]	50%	41%	31%
SMMEs	60%	35%	27%
Valid B-BBEE spend	95%	92%	88%

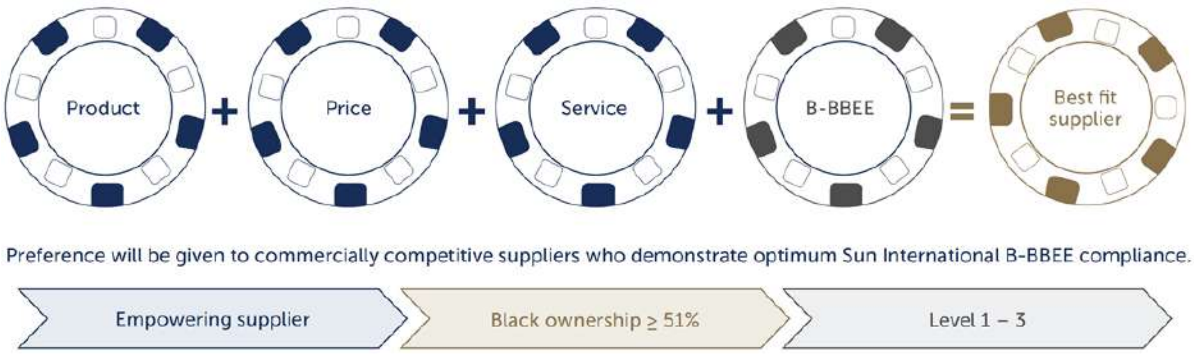
2 Actual contributions invested, not the recognised values as per the B-BBEE Codes.

Sourcing and supplier onboarding process within Sun International

Although sourcing suppliers is commercially driven, we remain committed to economic transformation in South Africa by adopting the B-BBEEframework that encourages black SMME participation. We give preference to commercially competitive suppliers who meet our optimum B-BBEEcompliance standard. All potential suppliers are required to register on the Sun International supplier database for inclusion in any sourcing opportunity. Sourcing opportunities are also advertised on our corporate website.

Onboarding process

The graphic below depicts Sun International's onboarding process.



Enterprise and supplier development

Sun International's E&SD strategy remains a group priority, emphasising responsible corporate citizenship and a commitment to the environment, community, and economy. These objectives drive our supplier sourcing and create opportunities for small businesses to enter our supply chain.

The group's E&SD programme identifies and assists businesses at our various properties through capital funding or other business development services, with the goal of:

- fostering sustainable business growth, creating jobs, and adding economic value
- supporting the development of black-owned SMMEs
- offering consistent and structured application of E&SD projects
- focusing on the sustainability of our beneficiary organisations
- supporting South Africa's National Development Plan 2030
- supporting strategic category management plans
- achieving meaningful value through effective use of funding.

Through process efficiencies and our commitment to E&SD the group invested R46 million (2017: R34.5 million) in supplier development, including early settlements substantially above the claimable value. An additional R10.2 million (2017: R9 million) was invested in enterprise development, supporting a pipeline of new business into the supply chain. This investment represents 18.75% (2017: 11%) of net profit after tax, against the Tourism Code's requirement of 3.5% for the tourism sector.

Sun International's E&SD beneficiaries per category

Sun International believes that the endorsement of a small business by a corporate organisation goes a long way in supporting access to markets, creating job opportunities and uplifting local and regional communities. The group is proud to endorse our E&SD suppliers on our corporate website: corporate.suninternational.com

70 E&SD BENEFICIARIES

1 Casino and gaming
1 Fixtures, fitting and equipment
7 Food and beverage
1 IT supplies and services
13 Maintenance services
8 Marketing services
5 Operating equipment and supplies
32 Professional services
1 Travel service
1 Retail services

LOOKING AHEAD

- Formalising the group's E&SD committee
- Introducing an automated e-sourcing portal
- Conducting compliance management on Sun Internationals active supplier database and actioning outcomes accordingly
- Continuing to entrench BDS across all units, including the conclusion of a formal BDS provider sourcing process
- Formalising the compliance management standard operating procedure
- Enhancing the business intelligence reporting capabilities.

E&SD INITIATIVES

For more detail on the various E&SD initiatives refer to:

- https://www.suninternational.com/stories/
- https://www.suninternational.com/stories/people/ (Sun International Beneficiaries — Get to Know our Entrepreneurs)

BOARD OF **DIRECTORS**

PDS (PETER) BACON [72]

Non-executive

FIH

Appointed in 2013

Experience:

- Hospitality and gaming
- Sound business experience

Committee membership:
Chairman of the risk committee and a member of the audit committee

Peter was appointed independent non-executive director of the company with effect from 1 February 2013. He has over 36 years' experience in the hospitality, resorts and gaming industry. He served as managing director of Sun International (South Africa) Limited from 1994 and as the group's chief executive from 2003 until his retirement in June 2006.

Peter was a non-executive director of Woolworths Holdings Limited from 2006 to 2017, chairman of National Sea Rescue Institute from 2008 to 2014, chairman of Cape Town Routes Unlimited from 2008 to 2012, board member of South African Tourism from 2009 to 2012, chairman of the Tourism Grading Council Awards Committee from 2009 to 2012, and chairman of CASA from 2004 to 2005. Peter serves as chairman of Atlantic Leaf Properties Limited (Mauritius), and is a director of PSG Konsult (Mauritius) Limited and DMH Limited (Mauritius).

N (NORMAN) BASTHDAW 51

Chief financial officer

BCompt (Hons), CTA, CA(SA), MCom, HDip (Company Law)

Appointed in 2017

Experience

- External and internal audit
- Financial management expertise
- Corporate finance advisory and private equity

Committee membership:
Member of the IT governance, executive and risk committees

Norman was appointed as the chief financial officer and an executive director on the board with effect from 24 March 2017. He is a director of various group companies. Prior to his appointment, Norman was the group executive: mergers and acquisitions at Sun International from March 2013.

Norman's prior experience includes senior corporate finance and finance positions at, among others, Absa Bank Limited, Gensec Bank Limited (a subsidiary of Sanlam), Genbel Securities Limited and Allied Electronics Corporation Limited. He has also been instrumental in Sun International's expansion into Latin America.

DR NN (LULU) GWAGWA 59

Non-executive

BA, MTRP, MSc, PhD (London)

Appointed in 2005

Experience

- Sound business experience

Committee membership:
Member of the risk, remuneration and nomination committees

Lulu was appointed to the board effective 30 November 2005. She served as a deputy director general in the National Department of Public Works, and served a five-year term as chief executive officer of the Independent Development Trust. She currently also holds directorships in FirstRand Limited, Massmart Limited and Aurecon. Lulu was on the board of ACSA and is the chief executive officer of Lereko Investments.

Z (ZIMKHITHA) ZATU 35

Non-executive

BCom, HDipAcc, CA(SA)

Appointed in 2018

Experience

- Expert in entrepreneurship and strategic insights
- Strong financial and operational expertise
- Consulting in commercial and business practices
- Sound governance, business and leadership experience
- Driving innovation in financial services

Committee membership:
Member of the audit committee

Zimkhitha was appointed as an independent non-executive director on the board effective 2018. Zimkhitha is highly entrepreneurial, while committed to solid commercial and business practice and sound governance. She co-founded ZAAM Investments Proprietary Limited, a 100% female-owned and managed company focusing on project development, consultancy services and strategic investments within key economic sectors in South Africa. She is a shareholder and director of Mathupha Capital, which has investments in the rail sector. She heads up Edge, an innovative proposition launched by Standard Bank with the aim of providing a unique service experience for accountants and entrepreneurs. Her board roles include deputy chairperson of National Film and Video Foundation and director of Rail 2 Rail Proprietary Limited and SAFCOL, respectively. She held directorships at African Women Chartered Accountants, Commuter Transport Engineering, Sedibeng Iron Ore Mine Proprietary Limited, SAICA Thuthuka Education Upliftment Fund and Siyazisiza Trust.

Zimkhitha completed the GIBS Executive Leadership Programme and is completing her thesis for a master's degree (corporate finance) through the University of Liverpool. As a highly analytical person, she has excellent strategic insights and strong operational experience as well as an in-depth understanding of infrastructure projects.

E (ENRIQUE) CIBIE 65

Non-executive

BA, CA (Pontificia Universidad Catolica de Chile), MBA (Stanford)

Appointed in 2014

Experience

- International gaming experience
- Sound business experience

Committee membership:
Member of the audit, remuneration and risk committees

Enrique was appointed to the board effective 22 August 2014. Enrique is a Chilean national and serves as a non-executive director on various boards in Chile. He served as the chief executive of various multinational and Chilean companies. Enrique is also a director of the Sun Dreams board in Chile.

VP (VUSI) KHANYILE [69]

Non-executive

BComm (Hons) (Birmingham) in Accounting and Finance, Fellowship in Development Finance (Princeton University), DCom (Transkei) (h.c.)

Appointed in 2018

Experience

- Finance sector
- Sound business and leadership experience
- Sustainability and community development

Committee membership:
Member of the social and ethics committee

Vusi was appointed to the Sun International board in 2018 as an independent director. He was the chairman of Thebe Investment Corporation (Thebe) from 1992 until his retirement in 2018, having been the founding CEO. Vusi serves as chairman of Afrikan Farms Proprietary Limited, the WWF SA and Santam Limited.

Vusi is known for his community and political development involvement, and headed up the Finance Department of the ANC between 1990 and 1992. He presented numerous public addresses and issued several publications in Africa, Europe and North America covering topics such as education, economics, politics and business.

GW (GRAHAM) DEMPSTER 63

Non-executive

BCom, CTA, CA(SA), AMP (Harvard)

Appointed in 2017

Experience

- Banking and finance (local and international)
- Sound business experience

Committee membership:
Chairman of the investment committee and a member of the risk committee

Graham was appointed to the board effective 6 October 2017. He has over 35 years of experience in the banking and financial services industry in South Africa and internationally. Graham serves as a non-executive director on the boards of Imperial Holdings Limited, Telkom SA SOC Limited and AECI Limited. He is chairman of Long4life Limited and Motus Holdings Limited.

PL (LEON) CAMPHER [70]

Lead independent director

BEcon

Appointed in 2002

Experience

- Investment management
- Sound stock exchange experience in equity property funds and clearing
- Sound business experience

Committee membership:
Chairman of the remuneration committee, lead independent director and a member of the audit, nomination, and social and ethics committees

Leon was appointed to the board effective 19 June 2002. Leon has extensive experience in investment management with Old Mutual, Syfrets Managed Assets, Coronation and African Harvest. He is the chief executive officer of the Association for Savings and Investment South Africa, lead independent director of Brimstone Investment Corporation Limited, chairman of the International Investment Funds Association, and chairman of Equities Property Fund Limited.

BLM (BOITUMELO) MAKGABO-FISKERSTRAND 44

Non-executive

BA (International Relations)

Appointed in 2010

Experience

- Investment opportunities in Africa
- Sound business and leadership experience
- Expertise in communications

Committee membership:
Chairperson of the social and ethics committee

Tumi was appointed to the board effective 1 March 2010. She is the founder and executive director of Africa Worldwide Media, and founder of Tumi Makgabo Enterprises, which focuses on identifying investment opportunities throughout Africa. Tumi previously worked for CNN International and the FIFA 2010 World Cup Organising Committee South Africa. She serves on the board of The Foschini Group Limited. Tumi is a member of the World Economic Forum's Forum of Young Global Leaders.

AM (ANTHONY) LEEMING [49]

Chief executive

BCom, BAcc, CA(SA)

Appointed in 2013 (board)
Appointed in 2017 (chief executive)

Experience

- Gaming and hospitality
- Financial and corporate finance
- Governance and IT

Committee membership:
Chairman of the IT governance and executive committees and a member of the risk and social and ethics committees

Anthony was appointed as the chief executive in 2017. Prior to his appointment, he was the group's chief financial officer and an executive director on the board since 1 March 2013. Anthony is a director of various group companies and has over 19 years' experience in the hotels, resorts and gaming industries. He joined the group in 1999 as the group financial manager. As chief financial officer he was responsible for the overall financial function, the group's IT and procurement functions, and was integrally involved with the group's corporate finance activities.

MV (VALLI) MOOSA 62

Chairman

BSc (Mathematics, Physics)

Appointed to the board in 2005
Appointed in 2009 as chairman of the board

Experience

- Sound business experience
- Public and private sector leadership
- Sustainability experience
- Global experience

Committee membership:
Chairman of the nomination committee, a member of the social and ethics committee, member of the investment committee and a member of the remuneration committee.

Valli was appointed to the board effective 30 November 2005 and became board chairman on 1 July 2009. He served as a Cabinet Minister from 1996 to 2004. Valli previously served as a non-executive director on the boards of Sanlam Limited, Imperial Holdings and The Indian Hotels Company Limited and served as chairman of Anglo American Platinum as well the UN Commission on Sustainable Development. He also served as President of the International Union for the Conservation of Nature and of WWF (SA).

Valli currently serves as a non-executive director of Sappi Limited and is a member of the Auditor-General's Advisory Committee.

JA (JABU) MABUZA 61

Deputy chairman

DCom (University of Witwatersrand) (h.c.)

Appointed in 2018

Experience

- Gaming and hospitality
- Sound business and entrepreneurship experience
- Public and private sector leadership
- Wide-spread knowledge in black economic empowerment investment and small business development

Committee membership:
Member of the investment, nomination and remuneration committees

Jabu was appointed as deputy chairman to the board effective 5 September 2018. He was previously the group chief executive officer of Tsogo Sun Holdings Limited, and recently retired as president of Business Unity South Africa. He serves as the chairman of various companies including Anheuser – Busch InBev/SAB Miller – Africa, Business Leadership South Africa, the CASA, Eskom SOC and Telkom SA SOC Limited. In 2016, Jabu was appointed by the Presidency as a co-convenor of the CEO Initiative with the Minister of Finance to assess the state of the South African economy. Jabu has served on several international companies' boards in various industries, and he has a wide array of organisational memberships in South Africa and abroad.

In 2017, Jabu was awarded an Honorary Doctor of Commerce degree by the University of Witwatersrand in recognition of his entrepreneurship achievements and his contribution to the South African economy. Jabu was also the recipient of a Lifetime Achievement Award from Ernst & Young in their World Entrepreneur Awards, and has presented several papers in southern Africa, the United Kingdom, United States of America and Europe on black economic empowerment investment in South Africa, small and medium enterprise development, and the role of business in transition.

CM (CAROLINE) HENRY 52

Non-executive

BCom, B Compt (Hons), CA(SA)

Appointed in 2016

Experience

- Finance, treasury, debt capital markets, and pension and provident funds
- Sound business experience

Committee membership:
Chairperson of the audit committee, and a member of the risk and social and ethics committees

Caroline was appointed as an independent non-executive director on the board effective 3 October 2016. Caroline has over 20 years of experience in finance. Since 2005 she headed Eskom's treasury function and gained invaluable experience in debt capital markets and treasury. In 2013 she served as acting chief financial officer responsible for financial reporting, treasury, shared services, insurance, and oversight of the Eskom pension and provident fund. Caroline contributed in various capacities (member and executive) to Eskom's investment and finance committee, new build oversight committee, audit and risk committee, executive committee, nuclear management committee, Eskom Finance Company, and Eskom's pension and provident fund investment committee.

S (SAM) SITHOLE [46]

Non-executive

BAcc (Hons), CA(SA), ACA, CA(Z)

Appointed in 2018

Experience

- Finance and investment industries expertise
- Sound business and leadership experience
- Auditing expertise

Committee membership:
Member of the investment and remuneration committees

Sam was appointed to the board effective 20 June 2018. He is the chief executive officer and co-founder of Value Capital Partners Proprietary Limited and has over 20 years of experience in the finance and investment industries in South Africa and internationally. Sam serves as a non-executive director on the boards of Allied Electronics Corporation Limited, Adcorp Holdings Limited and African Phoenix Investments Limited.

EXECUTIVE **LEADERSHIP**

ANDREW JOHNSTON [53]

Director: corporate services and group company secretary

BA, LLB, FCIS, PGDip (Environmental Law), Certificate in Advanced Corporate Law and Securities Law

Experience

- Legal, secretarial, compliance, sustainability and corporate and remuneration governance
- Corporate finance and investor relations expertise
- Admitted attorney and certified ethics officer

ANNEMIE TURK [48]

General manager: Carnival City

NDip (Business Management)

Experience

- Gaming, technical and hospitality
- Managing financial aspects of a business unit
- Expertise in developing and opening new casinos, as well as property upgrades and refresh

ANTHONY LEEMING 49

Chief executive

BCom, BAcc, CA(SA)

Experience

- Gaming and hospitality
- Financial and corporate finance expertise
- Governance and IT

BRETT HOPPÉ 50

General manager: Maslow Time Square Casino

NDip (Hotel Management), EMDP (University of Nevada, Las Vegas)

Experience

- Gaming and hospitality operations
- International sales and marketing
- Events and entertainment expertise

CATHERINE NYATHI 37

Chief audit executive

CA(SA), PGDip (Banking Law), PGDip (Hons) (Corporate Governance)

Experience

- Auditing
- Governance, risk and compliance expertise
- Banking, insurance, gaming and hospitality

CLAUDIO TESSADA 48

Chief financial officer: Sun Dreams S.A.

BA, MBA

Experience

- Financial and insurance
- Marketing
- Casino operations

JAIME WILHELM 52

Chief executive: Sun Dreams S.A.

Business Administration and Economics, MBA

Experience

- Strategic, planning, and development and implementation expertise
- Finance and accounting expertise
- Casino design and operations

KHATI MOKHOBO 53

Director: special projects

BCom, BAcc, ACMA, CA(SA)

Experience

- Financial and forensics expertise
- New business development
- Strategic corporate projects execution
- Gaming expertise
- Stakeholder management expertise

MELVILLE VOGEL 57

Regional general manager: KwaZulu-Natal

UCT Graduate School of Business, Gordons Institute of Business Science

Experience

- General management in gaming and hospitality
- Management of operations and gaming systems

MERVYN NAIDOO 52

Regional general manager: Western Cape

NDip (Hotel Management), Certificate (Strategic Management)

Experience

- Gaming, technical and hospitality
- Managing financial aspects of a business unit
- Expertise in developing and opening new casinos, as well as property upgrades and refresh

NORMAN BASTHDAW [51]

Chief financial officer

BCompt (Hons), CTA, CA(SA), MCom, HDip (Company Law)

Experience

- External and internal audit
- Financial management expertise
- Corporate finance advisory and private equity

RAUL DE LIMA [55]

General manager: Sun City Resort

Experience

- Executive management and leadership expertise
- Business development and turnaround strategy
- Multinational quick-service restaurant brand development expertise

ROB COLLINS 57

Group strategy and operations officer

BCom (Law), BCom (Hons) (Marketing), HDip (Company Law), HDip (Tax Law)

Experience

- Marketing, events, entertainment and sales expertise
- Gaming and hospitality
- Hotel management

RUBEN GOORANAH 53

Regional general manager: Smaller units

BCom

Experience

- General management in gaming and hospitality
- Management of operations and gaming systems

THABO MOSOLOLI [49]

Chief operating officer

BCom (Hons), CA(SA), EDP, MAP, NDip (Project Management), Certificate (International Business Studies)

Experience

- Financial and corporate finance expertise
- Gaming and hospitality
- Audit and advisory services

VERNA ROBSON [47]

Director: group human resources

BProc (University of Witswatersrand), Certificate (Advanced Human Resources Management) UCT, MBA Core (University of Stellenbosch Business School)

Experience

- Labour relations
- Human resources

ZAINE MILLER 53

Group chief information officer

Electrical, Electronic Engineering NTC (Highveld Tech), CIO Certificate (University of South Carolina), MBA Core (University of Stellenbosch), Digital Strategy & Design Thinking PD (Massachusetts Institute of Technology)

Experience

- Enterprise architecture and IT strategy
- IT governance, IT operations, Information security and cyber practice
- Hospitality systems, gaming platforms, ERP, online platforms

CORPORATE GOVERNANCE REPORT

Good corporate governance is paramount to Sun International. We live by the pillars of integrity, responsibility, fairness, transparency, honesty and accountability to all stakeholders. These pillars preserve the group's long-term sustainability so we can deliver value to all stakeholders. The outcomes of good corporate governance ensure an ethical culture, good performance, effective control and legitimacy.

MESSAGE FROM THE CHAIRMAN

Dear stakeholders

During the past year, we saw further changes at Sun International, particularly regarding the board and its committees. These changes included resignations and appointments to further strengthen the board and its skills, diversity and experience. Ms Zarina Bassa resigned and Mr Graham Rosenthal retired as independent non-executive directors effective 12 February 2018 and 15 May 2018, respectively. In line with the principles of King IV™[1] and given the number of new non-executive directors recently appointed to the board, Mr Khati Mokhobo agreed to step down as executive director effective 5 September 2018, while retaining his executive responsibilities. Mr Samuel (Sam) Sithole was appointed as a non-executive director effective 20 June 2018. Effective 5 September 2018, Mr Jabulane (Jabu) Mabuza was appointed as deputy chairman and Mr Vusumuzi (Vusi) Khanyile as an independent non-executive director. Ms Zimkhitha Zatu was appointed as an independent non-executive director effective 23 November 2018.

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Following these board changes, board committee membership was modified to ensure alignment with King IV™ and to deliver on our strategic objectives.

There were no material instances of non-compliance during the year under review. The board is satisfied with the group's level of compliance in accordance with applicable governance and regulatory requirements and it will continue to review the group's governance against best practice.

Sun International is proud that its business practices are underpinned by ethical principles embraced by the board, practised by the leadership team and cascaded down to our employees group-wide. We are unwavering in our zero-tolerance approach to crime, including corruption at every level of the organisation. To reinforce the board's ethical leadership commitment, several ethics training initiatives were concluded with the assistance of the ethics office to determine Sun International's current ethics climate and create a culture of inclusivity. Engagement took place with the board and employees to find out how they felt about ethics in the organisation. We continued to engage with Deloitte Tip-Offs Anonymous, who independently manages the group's 24-hour ethics hotline. We invited all stakeholders to use the hotline by way of an announcement on SENS.

The board continues to focus on reviewing the fundamentals of how we govern our business and how our structures enhance and unlock shareholder value. We continued to apply the 16 King IV™ principles, which are detailed in our King IV™ application register. The board is satisfied with the extent of the group's application of these principles, the group's regulatory universe, and compliance with the JSE Listings Requirements, as articulated in this report.

Sun International's risk management committee is satisfied that the group's integrated risk methodology and ranking system accurately identified, quantified and ranked group-wide risks and opportunities in South Africa and Latam. This risk approach helps the board govern risk in a way that helps achieve our strategic objectives. It also ensures that Sun International is managed in accordance with principle 11 of King IV™. Specific executives are accountable for managing, monitoring, mitigating and reporting on identified risks and opportunities in their areas of expertise.

The sustainability committee focuses on environmental, health and safety, SED, E&SD and the group's progress against B-BBEE. Further, the policy revitalisation management sub-committee continues to review, update and consolidate group policies.

With increased cyber threats across our operating environment, the group's IT governance structures remain resilient and responsive in securing the information stored across the group's various systems. To further bolster the group's IT governance environment, several actions were taken including, *inter alia*, aligning IT policies with King IV™, deactivating USB ports and engaging an external assurance adviser annually to review the activities, methodologies and performance of the IT governance committee in accordance with best practice. A great amount of work was done in Chile to align IT governance with best practice, including an external assessment of its IT governance structures.

The stewardship of customer information and data protection is important. During 2018, management implemented a group-wide self-service kiosk to allow customers to sign up and update their own identification documents. We implemented a data governance programme to address data quality issues of gaming customers.

Governance in Latam is a focus area and good progress was made in aligning its board and committee processes to the South African operations. This includes a best practice integrated governance framework between South Africa and Latam, and the group company secretary attends all Sun Dreams committee meetings. The Latam committees report into the Sun Dreams South African board committees so the local operations can focus on operational matters while material governance, risk and strategy issues are elevated to group level. Mr Enrique Cibie chairs the Sun Dreams board committees, serves as a member of the Sun International remuneration, risk and audit committees, and is a member of the Sun International board. Latam's social and ethics report is tabled at their financial review and risk committee meeting. It is included in South Africa's social and ethics committee meeting to monitor sustainability, compliance and money laundering. Great synergies are being created between the internal audit function at Sun Dreams and Sun International's head of Group Internal Audit. We acknowledge that, although significant progress was made in this regard, there is still work to be done to align governance with the rest of the group.

In Nigeria, the TCN has a robust governance structure, including a statutory audit committee, finance review and risk committee and a nomination and governance committee that monitors remuneration. All committees operate under approved mandates and terms of reference and all non-executive directors have letters of appointment. The non-executive directors' fees are determined by the nomination and governance committee and shareholders.

The regulatory and operating environment continues to pose challenges such as the proposed amendments to smoking legislation, the ongoing threat of increased gaming taxes, and the erosion of market share due to Electronic Bingo Terminal (EBTs) and Limited Payout Machines (LPMs) in catchment areas. The tough economic situation requires a balance between innovative thinking and disciplined processes. We continue to strive for balance. The automated compliance portal will be finalised during 2019 and steps were taken to implement FICA legislation. Sun International engages the gaming boards regarding simplifying our group corporate structure. It is anticipated that the restructuring will be finalised during 2019.

Looking ahead our key focus areas include:

- continuing to embed an ethical culture through regular ethics awareness campaigns
- implementing a permanent central policy repository, which will track the reading of policies, alert employees to updates on any of the policies, and provide competence testing on policies with reporting capabilities
- continuing to remain resilient to cyber threats by developing robust IT systems and processes
- continuing work on the integration of Latam's governance structures with South Africa.

We are satisfied that the group meets the requisite standards of governance and compliance, and that matters for our consideration have been robustly interrogated and canvassed. We will continue to apply our minds individually and collectively to guide the group's strategic direction and to facilitate the group's delivery of its strategic objectives.

Following my decision to retire as Sun International's chairman on 14 May 2019, I welcome Jabu Mabuza as the new incumbent and wish him the best as he steers the group forward. I would like to thank the board and management for their support over my 14-year tenure at Sun International. I am and continue to be inspired by the management team and am confident in their ability to drive the group strategy forward, albeit in tough trading conditions.

Valli

Valli Moosa
Chairman
29 March 2019

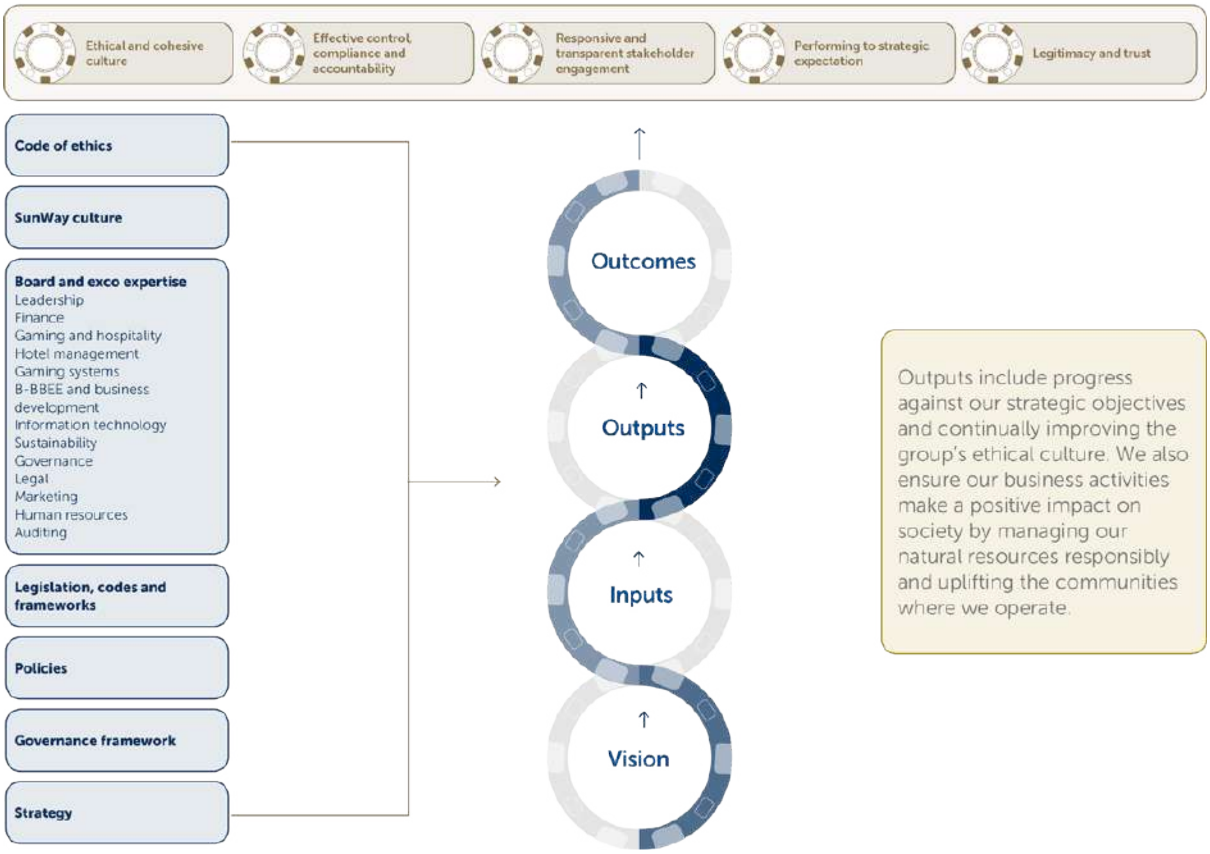
> This governance report should be read with the separate sub-committee reports – audit, remuneration and social and ethics – to obtain a holistic view of the governance matters under consideration during the year under review. Certain fundamental principles are discussed in this report. These reflect the governance and workings of the board given that the board's primary role is to exercise effective, ethical and responsible leadership in determining the group's strategy, overseeing the implementation of this strategy by the management team, and closely monitoring business performance.

SUPPORTING VALUE CREATION THROUGH GOVERNANCE OUTCOMES AND EFFECTIVE LEADERSHIP

The governing body (the board) is the custodian of Sun International's corporate governance framework. It acknowledges its responsibility to lead the group in an ethical and effective manner through the mindful application of King IV™ with substance prevailing over form. This entails the integration of King IV™'s recommended 16 principles and practices that culminate in specific outcomes: namely an ethical and cohesive culture, effective control, compliance and accountability, responsive and transparent stakeholder engagement, performing to strategic expectation, and legitimacy and trust.

Sun International's board and executive management collectively have a wealth of knowledge that spans across South Africa and internationally to provide the expertise required to achieve the group's strategic objectives and ultimately create great memories for our guests, people and stakeholders. The SunWay culture and code of ethics further reinforce positive behaviours to ensure a cohesive ethical culture group-wide. Sun International's governance framework and policies provide the foundation for responsible, accountable and transparent reporting.

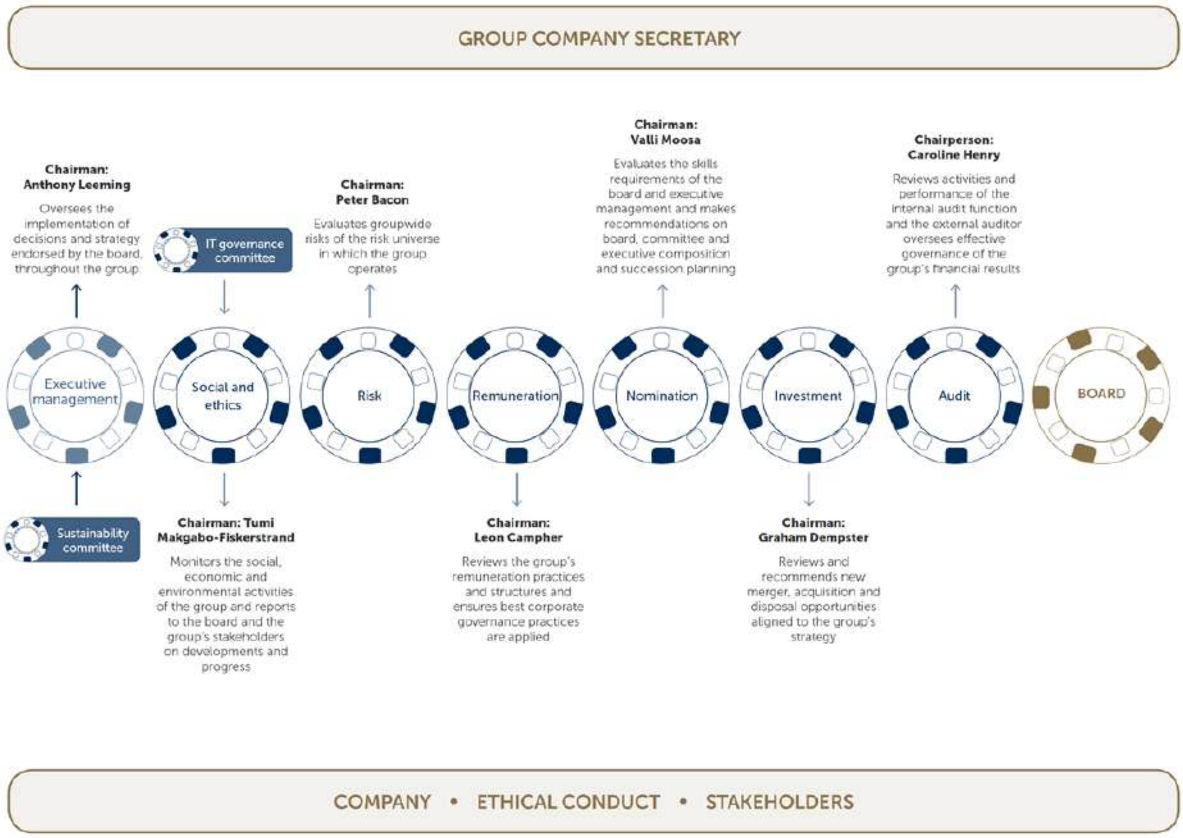
Through the various inputs and outputs, the board achieves specific outcomes that support the group's value creation. These outcomes include maintaining an ethical culture from the top down throughout the organisation. Through effective control of our risk universe, material matters and responsive stakeholder relations, the group maintains compliance with relevant legislation, codes and frameworks. These enable performance according to strategic expectations to enhance its legitimacy and trust among its stakeholders.



Ethical and cohesive culture
Effective control, compliance and accountability
Responsive and transparent stakeholder engagement
Performing to strategic expectation
Legitimacy and trust
Code of ethics
SunWay culture
Board and exco expertise
Leadership
Finance
Gaming and hospitality
Hotel management
Gaming systems
B-BBEE and business development
Information technology
Sustainability
Governance
Legal
Marketing
Human resources
Auditing
Legislation, codes and frameworks
Policies
Governance framework
Strategy
Outcomes
Outputs
Inputs
Vision
Outputs include progress against our strategic objectives and continually improving the group's ethical culture. We also ensure our business activities make a positive impact on society by managing our natural resources responsibly and uplifting the communities where we operate.

GOVENANCE FRAMEWORK

Sun International's governance framework provides clear direction for implementing robust governance practices. Our framework is underpinned by our corporate governance policies, ethics and human rights to promote an organisational culture that embraces the SunWay culture and ensures that we remain a good corporate citizen.



KING IV™ APPLICATION AND GOVERNANCE OUTCOMES

The board is committed to best practice governance through the application of King IV™ principles. All principles are applied and align with our governance outcomes as detailed in the King IV™ application register.

BOARD OVERVIEW

The board's role is to exercise effective and ethical leadership, and sound judgement in directing Sun International and thereby the group, to achieve sustainable growth in the best interests of all its stakeholders.

Board charter

The board operates under a formal and defined board charter that sets out specific responsibilities that are collectively discharged by board members and the roles and responsibilities of the directors as individuals. This board charter is reviewed annually or sooner as required to ensure relevance. The board is satisfied that it has fulfilled its responsibilities in accordance with the charter for the reporting period.

To comply with best corporate governance practices, Sun International conducts periodic board reviews. These reviews are anonymous, and focus on evaluating the board, governance issues and the group company secretary's competence. After the review process held in 2018, no material concerns were noted.

Board and committee attendance: 1 January 2018 to 31 December 2018

	Board	Remuneration committee	Nomination committee	Audit committee	Social and ethics committee	Risk committee	Investment committee
Non-executive directors							
PD Bacon	5/5			3/3		3/3	
ZBM Bassa[1]							
PL Campher[2]	5/5	4/4	3/3	3/3	3/3		5/7
EAMMG Cibie	5/5	4/4		3/3		3/3	
GW Dempster	5/5					0/2	7/7
NN Gwagwa	5/5	1/2	3/3			3/3	
CM Henry	5/5			3/3	2/2	3/3	
VP Khanyile[3]	2/2						
JA Mabuza[4]	2/2						2/2
BLM Makgabo-Fiskerstrand	5/5				3/3		
MV Moosa	5/5	4/4	3/3		3/3		7/7
GR Rosenthal[5]	1/1			1/1	1/1	1/1	
S Sithole[6]	3/3	1/1					4/4
ZK Zatu[7]							
Executive directors							
N Basthdaw	5/5			3/3	3/3	3/3	7/7
AM Leeming	5/5	4/4	3/3	3/3	3/3	3/3	7/7
DR Mokhobo[8]	2/3						

1 Ms Bassa resigned effective 12 February 2018.

2 Mr Campher was appointed lead independent director effective 1 January 2018, after Mr Matthews retired as the lead independent director effective 31 December 2017.

3 Mr Khanyile was appointed to the board effective 5 September 2018.

4 Mr Mabuza was appointed to the board effective 5 September 2018.

5 Mr Rosenthal retired from the board effective 15 May 2018.

6 Mr Sithole was appointed to the board effective 20 June 2018.

7 Ms Zatu was appointed to the board effective 23 November 2018.

8 Mr Mokhobo resigned from the board effective 5 September 2018.

BOARD COMPOSITION

Sun International's unitary board structure comprises executive and non-executive directors, most of whom are independent non-executive directors. The non-executive directors have the necessary skills, qualifications, industry experience and diversity to provide judgement independent of management on material board issues.

Age	30 – 40 years	41 – 50 years	51 – 60 years	61 – 70 years	70+ years	Average Age
Board members	1	3	3	5	2	57

INDEPENDENCE

The board, through the nomination committee, annually assesses the independence of the non-executive directors against the criteria set out in King IV™ and the JSE Listings Requirements. During 2018 and prior to the date of this report, the nomination committee agreed that 10 non-executive directors continue to satisfy the independence criteria. These directors are: Messrs Bacon, Campher, Cibie, Dempster, Khanyile, Moosa, and Mesdames Gwagwa, Henry, Makgabo-Fiskerstrand and Zatu. In 2017, Mr Moosa and Dr Gwagwa were classified as not independent, as they were both directors of the group's empowerment partner Dinokana and had not yet served out their cooling-off period. Following an independence reassessment in 2018, it was noted that both had resigned as directors of Dinokana in 2015 and they had served an appropriate cooling-off period since then to allow them to be reclassified by the board as independent directors. An advisory agreement was concluded with Mr Mabuza for the provision of certain key strategic services to the group. As a result of this advisory agreement, he is not classified as an independent non-executive director. Mr Sithole is not classified as an independent non-executive director as he represents a major shareholder of the group.

The nomination committee conducted a rigorous independence assessment of those independent non-executive directors who had served on the board for nine years or longer (these being Messrs Campher and Moosa and Dr Gwagwa) and concluded that these directors retained their independence in character and judgement, notwithstanding their length of service, and that there were no relationships or circumstances that were likely to affect or be perceived to affect their independence. The board concurred with these findings and is of the view that these non-executive directors bring valuable experience and skills to the board, and that they will continue to exercise independent judgement.

Independence
(at 31 December 2018)

Executive an non-executive directors
(at 31 December 2018)

Tenure of directors
(at 31 December 2018)

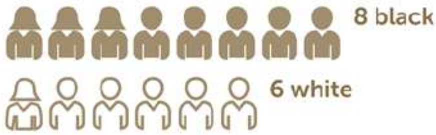
Group gender and race diversity policy

Sun International's gender and race diversity policy sets out Sun International's approach to gender and race diversity on the board. This revised policy was approved by the board on 23 November 2018. The board applied this policy in the appointment of the new directors during the year under review.

Factors considered in ensuring appropriate gender and race targets included: the current composition and expected changes in the board; the B-BBEE Codes of Good Practice; the sectoral charter for the tourism industry; the gaming board licences and their respective requirements; and the group's employment equity plan. Although the board marginally missed achieving its 30% target for female directors (29%), it achieved and exceeded its race target of 50% black directors with 57% black representation.

Gender
(at 31 December 2018)

Ethnicity
(at 31 December 2018)



EFFECTIVE LEADERSHIP

The board provides effective leadership and directs the group within the group governance framework and delegation of authority.

Chairman and lead independent director

The board is chaired by Mr Valli Moosa, a non-executive director who has annually been reappointed as board chairman since 1 July 2009. The chairman of the board is responsible for, among others, ensuring the integrity and effectiveness of the board's governance processes. In terms of the company's MoI, the board chairman is subject to an annual appointment from among its members. The chairman's reappointment, effective 1 January 2019, follows an evaluation of his performance by all directors during the year under review.

Mr Moosa will retire as Sun International's chairman effective 14 May 2019 and as a director. Mr Jabulane (Jabu) Mabuza's appointment will be subject to election by shareholders, assuming the role of chairman of Sun International. Mr Mabuza brings a wealth of industry experience to the board, having previously served as group chief executive officer of Tsogo Sun Holdings and as the present chairman of the CASA.

The board charter, which is aligned with King IV™, requires the appointment of a lead independent director. This is particularly relevant where the board chairman is conflicted vis à vis executive management, other directorships or stakeholders. Mr Campher was reappointed as lead independent director effective 1 January 2019.

In terms of the board charter, the chairman, lead independent director and chief executive have separate responsibilities as tabled below. The deputy chairman assists the chairman and fills his position if he is unavailable. The chairman and deputy chairman maintain a good working relationship to ensure collaboration and teamwork in fulfilling their roles and responsibilities. The deputy chairman is a successor to the chairman and there will be a handover from Mr Moosa to Mr Mabuza.

Responsibilities	Description
Chairman	Responsible for providing ethical and effective board and committee leadership by encouraging candid board debates; overseeing the group's strategy; board succession and performance; managing any conflicts of interest; actively engaging with the chief executive; ensuring positive stakeholder relations are maintained.
Lead independent director	Responsible for providing support and advice to the chairman as a trusted confidante. If the chairman has a conflict of interest, the lead independent director maintains ethical and effective leadership without undermining the chairman. The lead independent director is instrumental in leading and introducing discussion at board and committee meetings regarding the performance and evaluation of the board chairman and his remuneration.
Chief executive	Responsible for effectively monitoring and managing the business and implementing the policies and strategies adopted by the board; ensuring appropriate internal control mechanisms are in place to maintain compliance with all relevant laws and best practice; to safeguard assets; and guiding and assessing executive management's performance against strategic objectives. The chief executive delegates the appropriate authority to his management team in terms of defined levels of authority and retains accountability to the board.

Chief executive and delegation of authority

Mr Anthony Leeming is the chief executive. The board's governance and management functions are linked through the chief executive. The role and function of the chief executive is formalised, and the board, through the remuneration committee, annually evaluates his performance against specified key performance indicators. In addition, the chief executive's performance as a director is assessed by the chairman of the board in conjunction with the nomination committee. Following an assessment conducted in 2018, the chief executive was found to possess the requisite competence, qualifications and experience to carry out the duties of his role.

Group company secretary

Mr Andrew Johnston continued to serve in his capacity as group company secretary during the year under review. Mr Johnston holds the following qualifications: BA, LLB, FCIS PGDip in Environmental Law and a certificate in advanced corporate and securities law. He was a member of the Accounting and Auditing Task Force of The King Committee responsible for implementing the King Report on Corporate Governance for South Africa 2009. He is a qualified and admitted attorney and served as a senior executive and group company secretary of several large public listed companies in South Africa over the past 26 years. The appointment and removal of the group company secretary is a matter for the board as a whole.

Group company secretary responsibilities	
Guides	The board and committees (collectively and individually) on how their responsibilities should be discharged in the company's best interests.
Provides	Ongoing legal, secretarial and corporate governance support and advice to the board.
Ensures	That new directors receive an induction pack on joining the board with the requisite training in terms of their responsibilities as a board member.
Facilitates	Ongoing board training to ensure directors are aware of relevant legislation, codes or frameworks impacting the group.
Distributes	Board packs and the minutes of all the board and committee meetings and ensures that copies of the group's annual financial statements are distributed to relevant persons.
Certifies	That the group has filed the required returns and notices as per the Companies Act and complied with the JSE Listings Requirements.

In line with the JSE Listings Requirements, the board is satisfied that, following an assessment by the nomination committee, the group company secretary has the requisite competence, qualifications and experience to carry out the duties of his role. The board believes that in each instance, the incumbent group company secretary has maintained an arm's-length relationship with the board and its directors.

ETHICAL LEADERSHIP

The board provides ethical leadership and directs the group based on the fundamental principles of integrity, transparency, honesty, accountability, fairness and responsibility. The group has several processes, policies, codes and controls in place and supports several initiatives to ensure a cohesive ethical culture is cascaded throughout the organisation.

Code of ethics
The group recognises the vested interest of all stakeholders in the manner its various businesses are conducted and is committed to ethical behaviour at all levels of the organisation. This code of ethics assists in fulfilling our responsibility to all stakeholders.

During 2018, Sun International relaunched its revised code of ethics booklet, which was delivered to each employee.

Sun Dreams has its own code of ethics booklet that is broadly aligned with Sun International's code of ethics booklet. In Nigeria, the TCN has its own code of ethics.

Ethics hotline
Greater awareness was created around the importance of whistleblowing and using the 24-hour anonymous ethics hotline. Trained operators respond to calls in all South Africa's official languages by guiding stakeholders through specific questions. Information is analysed and reported to a designated senior official in the group, who investigates the matter confidentially. There is also a guideline on how to report protected disclosures.

United Nations Global Compact.
Sun International remains committed to embedding the 10 United Nations Global Compact (UNGC) Principles as part of its strategy, culture and day-to-day operations. These principles cover human rights, labour environment and anti-corruption.

Conflicts of interest
Directors are required to inform the board of any conflicts or potential conflicts of interest that they may have in relation to any area of business. Directors are required to recuse themselves from discussions or decisions on those matters where they have conflicts, or potential conflicts of interest, in terms of the Companies Act, board charter and separate policy.

Equal pay for work of equal value
Salaries are continually benchmarked to ensure a fair remuneration for all employees. The work around for EPWEV is an ongoing process. The EPWEV principles are also applied when appointing new employees and promoting existing employees.

Sustainable Development Goals (SDGs)
Sun International embraces the United Nations SDGs, and we endeavour to help achieve them through our operations and business strategies. Although Sun International is only formally aligning and assessing the relevant goals in 2019, we are working towards addressing various SDGs in our ongoing sustainability journey.

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

- Team work
- The customer comes first
- Passion
- Professionalism

SunWay
Employees recognised their responsibilities, based on the SunWay culture programme, to uphold the principles that support the establishment of an ethical culture and abide by the code of ethics principles.

Organisation for economic cooperation and development
The group adheres to the guidelines for multinational enterprises regarding anti-corruption.

Insider trading and dealing in securities
The following policies are in place:

Policy of dealing with price-sensitive information.

This policy deals with the determination of price-sensitive information, the maintenance of confidentiality and prompt dissemination of such information in accordance with JSE Limited guidelines and group disclosure policy. This policy is applicable to all group employees.

Dealing in securities policy

This policy regulates the dealings in securities of Sun International by directors, the company secretary, directors of major subsidiaries, executive officers and other employees of the group in compliance with this policy, the JSE Listings Requirements and the Securities Services Act 36 of 2004.

This policy is applicable to all employees and directors who may be deemed to be insiders for the purposes of dealing in the company's securities. Furthermore, this policy is binding on the immediate family members of all persons deemed to be insiders and any persons who may have acquired insider information from an insider.

Responsible gambling
Being a responsible corporate citizen is part of the group's DNA and we fully support responsible gambling through the South African Responsible Gambling Foundation, the entity that supervises the National Responsible Gambling Programme (NRGP) in cooperation with the gambling industry operators and governmental regulators. The NRGP integrates education, research and treatment into one programme. Through the group's CASA[3] membership, R15.6 million was earmarked by CASA to provide free support to problem gamblers.

[3] 2018 Survey of Casino Entertainment in South Africa.

BOARD PROCESSES

To operate effectively, the board and its committees conduct several processes and procedures that align to legislative requirements, King IV™ and best practice.

Board appointments and rotation of directors

Procedures for appointment to the board are formal, transparent and concern the whole board. The board is assisted in this process by the nomination committee, which has clear criteria for selecting board directors. In terms of the company's MoI, new directors appointed since the last AGM may only hold office as casual vacancies until the next AGM, at which time they will be required to retire and offer themselves for election.

In accordance with the company's MoI, one third of non-executive directors are required to retire at each AGM. If eligible, they may offer themselves up for election or re-election, as the case may be. The directors who are to retire are: firstly, those who have been appointed to fill a casual vacancy; and secondly, those who have held their positions for the longest period since their last election or re-election.

If, at the date of the company AGM, any non-executive director has reached the age of 70 years or older and/or held office for an aggregate period of nine years since their first election or appointment, they shall retire at the AGM. If they are eligible, they may then offer themselves for election and/or re-election. Dr NN Gwagwa and Messrs PD Bacon and PL Campher retire from the board in accordance with clauses 25.6.1 and 25.17 of the company's MoI, while Messrs VP Khanyile, JA Mabuza, S Sithole and ZP Zatu retire from the board in accordance with clauses 25.5 and 25.17 of the company's MoI. The nomination committee reviewed the board composition against corporate governance and transformation requirements and recommended the election/re-election of these directors.

A brief CV of each director offering themselves for election/re-election is provided online as Annexure B to the annual statutory report.

Nomination and selection process for board appointments

The nomination committee is mandated by the board and its terms of reference to regularly review the composition of the board and its committees. If deemed necessary, the nomination committee makes recommendations to the board on its composition, any new appointments and board committee membership. The nomination committee reviews the annual employment equity results of the group and ensures succession planning for the board and committees.

Board induction

The chairman, in consultation with the group company secretary, is responsible for ensuring each director receives an induction on joining the board and the requisite training in terms of their responsibilities as a board member. During the induction process, each new non-executive director meets with key executive management to better understand the group's operations. The company furthermore conducts specific JSE Listings Requirements training for each new director to familiarise them with the regulations affecting listed companies and the directors meet with the company's sponsor, Investec. The directors have access to a directors' handbook that includes a quick reference to their duties and responsibilities.

Ongoing director training and development

Keeping up to date with key business developments within the group and industry is essential to enhancing the board's effectiveness. During 2018 this was achieved by:

- presentations from executives on matters of significance to the group
- planned investor relations events throughout the year, excluding during closed periods to engage with the major investors on their market views
- visits to different unts within the group to view group operations
- regular briefings and updates on the regulatory environment, from external specialists and the company secretary.

Following the board's ongoing review of its effectiveness, the board is confident that all members have the knowledge, skills and experience to perform the functions required of a director of a listed company.

Succession planning

Succession planning, which involves identifying, developing and advancing future leaders and executives of the group, is an ongoing board responsibility and is carried out through the nomination committee. Detailed succession plans are presented annually to the nomination committee. The nomination committee reviews the composition of the board and all committees, and the committee members' readiness to succeed a committee chairman if the need arises. This also applies to the executive committee, prescribed officers and general managers of the units.

Board, directors and committee evaluations

The board, board chairman, deputy chairman and lead independent director, board committees and board members are evaluated every other year or more frequently, as required, on their performance in relation to their governance of economic, environmental and sustainability issues, and board and committee processes and procedures. The following assessments were conducted during the year under review: social and ethics committee, audit committee, risk committee, board, nomination committee, remuneration committee, external and internal audit and the head of GIA. Sun International remains cognisant that the performance of the board, and statutory and board committees is essential considering the increased focus on accountability, transparency and adding value.

Board meetings

A minimum of four board meetings are scheduled for each financial year. The board holds a fifth meeting in the form of its annual strategy meeting with the broader executive management team, to deliberate on the group's strategic direction and agree on the group's annual budget as proposed by management. The group's key strategic objectives are set at the strategy meeting and progress is reported at each board meeting. Additional board meetings are held on an *ad hoc* basis as required by the board.

BOARD COMMITTEES AND ATTENDANCE

The board and its committees have a symbiotic relationship that ensures knowledge is shared, and not siloed, across the committees. The board is authorised to form committees to assist in executing its duties, powers and authorities, and has one statutory committee, four board committees and one *ad hoc* committee.

The board is responsible for the implementation of the company's strategic objectives. This is supported by committees that focus on specific areas within the business. The composition of the committees and committee member attendance during the year is tabled below.

Each committee comprises three or more members, the majority of whom are independent.

All committees operate in accordance with their terms of reference, which are reviewed and updated annually, where applicable, to ensure alignment with the latest developments in legislation, King IV™, the JSE Listings Requirements and the requirements of the business. Key members of senior management are invited to attend meetings as invitees and to provide input on matters for discussion.

Sun International's audit and social and ethics committees perform the same function for all Sun International's subsidiary companies, which in terms of the Companies Act would otherwise be required to have their own audit and social and ethics committees. This is subject to annual confirmation.

Each committee satisfied itself that it justified its responsibilities in accordance with its terms of reference during the year.

Audit committee

Committee member	Eligible to attend	Attended
Caroline Henry (Chairman)[1]	3	3/3
Graham Rosenthal[2]	1	1/1
Enrique Cibie	3	3/3
Leon Campher	3	3/3
Zimkhitha Zatu[3]	–	–
Peter Bacon	3	3/3

Invitees		
Anthony Leeming (CE)[†]	3	3/3
Catherine Nyathi[†]	3	3/3
Norman Basthdaw (CFO)[†]	3	3/3

1 Ms Henry was appointed the chairman of audit committee effective 15 May 2018.

2 Mr Rosenthal retired effective 12 May 2018.

3 Ms Zatu was appointed to the audit committee effective 23 November 2018.

Ms Bassa resigned effective 12 February 2018.

† Executive.

Purpose of the committee

- enhances the credibility of financial reporting
- ensures an effective control environment is maintained by supporting the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management and the integrity of financial statements and reporting
- reviews activities of the internal audit function and the external auditor
- oversees effective governance of the group's financial results.

Focus areas during 2018

- reviewed the group's capital and liquidity
- received frequent feedback on the Sun Dreams financial review and risk committee deliberations
- updated the terms of reference for the committee and drafted terms of reference for the financial risk and review committee in Latam
- continues to focus on compliance with terms of reference
- aligned the internal audit charter with international standards
- endorsed the revised integrated risk methodology – the risk committee chair provides feedback at each audit committee meeting
- significantly improved the internal audit function
- approved the non-audit related services provided by the company's external auditor PricewaterhouseCoopers (PwC)
- reviewed the competence of the chief financial officer, who is an executive director, and was satisfied with his expertise and experience
- reviewed the internal controls within the business and satisfied itself that there were no material breakdowns in systems and controls that would need to be highlighted to the board or shareholders and that the company has established appropriate financial procedures and those procedures are working effectively
- confirmed its status as the audit committee for the group and its subsidiaries
- satisfied itself as to the appointment and independence of the external auditor as per the requirements of the Companies Act and that the individual audit partner was an accredited auditor (as per the JSE Listings Requirements)
- obtained regular feedback and reports from the company's legal, compliance, audit and tax departments
- approved the auditor's terms of engagement and the audit fees to be paid to the auditor
- recommended the company's interim and audited annual financial statements to the board for approval and satisfied itself that the group will be a going concern for the following 12-month period.

Focus areas going forward

- further embedding Sun Dreams' governance structures with the South African operations
- further strengthening and creating synergies between the internal audit functions at Sun Dreams and Sun International
- continuously ensuring an integrated approach in relation to the risk and audit committees
- embedding combined assurance initiatives across the group
- implementing new accounting standards as they become effective.

Nomination committee

Committee member	Eligible to attend	Attended
Valli Moosa (Chairman)	3	3/3
Leon Campher	3	3/3
Dr Lulu Gwagwa	3	3/3
Jabu Mabuza[1]	–	–
Invitees		
Anthony Leeming (CE)[†]	3	3/3

1 Mr Mabuza was appointed to the nomination committee effective 22 November 2018.

† Executive.

Purpose of the committee

- evaluates the skills requirements of the board, committees and executive management
- continuously evaluates the performance of the chairman, lead independent director, board committees and its members, and the group company secretary for recommendation to the board
- makes recommendations on board, committee and executive composition, succession planning and diversity
- considers the independence of directors and their correlating classification and thereafter makes recommendations to the board
- ensures that employment equity and race diversity is considered in all appointments and that the board's equity status is either maintained or improved
- confirms the appointment of employer-appointed trustees to the provident fund.

Focus areas during 2018

- recommended the appointment of additional independent non-executive directors to the main board
- assessed the competence of the company secretary who was found to be competent to fulfill his role to the board
- reviewed gender and race targets and ensured that these were addressed
- reviewed the performance of the non-executive directors and the audit committee members standing for re-election or reappointment in the following year and recommended the same to the board and shareholders
- assessed the independence of the non-executive directors
- satisfied itself that the mandate and terms of reference for the committee remain appropriate
- referred all appointments to the board, board committees and the Sun International Employee Share Trust
- reviewed feedback from Sun Dreams' remuneration and nominations committee
- satisfied itself regarding the succession plan for Sun Dreams' and Sun International's executive management, the group chairman, chief executive and chief financial officer

- reviewed the composition of the board committees and recommended changes to the membership to further strengthen the committees
- assessed the performance of the chairman, deputy chairman and the lead independent director.

Focus areas going forward

- succession planning for executive management and effectively managing the succession of the chairman
- ensuring the board improves its voluntary gender and race diversity targets across the group
- confirming the succession plan for the Sun Dreams chief executive
- possibly identifying a non-executive director with sector experience i.e. hospitality and gaming.

Risk committee

Committee member	Eligible to attend	Attended
Peter Bacon (Chairman)	3	3/3
Norman Basthdaw (chief financial officer)[†]	3	3/3
Dr Lulu Gwagwa	3	3/3
Anthony Leeming (chief executive)[†]	3	3/3
Graham Rosenthal[1]	1	1/1
Enrique Cibie	3	3/3
Caroline Henry	3	3/3
Graham Dempster[2]	2	0/2
Thabo Mosololi (chief operating officer)[†]	3	2/3
Verna Robson[†]	3	3/3
Zaine Miller[†]	3	3/3
Rob Collins[†]	3	3/3

1 Mr Rosenthal resigned effective 15 May 2018.

2 Mr Dempster was appointed to the risk committee effective 1 June 2018.

Ms Bassa resigned effective 12 February 2018.

In addition to the above, certain key members of senior management attend the risk committee meetings by invitation.

† Executive.

Purpose of the committee

- reviews the adequacy, effectiveness and integrity of the group's risk management and internal controls, and assists the board to discharge its functions in terms of the management, assurance and reporting of risks
- provides oversight of the IT governance function
- monitors and reviews stakeholder engagement with regard to assessing and dealing with stakeholder issues and concerns
- assesses the compliance environment in which the group operates
- reviews and satisfies itself regarding the group's insurance portfolio (South Africa and Latam).

Focus areas during 2018

- reviewed the revised risk methodology and ranking of risks that were implemented to assess group-wide risks
- monitored progress on the renewal of licences in Latam and South Africa, as well as GrandWest licensing exclusivity and the more onerous licence conditions in South Africa
- monitored sustainability risks impacting the group across the environment, health and safety and SED functions
- monitored the IT systems in place to address the increase in cyber crime and Sun Dreams' IT system alignment with South Africa's IT systems
- noted that the risk of cyber attacks is becoming more prevalent and considered the need for securing cyber insurance for the group
- the compliance manager continued to monitor and report on compliance issues throughout the group
- considered the insurance policies and practices for the group and reviewed the consolidated insurance cover adopted for the group incorporating Latam
- reviewed policies within the group to ensure that they are updated and align with best practice.

Focus areas going forward

- monitoring the group's key risks and ensuring adequate mitigation actions are in place to manage these risks
- continuing to monitor the licensing renewals and conditions in South Africa and Latam
- continuing to focus on the Latam IT assurance dashboard
- continuing to monitor all proposed legislation that could impact the group
- continuing to monitor the IT governance structure to ensure it addresses critical IT risk (IT governance project dashboard) and IT investments (the Sun International App). IT governance includes group business continuity, data governance and scoring, strategic vendor analysis, IT policies, cyber security threat, POPI and GDPR, key incidences management.

Social and ethics committee

The social and ethics committee is constituted as a statutory committee in respect of its statutory duties in terms of section 72(4) of the Companies Act read together with Regulation 43 of the Companies Act, and as a board committee in respect of its responsibilities prescribed by the board in its mandate and terms of reference. A separate social and ethics report is available online.

Committee member	Eligible to attend	Attended
Tumi Makgabo-Fiskerstrand (Chairman)	3	3/3
Valli Moosa	3	3/3
Graham Rosenthal[1]	1	1/1
Leon Campher	3	3/3
Caroline Henry[2]	2	2/2
Vusi Khanyile[3]	–	–
Invitees		
Anthony Leeming (CE)[†]	3	3/3
Norman Basthdaw (CFO)[†]	3	3/3
Andrew Johnston[†]	3	3/3
Jannette Horn[4]	3	3/3
Verna Robson[†]	3	3/3

[1] Mr Rosenthal resigned effective 15 May 2018.

[2] Ms Henry was appointed to the social and ethics committee effective 1 June 2018.

[3] Mr Khanyile was appointed to the social and ethics committee effective 22 November 2018

[4] Mrs Horn head of sustainability.

In addition to the above, certain key members of senior management attend the audit committee meeting by invitation.

† Executive.

Purpose of the committee

- monitors the group's social, transformation, economic and environmental performance and the social impact of its reputational risk
- reports to the board and the group's stakeholders on social, transformation, economic and environmental developments and progress
- oversees the group's ethical conduct and confirms that it carries out its responsibilities in accordance with section 72 and Regulation 43 of the Companies Act.

Focus areas during 2018

- reviewed the terms of reference and confirmed that this committee is appointed as the social and ethics committee for those subsidiaries of the group that score above 500 points in terms of Regulations 26(2) and 43(1)(c) of the Companies Act, as amended
- monitored the material matters arising from the group's ethics hotline
- monitored the company's employment equity progress in accordance with the group's employment equity plan and the company's B-BBEE results as issued by Empowerdex, the verification agency
- reviewed policies that were revised and issued to the group in relation to corruption, economic crime, gifts, tips and entertainment, and responsible gambling
- monitored the group's social, health and safety and environmental and transformation performance in line with relevant codes and legislation, and the principles set out in the UNGC, as well as the OECD recommendations regarding corruption
- reviewed Sun International's board diversity policy for recommendation and approval to the board
- reviewed the sustainability matters pertinent to the group, such as the water crisis in the Eastern and Western Cape, and zero-waste-to-landfill at certain operations
- monitored the projects undertaken in relation to SED and the spend by the group on sponsorships, donations and charitable givings
- reviewed reports issued in relation to consumer relations and adherence to consumer laws, and the group's marketing practices
- monitored Monticello's anti-money-laundering certification process
- reviewed the compliance function in Puerto Varas and Valdivia
- monitored regular feedback received from the ethics office.

Focus areas going forward

- monitoring the rollout of the ethics programme introduced during 2018 and creating further awareness of, and training employees on, ethics pursuant to the ethics survey
- Monitoring roll-out of the revised code of ethics and addressing the results of the ethics survey
- ensuring that all initiatives implemented align with the SunWay to further strengthen positive values and enhance ethical conduct throughout the group
- monitoring the group's social, transformation, economic and environmental performance
- engaging with stakeholders on the group's social, transformation, economic and environmental progress
- integrating the financial and non-financial aspects of the business to create a sustainable business strategy for the group
- monitoring results of the first round of OHASA audit results.

Remuneration committee

Committee member	Eligible to attend	Attended
Leon Campher (Chairman effective 1 January 2018)	4	4/4
Valli Moosa	4	4/4
Dr Lulu Gwagwa[1]	2	1/2
Enrique Cibie	4	4/4
Sam Sithole[2]	1	1/1
Jabu Mabuza[3]	–	–
Invitees		
Anthony Leeming (CE)[†]	4	4/4
Verna Robson†	4	4/4

1 Dr Gwagwa was appointed to the remuneration committee effective 29 August 2018.

2 Mr Sithole attended the meeting on 29 August 2018 as an invitee and was subsequently appointed to the remuneration committee effective 31 August 2018.

3 Mr Mabuza was appointed to the remuneration committee effective 22 November 2018.

Ms Bassa resigned effective 12 February 2018.

† Executive.

Purpose of the committee

- assists the board to discharge its responsibilities to ensure fair and responsible remuneration by the group
- reviews and recommends the group's remuneration policy and oversees its implementation
- oversees benefit schemes in the group such as pension, provident fund and medical aid
- reviews proposed changes to the short-term incentive scheme (STI) and the long-term share-based incentive plans.

Focus areas during 2018

- reviewed the group remuneration policy and practices, the annual STIs (executive bonus scheme) and the long-term share-based incentives following engagement with shareholders
- built on previous practices to allow for improved disclosure practices relating to remuneration
- monitored discussions with the group's bargaining council to lock in the wage increases for the next three years
- approved a separate remuneration policy for Sun Dreams, based on similar remuneration principles to those adopted by Sun International
- reviewed Sun Dreams' external benchmarking for senior managers and executives in Latam
- amended the share plan to align with the Companies Act and best governance practices.

Focus areas going forward

- continuing to improve annual disclosure in relation to remuneration practices
- improving engagement with shareholders in accordance with the principles enunciated by King IV™
- progressing the EPWEV exercise initiated by human resources
- reviewing the share incentive plan guidelines for use by group employees
- implementation of a new share incentive plan for key employees which addresses shareholder queries and suggestions.

Investment committee

Committee member	Eligible to attend	Attended
Graham Dempster (Chairman effective 1 January 2018)	7	7/7
Leon Campher[1]	7	5/7
Valli Moosa	7	7/7
Sam Sithole[2]	4	4/4
Jabu Mabuza[3]	1	1/1
Invitees		
Anthony Leeming (CE)[†]	7	7/7
Norman Basthdaw (CFO)[†]	7	6/7

1 Mr Campher resigned as chairman of the investment committee effectives effective 31 December 2017 but remained as an investment committee member.

2 Mr Sitole appointed to the investment committee effective 20 June 2018.

3 Mr Mabuza appointed to the investment committee effective 22 November 2018.

Ms Bassa resigned effective 12 February 2018.

† Executive.

Purpose of the committee

- operates under a separate mandate of the board and is chaired by an independent non-executive director
- considers and evaluates, on an *ad hoc* basis, the viability of proposed investment opportunities (mergers and acquisitions), disposals and expansion projects for recommendation to the board for consideration and approval
- reviews and approves capex budget of the group
- regularly values the portfolio of group assets to see where returns on investment are being achieved.

Due to the nature of the price-sensitive information discussed during the investment committee meeting and which may not already be in the public domain, no details pertaining to the deliberation of this committee or focus areas are disclosed in this report.

IT GOVERNANCE

The board is responsible for overseeing IT governance within Sun International, which operates within its IT mandate that incorporates King IV™ IT governance requirements and is aligned with the group's strategic objectives. The board delegated the group's IT responsibilities to the IT governance committee, which reports to the risk committee.

Sun International's group chief information officer reports directly to the CE and is responsible for IT operations and IT strategy within the group.

The focus during 2018 included enhancing customer services, improving internal efficiencies, and integrating, automating and standardising systems and processes. We refine IT infrastructure and security continuously. Sun International's e-learning portal continued to contribute to developing and retaining IT skills within the group. The group is committed to ensuring business continuity and has a robust business continuity programme aligned to ISO 22301 and ISO 27031 standards. Good progress was made in aligning Latam's IT governance framework with the South African operations' IT governance framework.

Going forward, we will place emphasis on extracting relevant business intelligence to make informed strategic decisions around customer interaction and behaviour, IT resilience, information security, cyber security and upskilling employees around mobile application development and data security.

SUPPORTING SUSTAINABLE BUSINESS PRACTICES

The group is aware of its responsibility to be a good corporate citizen as it considers sustainability and the potential business impact on all stakeholders and the environment. Sustainability is interwoven into Sun International's business strategy and decision-making process, from board and management level to our employees at each unit.

The achievement of the group's key strategic imperatives is underpinned by the group's sustainable business practices and is often an enabler by ensuring that a sound corporate reputation and the group's brand are synonymous.

Two strategic objectives in particular, *our people and governance and sustainability*, ensure that sustainability remains at the heart of our business operations. The group's sustainability agenda also influences three other strategic objectives: *improving our existing operations and our guest experiences*, *protecting and leveraging our existing asset portfolio*, and *growing our business into new areas and products*.

The group's sustainability approach continues to evolve and includes, among others, measurable sustainability practices that engage all our stakeholders through relevant internal and external sustainability reporting, face-to-face community engagement, health, safety and environmental initiatives, and sustainability campaigns.

The board engaged the services of an external assurance provider to provide an independent assurance statement on the group's sustainability reporting as advocated by King IV™. This external review is also beneficial in identifying those areas where there is room for improvement. Furthermore, the group continues to use the GRI Standard as the basis for its integrated sustainability reporting.

THE ACTS, REGULATIONS, FRAMEWORKS AND LISTINGS REQUIREMENTS THAT APPLY TO SUN INTERNATIONAL

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

What we comply with	
JSE Listings Requirements	Sun International is a public company listed on the Johannesburg Stock Exchange and accordingly complies with the JSE Listings Requirements.
King IV Code on Corporate Governance for South Africa 2016 (King IV™)	King IV™ and its recommended practices are applied throughout the group as shown in our King IV™ application register that is available online. The board confirms that the group applied the 16 principles of King IV™ and that the spirit of King IV™ is preserved and embedded in the way the group operates.
Local and international legislation	Sun International is committed to complying with all relevant legislation and best practices in the jurisdictions in which it operates. The group identified the main areas of legislation that materially affect its operations and regularly engages with key regulators to make public comments and submissions on proposed new industry and other relevant legislation.
Licence conditions issued by the various gambling boards	The gaming industry is highly regulated and subject to significant probity and external regulatory monitoring both locally and internationally. In addition, the casino licence conditions contain their own requirements, which must be adhered to.

What we choose to comply with	
Carbon Disclosure Project (CDP) – water and energy	Sun International participates annually in the CDP.
International Integrated Reporting Council's (IIRC) <IR> Framework	Sun International applies the IIRC's <IR> Framework in compiling its integrated annual report.

KING IV™ APPLICATION REGISTER

It is the board's responsibility to steer the group towards achieving our sustainability strategy. The board is aided by the group's governance framework. The framework is based on mindful application of the principles and practices recommended by the King IV Code of Corporate Governance South Africa 2016 (King IV™[1]). This culminates in stakeholder value creation. Below is a summary of how Sun International applied the principles, the outcomes thereof, and references to further information contained in our report.

PRINCIPLE 1: THE GOVERNING BODY SHOULD LEAD ETHICALLY AND EFFECTIVELY

Applications and explanations	Outcomes	Online reference
Application: Ethics training is provided to all newly appointed directors through an induction programme. Directors are kept apprised of the group's codes and policies. They attend various committee meetings of the board. This allows direct oversight of group operations. The delegated levels of authority and terms of reference relating to the committees are regularly reviewed. The board determines the strategic direction of the group in support of a sustainable business. It monitors management's implementation and execution thereof. The group sustainability manager continued to enhance synergies across the group in relation to health, safety, the environment and socio-economic development (SED) initiatives. The nomination committee is responsible for identifying and recommending suitable appointments to the board to ensure effective governance groupwide. **Explanation:** Induction and ethics training ensures directors have the necessary competence and knowledge to execute their functions and responsibilities. Committee meeting attendance ensures oversight in delivering group objectives and executing delegated powers. Committee meeting attendance is greater than 95%. This is testament to the members' commitment and purposeful oversight of the group's activities. Attendance at the board and various committee meetings are: • Board: 100% • Audit committee: 100% • Investment: 97.5% • Nomination committee: 100% • Remuneration committee: 95% • Risk committee: 100% • Social and ethics committee: 100%	• Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Legitimacy and trust	• Corporate governance report • Ethics declaration • Ongoing director training and development • Board committees and attendance • Guide to directors' duties • SunWay project

PRINCIPLE 2: THE GOVERNING BODY SHOULD GOVERN THE ETHICS OF THE ORGANISATION IN A WAY THAT SUPPORTS THE ESTABLISHMENT OF AN ETHICAL CULTURE

Applications and explanations	Outcomes	Online reference
Application: The directors set the overall tone for ethical leadership of the board. The directors, together with the executive committee, are signatories to a declaration that lists their commitment to Sun International's ethical principles. The code of ethics and policies were updated, and a dedicated ethics officer is assigned to overseeing ethics within the group. Contracts with third parties now substantially include a provision on adherence to Sun International's code of ethics. A revised code of ethics and policy in relation to supplier conduct was issued in 2018. During 2018, an ethics survey was conducted across all South African units to determine Sun International's ethical climate and to create an inclusive culture. The social and ethics committee ensures the group's ethics are managed effectively. The group adopts a zero-tolerance approach to breaching ethical standards. **Explanation:** The board's commitment to ethical practices sets the tone for the company's ethical conduct. The adoption of revised policies and codes renewed the company's commitment to an enhanced ethical culture, with clear expectations and outcomes for all stakeholders. Sun International's anonymous tip-offs ethics hotline is managed by Deloitte. IBIS ESG Assurance (IBIS) assessed Sun International's ethics and integrity-related policies, procedures, systems and controls as part of our annual independent third-party assurance audit on sustainability aspects. The review included interviews at a group level and visits to selected units, to assess adherence to Sun International's relevant policies, procedures, systems and controls, and whether they meet reasonable expectations for monitoring and managing ethics and integrity at Sun International. No material issues were identified during the audit. For more detail, refer to IBIS ESG's assurance statement.	• Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Legitimacy and trust	• IBIS third-party assurance report • Code of ethics • Ethics declaration

PRINCIPLE 3: THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION IS AND IS SEEN TO BE A RESPONSIBLE CORPORATE CITIZEN

Applications and explanations	Outcomes	Online reference
Application: Several initiatives ensure the workplace becomes more responsive to the needs of society and the environment in which the company operates. Compliance with relevant laws, including the Constitution of South Africa and the Bill of Rights is core. The SunWay project promotes enabling values and discourages disabling ones. Training was provided in regard to health, safety and environmental awareness. Several projects are in place across the group to develop small businesses, facilitate transformation and uplift local communities. The total spend on SED initiatives over the past year was R23.8 million (2017: R16 million) and applied mainly to projects related to education, sport, and arts and culture. The amount spent on supplier development and enterprise and supplier development (E&SD) was R46 million (2017: R34.5 million) and R10.2 million (2017: R9 million) respectively. The group supports corporate social investment (CSI) initiatives through sponsorships, donations and charitable givings. **Explanation:** The company identified three pillars for SED support: education, sports, and arts and culture, with an emphasis on education. These pillars align with the company's vision of creating shared value for surrounding communities. Procurement processes have been reviewed to ensure there is true empowerment of small	• Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation • Legitimacy and trust	Governance and sustainability report • Our people • Environment • Health and safety • Socio-economic development • Enterprise and supplier development

companies, which ultimately contributes to the growth of the South African economy. The spend in the SED and E&SD areas exceeded the mandated targets. This is evidence of Sun International's commitment to the projects it endorses, thereby demonstrating its upliftment of communities and contribution towards transformation and economic growth.		

PRINCIPLE 4: THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION'S CORE PURPOSE, ITS RISKS AND OPPORTUNITIES, STRATEGY, BUSINESS MODEL, PERFORMANCE AND SUSTAINABLE DEVELOPMENT ARE ALL INSEPARABLE ELEMENTS OF THE VALUE CREATION PROCESS

Applications and explanations	Outcomes	Online reference
Application: The board convenes an annual strategy meeting to approve the strategy and goals for each financial year and measures performance against the targets established for the comparative year. Management is responsible for implementing this strategy to achieve the desired goals and to assess and respond to any issues that may impact the group's activities and outputs. The risk assessment and ranking methodology led by the executive team ensures that the board is apprised of the risks and opportunities facing the group and it takes an integrated approach to assessing risks and material matters. The sustainability committee assists with assessing and monitoring environmental, health and safety, and SEDissues, internal and external, to the business. The audit committee and board consistently monitor the going-concern status of the group. **Explanation:** Sun International's strategy is discussed before the start of the financial year, following which an executive conference is held where senior and executive management are advised on the group's performance over the past year and the strategy for the upcoming year. The strategy implementation is included in the key performance areas for executives to ensure the effective execution of the group's objectives, and their individual performance is measured against the achievement of the company's objectives. Bonuses are linked to the execution and delivery of group performance to ensure that the correct behaviour is driven group-wide, ultimately creating value for all stakeholders. Strategy sessions are held by the executive committee during April/May, and at the units during July/September and by the full board during November.	• Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation	• Strategic objectives • Annual statutory report

PRINCIPLE 5: THE GOVERNING BODY SHOULD ENSURE THAT REPORTS ISSUED BY THE ORGANISATION ENABLE STAKEHOLDERS TO MAKE INFORMED ASSESSMENTS OF THE ORGANISATION'S PERFORMANCE AND ITS SHORT, MEDIUM AND LONG-TERM PROSPECTS

Applications and explanations	Outcomes	Online reference
Explanation: The regular tabling of reports at the various committee meetings ensures the board is aware of all developments across the group and can track progress against established targets in the short, medium and long term. Each committee chairperson provides feedback to the board. The chairman of the social and ethics committee reports back to shareholders at each annual general meeting of the company. This bottom-up approach is vital. The integrated annual report provides details on the operations and performance of the company over the past year and allows stakeholders to assess and gauge how value is created. This report sets out the group's highlights, challenges and future focus areas to provide stakeholders with a realistic view of the company.	• Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation	• Corporate governance report • Investor presentations • Social and ethics report • Audit committee report

Engagement with investors takes place through roadshows andinvestor presentations, which are published on our website.	• Legitimacy and trust	

PRINCIPLE 6: THE GOVERNING BODY SHOULD SERVE AS THE FOCAL POINT AND CUSTODIAN OF CORPORATE GOVERNANCE IN THE ORGANISATION

Applications and explanations	Outcomes	Online reference
Application: A protocol guides the board in relation to obtaining external advice. The board charter guides the board in executing its duties and is revised periodically. A director's handbook guides directors on their duties under the Companies Act and King IV™. The group's memorandum of incorporation (MoI) aligns with several corporate governance practices. **Explanation:** The board charter sets out the board's expectations in relation to its duties towards the group, including in Nigeria and Latam. With various directors sitting on the different committees, there is first-hand oversight on the group's activities. The external advice protocol allows the board to understand what process to follow regarding obtaining external advice, and ensures the board obtains the necessary advice and expertise in the execution of and delivery of the group's objectives. Though the board remains ultimately responsible, the committees provide focused attention on areas to ensure initiatives and projects are properly assessed and implemented. The company secretary is pivotal in ensuring good corporate governance. The board is comfortable that it has fulfilled its responsibilities in accordance with its charter and is satisfied with the strategic direction set for the group. It appropriately manages its duty as custodian of corporate governance.	• Ethical and cohesive culture • Effective control, compliance and accountability • Performing to strategic expectation • Legitimacy and trust	• Corporate governance report

PRINCIPLE 7: THE GOVERNING BODY SHOULD COMPRISE THE APPROPRIATE BALANCE OF KNOWLEDGE, SKILLS, EXPERIENCE, DIVERSITY AND INDEPENDENCE FOR IT TO DISCHARGE ITS GOVERNANCE ROLE AND RESPONSIBILITIES OBJECTIVELY AND EFFECTIVELY

Applications and explanations	Outcomes	Online reference
Application: The board consists of a diverse group of people in terms of gender, race, age, skills and experience. The race and gender targets for the board were reviewed to ensure that future appointments align with the group's policy on gender and race diversity, and the B-BBEE Codes. The board consists of executive, non-executive and independent directors. The chief executive and chief financial officer are executive board members. The board comprises more independent than executive or non-executive directors. **Explanation:** The board embraces diversity by improving gender and race representation. With the variety of board member qualifications, there is further assurance that the business is considered from different perspectives to provide a holistic review of the group's strategy. A brief and detailed CV of each director is available here. The board-approved diversity policy incorporates gender and race diversity as required by the JSE Listings Requirements. Members of committees are carefully selected, having regard to race, gender, skills and experience, and the provisions of the Companies Act, the JSE Listings Requirements and good corporate governance practices. The independence of directors is monitored in accordance with the JSE Listings Requirements. We believe that the board has the appropriate mix of knowledge, skills and experience, diversity and	• Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation	• Corporate governance report • Board

independence. The company secretary and chief financial officerare evaluated annually in terms of their skills, experience and expertise.

The remuneration committee conducts annual evaluations of each executive director and prescribed officer.

	Target	Actual
Race	50% black directors	57%
Gender	30% female directors	29%

PRINCIPLE 8: THE GOVERNING BODY SHOULD ENSURE THAT ITS ARRANGEMENTS FOR DELEGATION WITHIN ITS OWN STRUCTURE PROMOTE INDEPENDENT JUDGEMENT, AND ASSIST WITH BALANCE OF POWER AND THE EFFECTIVE DISCHARGE OF ITS DUTIES

Applications and explanations	Outcomes	Online reference
Application: The board has five standing committees: nomination, audit, risk, remuneration and social and ethics committees; and one *ad hoc* committee: the investment committee. Most committee members are independent non-executive directors. The executive committee has two sub-committees, the sustainability and IT governance committees. These committees comprise senior executives and management only. The board charter and composition of the committees are determined and approved by the board. **Explanation:** The committees are pertinent to overseeing the group's business and its core operations. The non-executive directors are included across the various committees, with many sitting on more than one committee to ensure that there is effective collaboration across the committees and an integrated approach is adopted in relation to the execution and evaluation of all strategic projects and plans. The committees regularly provide feedback to the board, which facilitates the execution of its responsibilities. The independent directors provide an objective assessment of the company's projects, plans and initiatives. The composition of the board committees contributes to effective collaboration, balanced distribution of power and the board's effectiveness in fulfilling its duties. There is a clearly defined delegation of authority matrix for all executives and senior managers of the group.	• Ethical and cohesive culture • Effective control, compliance and accountability • Performing to strategic expectation • Legitimacy and trust	• Corporate governance report • Governance framework • Board and committees

PRINCIPLE 9: THE GOVERNING BODY SHOULD ENSURE THAT THE EVALUATION OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES, ITS CHAIR AND ITS INDIVIDUAL MEMBERS, SUPPORT CONTINUED IMPROVEMENT IN ITS PERFORMANCE AND EFFECTIVENESS

Applications and explanations	Outcomes	Online reference
Application: The board chairman, the lead independent director, board members and the board committees are evaluated every other year, and by an independent third party every six years regarding their performance, processes and procedures. The members of the board are evaluated annually by the nomination committee, and the executive directors' performance is assessed by the remuneration committee and nomination committee by way of an annual performance review for purposes of awarding TCOE incentives and STIs. Non-executive directors are evaluated by the nomination committee annually to determine eligibility for election and re-election. The chief financial officer and company secretary are evaluated annually by the audit committee and board respectively.	• Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent	• Corporate governance report • Chief executive and group company secretary evaluation • Directors' and

The following assessments were conducted during the year under review: social and ethics, audit, risk, nomination and remuneration committees; the board; external and internal auditors; and the head of GIA. No material concerns were raised. **Explanation:** The evaluations assess individual and committee performance against the specific terms of reference, the board charter and best governance practices. The nomination committee annually considers the competence of the group company secretary and the audit committee annually considers the competence of the chief financial officer. As recorded in the annual financial statements, the chief financial officer and the group company secretary were declared competent and have the necessary expertise and experiences to carry out their functions and duties on behalf of the company. Bonuses and remuneration of the executive directors are linked to their performance reviews. Sun International is cognisant that the performance of the board, statutory and board committees is essential considering the increased focus on accountability, transparency and adding value.	stakeholder engagement • Performing to strategic expectation • Legitimacy and trust	committee evaluation • Nomination committee • Audit committee report

PRINCIPLE 10: THE GOVERNING BODY SHOULD ENSURE THAT THE APPOINTMENT OF, AND DELEGATION TO, MANAGEMENT CONTRIBUTE TO ROLE CLARITY AND THE EFFECTIVE EXERCISE OF AUTHORITY AND RESPONSIBILITY

Applications and explanations	Outcomes	Online reference
Application: The chief executive was appointed by the board and the nomination committee considers executive succession planning. The chief executive's performance is evaluated annually by the chairman and the remuneration committee. The board annually reviews the delegation of authority to the chief executive, who in turn delegates authority to other executives and prescribed officers. Professional governance services are provided by the group company secretary, who is evaluated annually by the nomination committee and board. Following an assessment by the nomination committee, the group company secretary has the requisite competence, qualifications and experience to carry out his duties. The board has access to governance support and guidance at all times. **Explanation:** The nomination committee has the experience and skills required to ensure a balanced constitution of the board and is most suitably placed to evaluate the executive team's performance. The chief executive's delegation of authority to the executive committee ensures the delivery and implementation of the company's strategy. Sun International's board was significantly strengthened by the appointment of four non-executive directors, three of whom are independent. During 2018, the executive management team was restructured to include the property general managers of key units, to improve decision-making and enhance alignment with the group strategy. The nomination committee evaluates the board and company secretary. The chief executive evaluates other executives and prescribed officers. The remuneration committee evaluates the performance of executive directors and prescribed officers for TCOE and STIs. The audit committee reviews the chief financial officer and head of GIA. The board is comfortable and satisfied that the delegation of authority framework provides for effective exercise of authority and responsibilities.	• Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation • Legitimacy and trust	• Corporate governance report • Delegation of authority • Board • Executive management

PRINCIPLE 11: THE GOVERNING BODY SHOULD GOVERN RISK IN A WAY THAT SUPPORTS THE ORGANISATION IN SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

Applications and explanations	Outcomes	Online reference
Application: Sun International's risk methodology and risk ranking system require each division, under the direction of their respective executive, to complete a risk assessment dashboard. The results are consolidated using a formula that categorises all risks in order of importance and details actions to mitigate the risks. This risk categorisation guides the group in relation to its business operations' priorities going forward. The risk function is assisted by the audit and risk management committees. **Explanation:** An evaluation of risks group-wide ensure all risks and opportunities are identified and ranked, which informs the group's material matters and strategy. The risk methodology ensures each executive is assigned responsibility for a specific area and that risks are managed and mitigated. The main three key risks identified in 2018: • weak economic conditions • smoking legislation (South Africa and Latam) • erosion of market share due to EBT) and LPMs in catchment areas.	• Effective control, compliance and accountability • Performing to strategic expectation • Responsive and transparent stakeholder engagement	• Corporate governance report • Risk committee • Risk management

PRINCIPLE 12: THE GOVERNING BODY SHOULD GOVERN TECHNOLOGY AND INFORMATION IN A WAY THAT SUPPORTS THE ORGANISATION SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

Applications and explanations	Outcomes	Online reference
Application: The executive committee constituted the IT governance committee as a sub-committee, with responsibility for monitoring, developing and communicating the processes for managing IT governance, information flows and technology across the group. The deliberations of the IT governance committee do not reduce the individual and collective responsibilities of the executive committee, risk committee members and board members regarding their fiduciary duties and responsibilities. They continue to exercise due care and judgement in accordance with their statutory obligations. The board has the ultimate responsibility for IT governance of the company, and the IT governance committee assists the risk committee and the board in fulfilling this responsibility. The company monitors the IT governance structure to ensure it addresses critical IT risks (IT governance project dashboard) and IT investments (the Sun International App). IT governance includes group business continuity, data governance and scoring, strategic vendor analysis, IT policies, cybersecurity threat (which is a key focus area), Protection of Personal Information (POPI), General Data Protection Regulation (GDPR), and key incidences management. **Explanation**: Through the IT governance sub-committee, operations report to the board, which ensures significant information and technology risks are identified with the mitigating controls. Effective controls are in place to address and mitigate any potential cyber threats, and an e-learning portal facilitates IT e-learning. Projects involving various areas of the business are	• Effective control, compliance and accountability • Performing to strategic expectation • Responsive and transparent stakeholder engagement • Legitimacy and trust	• Corporate governance report • IT governance committee • Cybersecurity • Customer data protection • Efficiency and optimisation of our processes • Protect and leverage our existing asset portfolio

monitored and overseen by the IT governance sub-committee. Progress is reported to the risk committee to ensure an integrated approach to monitoring and assessing IT risks within the business.		

PRINCIPLE 13: THE GOVERNING BODY SHOULD GOVERN COMPLIANCE WITH APPLICABLE LAWS AND ADOPTED NON-BINDING RULES, CODES AND STANDARDS IN A WAY THAT SUPPORTS THE ORGANISATION BEING ETHICAL AND A GOOD CORPORATE CITIZEN

Applications and explanations	Outcomes	Online reference
Application: The compliance function supports the wider sustainability objectives of the group. Polices are reviewed and revised as necessary. The policy revitalisation management sub-committee reviews, updates and consolidates group policies. The automated compliance portal will be fully rolled out during 2019. Employee access to material policies is monitored to ensure that all policies are brought to their attention. Policies are reviewed regularly to ensure compliance with latest developments and legislation. **Explanation:** The compliance function ensures all aspects of the business are covered. By monitoring policy access and review, the group ensures that employees keep abreast with latest developments and can address any evident gaps. The central policy portal prompts employees on any policy updates. A revised code of ethics was issued in 2018 with a campaign relating to creating awareness of the ethics hotline. There were no material or repeated regulatory penalties for the year under review.	• Ethical and cohesive culture • Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation • Legitimacy and trust	• Corporate governance report • Chairman's message • Social and ethics committee • IT governance committee • Group's ethics hotline

PRINCIPLE 14: THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION REMUNERATES FAIRLY, RESPONSIBLY AND TRANSPARENTLY TO PROMOTE THE ACHIEVEMENT OF STRATEGIC OBJECTIVES AND POSITIVE OUTCOMES IN THE SHORT, MEDIUM AND LONG TERM

Applications and explanations	Outcomes	Online reference
Application: The remuneration committee reviews the remuneration policy of the group annually, which is approved by the board and tabled at the AGM for a non-binding shareholder advisory vote. The policy is published online as a part of the remuneration committee report. **Explanation:** The remuneration policy is reviewed annually to ensure that Sun International attracts top talent and returns value to shareholders in a fair, transparent and balanced manner. Remuneration is linked to performance to ensure executives and employees are motivated to achieve the company's strategic objectives and goals, and that their interests are aligned with those of shareholders. Sun International engages with its shareholders around its remuneration policy and procedures, which are disclosed in the 2018 remuneration policy and report. Changes were effected to Sun International and Latam policies during 2018.	• Ethical and cohesive culture • Responsive and transparent stakeholder engagement • Legitimacy and trust	• Remuneration report

PRINCIPLE 15: THE GOVERNING BODY SHOULD ENSURE THAT ASSURANCE SERVICES AND FUNCTIONS ENABLE AN EFFECTIVE CONTROL ENVIRONMENT, AND THAT THESE SUPPORT THE INTEGRITY OF INFORMATION FOR INTERNAL DECISION-MAKING AND OF THE ORGANISATION'S EXTERNAL REPORTS

Applications and explanations	Outcomes	Online reference
Application: The board, in the statement of responsibility of directors, provides their independent assurance of the company's integrated annual report and confirms this to be an accurate reflection of the company to all stakeholders. An external independence assurance provider is appointed to review the sustainability aspects of the sustainability practices of the company, as well as ethics initiatives and external auditors assure the financial information. **Explanation:** The company follows a combined assurance model to ensure objectivity of all information provided to stakeholders. The board and its committees consist of persons from varied backgrounds with diverse skills and experience to ensure risks and opportunities are considered from various perspectives.	• Effective control, compliance and accountability • Responsive and transparent stakeholder engagement • Performing to strategic expectation • Legitimacy and trust	• Combined assurance model • Independent assurance statement

PRINCIPLE 16: IN THE EXECUTION OF ITS GOVERNANCE ROLE AND RESPONSIBILITIES, THE GOVERNING BODY SHOULD ADOPT A STAKEHOLDER-INCLUSIVE APPROACH THAT BALANCES THE NEEDS, INTERESTS AND EXPECTATIONS OF MATERIAL STAKEHOLDERS IN THE BEST INTERESTS OF THE ORGANISATION OVER TIME

Applications and explanations	Outcomes	Online reference
Application: The risk committee reviews the stakeholder register regularly. The stakeholder register comprises, *inter alia*, the gambling boards, the communities, and shareholders. Engagement with stakeholders is undertaken throughout the year and material matters are reported to the board. The board is the custodian of Sun International's corporate governance framework. **Explanation:** Regular stakeholder engagement ensures the board is advised of all material issues that may impact the company. During 2018, the group's community engagement methodology was refreshed to ensure all community engagement and interventions align with the group's sustainability strategy and, more broadly, with provincial and national growth and development plans. Specific executives are tasked with stakeholder engagement according to their executive responsibilities. A group SED specialist is responsible for targeted community engagement. Sun International does not subscribe to the shareholder-exclusive model but rather the stakeholder-inclusive model.	• Responsive and transparent stakeholder engagement • Performing to strategic expectation • Legitimacy and trust	• Corporate governance report • Stakeholder engagement

SOCIAL AND ETHICS REPORT

Being a good corporate citizen is integral to how we manage our business and drive an ethical culture across the group. This includes ensuring customer, guest and employee health and safety; engaging with communities; providing opportunities for shared socio-economic value; protecting our environment; monitoring our transformation progress; and complying with relevant legislation and codes.

MESSAGE FROM THE CHAIRMAN

Dear stakeholders

I am pleased to present the report of the Sun International social and ethics committee (the committee) for the year ended 31 December 2018. The purpose of this report is to inform our stakeholders on the discharge of our duties as set out in the Companies Act, and supplemented by the committee's terms of reference.

Sun International Limited (Sun International or the group) remains committed to ethical and responsible leadership. Our commitment is driven by the ethics declaration which the board and executive committee signed in 2018. The group's revised code of ethics (the code) commits management and employees to the highest ethical conduct and standards. The ethics survey indicated that management has a slightly higher level of ethical awareness than lower-level employees. Continued awareness campaigns and training are key to ensuring all employees understand how they can contribute to the group's integrity.

In the group's continued pursuit of ethical practices, the whistleblowing policy was aligned with Deloitte Tip-Offs Anonymous, who manages our ethics hotline. Training was provided to employees on the hotline, including general awareness of fraud and ethics. The revised fraud response policies have clear guidelines that have been disseminated throughout the group. Employees are continuously encouraged to report any criminal, illegal, discriminatory or other inappropriate behaviour without fear of occupational detriment. Employees who are aware of any crime or fraud can contact the hotline anonymously through the 24/7 toll-free number. The ethics officer oversees ethics within the organisation and receives regular feedback on any matters of concern. Employees can email a secure, private address with any ethics issues or concerns they may have. Concerns are handled on a strictly confidential basis between the ethics officer and the employee concerned. Closed sessions are held between the chairman of the social and ethics committee, and the ethics officer after each social and ethics meeting to discuss any material ethical issues reported throughout the group.

The committee performs the requisite statutory functions on behalf of all units and companies in the group, as it was appointed as the social and ethics committee for the entire group including those that score above 500 points in terms of Regulation 26(2) as contemplated in Regulation 43(1)(c) of the Companies Regulations, 2011. This ensures that practices across the group are consistent and aligned, and our ethical practices are applied irrespective of the jurisdiction in which we operate. Following the Sun Dreams merger in 2016, we continue to review Sun Dreams' operations and align their governance and system processes with our South African operations. Sun Dreams reports all relevant and material matters contemplated by Regulation 43 of the Companies Regulations, 2011 and those pertaining to Latam to the group social and ethics committee for review. This ensures that the group's social and ethics committee is positioned to oversee the group operations and consider all ethical material issues. In Nigeria the TCNhas its own code of conduct and regularly reports any ethical issues to the TCN board. Further, the Sun International director: corporate services attends all committee meetings in Latam and chairs the nomination and governance committee in Nigeria in his capacity as a director of TCN, which further reinforces the group's governance structures and practices.

Composition, meetings and assessment

There were changes to the committee's composition during the year. Mr Graham Rosenthal retired as an independent non-executive director of the board effective 15 May 2018 and accordingly from the social and ethics committee. Effective 1 June 2018 and 22 November 2018, Ms Caroline Henry and Mr Vusi Khanyile were respectively appointed to the social and ethics committee. Both are independent non-executive directors of the group.

Following these changes, the committee's composition included five non-executive directors as members, all of whom are independent. The committee met three times during the year, which was adequate to deal with various matters contemplated in the Companies Act and the committee's mandate and terms of reference. In addition, Sun International executives whose areas of discipline are covered by the committee are standing invitees to the committee and include the: chief executive; chief financial officer; chief operating officer; director: corporate services; director: human resources; director: GIA; and group sustainability manager. As per the mandate of the committee, the terms of reference were reviewed and approved, and we achieved a 100% attendance.

Through the participation of stakeholders from various areas within the group, we are assured that appropriate feedback is provided relating to all matters. The mix of experience and expertise on the committee allows for robust debate on topics put forward to the committee. We are satisfied that initiatives undertaken by the group are adequately challenged when tabled at committee meetings.

Roles and responsibilities

The committee is required, among its other duties, to:

- monitor the social, economic, employment and environmental activities of the group and report to the board and stakeholders in terms of development and progress
- assist the board in assessing aspects of governance applicable to the committee's function and terms of reference
- ensure that Sun International remains a socially committed corporate citizen.

The committee's mandate, terms of reference and further details on the committee's roles and responsibilities are available online.

We operate in a highly regulated industry and our corporate credentials and socially responsible behaviour are critical for our licence to operate.

To guide us in this oversight role, we task management with implementing principles contained in relevant legislation, regulations and prescribed legal requirements or prevailing codes of best practice, with any matters involving SED. This includes the group's standing in terms of the goals and purpose of:

- the 10 principles set out in the UNGC Principles
- the OECD recommendations regarding anti-corruption
- the Employment Equity Act
- the B-BBEE Act
- the amended B-BBEE Codes of Good Practice.

Management discharges this duty by reporting to the committee on the group's:

- good corporate citizenship including the company's promotion of equality and the prevention of unfair discrimination
- implementation of its sustainable business strategy
- contribution to the development and upliftment of the communities it operates in
- environmental initiatives across all relevant areas
- health and safety initiatives
- consumer relationships
- marketing initiatives
- implementing the NRGP
- labour and employment including the company's standing in terms of the International Labour Organisation's Protocol on decent work and working conditions and our relationships with our employees
- contribution towards the educational and skills development of our employees.

These reports correlate with the committee's mandate and the areas mentioned above are reported at each meeting. The chairman of the committee provides regular feedback at board meetings in relation to the committee's activities and provides feedback to the shareholders at the AGM.

The group's sustainability committee, a sub-committee of group executive management, includes several senior and executive managers from relevant areas within the group. The committee met quarterly to discuss relevant sustainability matters – particularly environmental, health and safety, SED and E&SD matters. Any areas of concern are elevated to the social and ethics committee.

As part of the scope of our independent Sun International third-party assurance, IBIS ESG Assurance conducted a review of all sustainability aspects and an assessment of Sun International's ethics and integrity related policies, procedures, systems and controls. The review included interviews at a group level and during visits to selected units to assess adherence to Sun International's relevant policies, procedures, systems and controls and whether they meet reasonable expectations for the monitoring and management of, among others, ethics and integrity at Sun International. No material issues were identified during the assurance audit.

Salient matters of interest

Several matters dealt with by the committee during the period under review are highlighted as items of interest to our stakeholders.

While the company is no longer a member of the UNGC, the committee continues to review the group's standing and progress in accordance with the 10 principals of the UNGC and the OECD guidelines for multinational enterprises 2011 regarding anti-corruption. The committee concluded that the group substantially complied with the requirements of the UNGC principles, and that there were no material areas of concern. The company monitors compliance with its revised policies adopted in relation to bribery and corruption; gifts, entertainment and tips; and responsible gambling.

The SunWay culture was embedded within the group and continues to gain traction across the group. Most engagement initiatives rolled out incorporate the SunWay behaviours that reinforce the group's values. One such initiative was the mobile platform, SunTalk, which has approximately 5 300 registered employees and continues to improve employee engagement. The new affordable healthcare cover for approximately 5 000 employees in the bargaining unit was well received. During 2018, Sun International partnered with the Association for Savings and Investment South Africa (ASISA) Foundation to provide financial literacy training around debt and personal financial management. Over 1 300 employees attended the workshops during 2018, and this programme will continue in 2019. A coaching programme for senior and middle managers was introduced during 2018 to strengthen the manager's role as coach and mentor.

Transformation is a critical component of Sun International and its sustainable future. The committee monitors appointments, retirements and resignations to ensure we achieve a demographic workforce in line with our targets. During 2018, our overall black employee representation was 92.2%, exceeding the distribution of the national economically active population. Females make up 55.3% of our workforce across our South African operations, 95% of whom are black. The group exceeded its employment equity targets at all levels except middle management, and it achieved its targets for black (African, Coloured and Indian) females at all management levels. The board diversity targets, including gender and race, were monitored. We were encouraged with the board's progress against these targets, as it exceeded its black director target of 50% with 57% black representation. The board narrowly missed achieving its female director target of 30% with 29% female representation. The disability capacity building workshops and disability awareness days continue to remove the stigma and fear of victimisation experienced by employees with disabilities.

The group is progressing well on most elements of the B-BBEE scorecard. There was an improvement in most units' empowerment status, and Empowerdex rated Sun International as a Level 1 B-B-BBEE contributor in accordance with the Tourism Sector Codes as at 31 July 2018 (2017: Level 1). All our South African units except for Sun Slots, are measured in terms of the Tourism Sectoral Codes. Sun Slots, of which the group is now a majority shareholder, is measured in terms of the Generic Codes of Good Practice. The group was rated the sixth most-empowered South African company[1].

1 http://www.empowerdex.com/images/Documents/TheEmpowermentReportOctober2018.pdf

During 2018, communities raised concerns about the inequality in certain areas where the group operates, with the main concern being around securing local procurement spend to provide socio-economic upliftment. Extensive community engagement was conducted to address these concerns and the group's supplier approach was refined to enhance shared value. A more inclusive community stakeholder approach will be rolled out to all South African units in 2019, to improve our assessment of community needs and concerns and provide suitable solutions, where feasible.

The group continues to make significant progress in the areas of procurement, enterprise and supplier development development. We invested R46 million[2] and R10.2 million in supplier development and enterprise development respectively during 2018. We introduced formal business development support and launched a tender bulletin board on the corporate website to attract a wide variety of suppliers. A new supplier code of conduct was issued in 2018, which requires our suppliers to adhere to minimum best practice standards of behaviour. Suppliers must subscribe to the group's code of ethics and provide the group assurance that they do not violate any human rights or circumvent legislation.

2 Actual contributions invested, not the recognised values as per the B-BBEE Codes.

The group's SED strategy, which is premised on creating shared value, was instrumental in making a significant impact on the communities with whom we interact. Our units work diligently on projects within their surrounding communities. In 2018, R23.8 million was invested in making a difference in the lives of communities with a specific focus on sport, education and arts and culture.

Sun International's Hospitality Curriculum Development Programme, a public-private partnership with the DBE was handed over to the DBE in September 2018, with the content branded as Sun International. Approximately 5 000 students had registered on this programme at the time of handing it over to the DBE. We continue to participate in the Stop Hunger campaign, in celebration of Mandela Day, where approximately 320 000 meals were packed, which impacted over 1 200 children's lives by feeding them one nutritious meal, five times a week for an entire year. We remain committed to giving back to communities and being socially responsible. For more information refer to the SED section online.

Given the desire to behave in a socially responsible manner, we are firmly committed to the NRGP, which remains globally regarded as a leading programme for promoting responsible gaming. The NRGP creates awareness around the public initiatives undertaken in the industry, which include prevention, treatment and counselling initiatives, training for regulators and industry employees, research audits, and life skills programmes for schools. Management reports to each unit board and committee on its focused efforts in leveraging the NRGP principles across its casino units. Management reports on matters such as crèche utilisation rates, which remain strictly monitored at all units, and on training employees in the different stages of NRGP. These efforts are audited by GIA and the findings are reported to the committee. The National Gambling Bill (including its regulations) proposes the implementation of a national exclusions programme. The company, through the Casino Association of South Africa (CASA), engages with the National Gambling Board regarding the practical aspects of implementing the programme in its current form.

The group continues to make pleasing progress on environmental matters and explores innovative ways to address pressing issues facing the country such as: quality and availability of water; sustainable supply of energy and rising energy costs; as well as the increased concerns around the lack of certified waste facilities in South Africa. Sustainable water solutions were implemented at GrandWest and The Table Bay to address water scarcity during the recent drought. Ongoing research is being conducted to establish the most feasible approach for participating in energy efficiency projects to further reduce energy consumption. Our ZWTL initiative is gaining momentum, with the Wild Cost being certified as a ZWTL facility in January 2019, the first in the country to achieve a formal accreditation through the Green Buildings Council of South Africa.

The health and safety of our customers, guests and employees remains paramount. Across our South African units, we achieved a noteworthy reduction of 62% in lost-time injury frequency rates over a three-year period (2016 to 2018). We enhanced our health and safety control environment by implementing a compliance management platform to standardise our risk assessment, legal register and compliance management functions. The inaugural occupational health and safety reduction targets for our South African units were developed and will be monitored through our integrated SHE management system based on ISO 14001 and 45001 standards.

Regrettably, the group had one contractor fatality at Monticello during 2018. With the assistance of its labour department, the unit has implemented additional safety measures to improve controls over contractors and subcontractors.

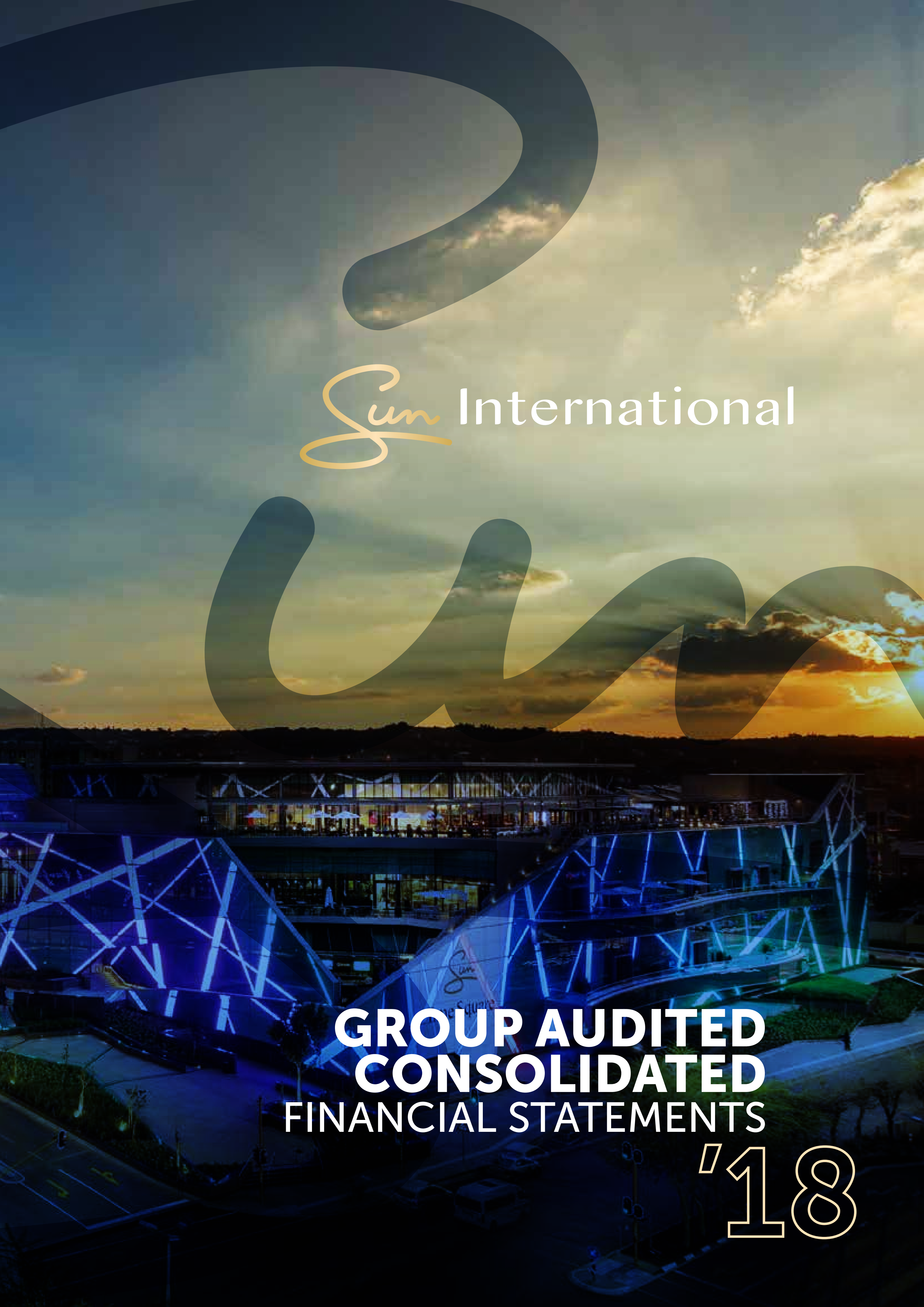
There were no instances of material non-compliance with legislation or regulations, or non-adherence with codes of best practice in terms of the areas within the committee's mandate during the year under review. As such, we are satisfied that the group has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development. No environmental fines were levied and we had one request under the Promotion of Access to Information Act.

The committee will oversee the corporate citizenship of the group and ensure it continues to improve the already embedded principles of carrying out its actions as a responsible and ethical corporate citizen.

BLM Makgabo-Fiskerstrand
Chairman of the social and ethics committee
29 March 2019

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

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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.

Member	Mar 2018	Sep 2018	Nov 2018	Mar 2019
	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.

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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

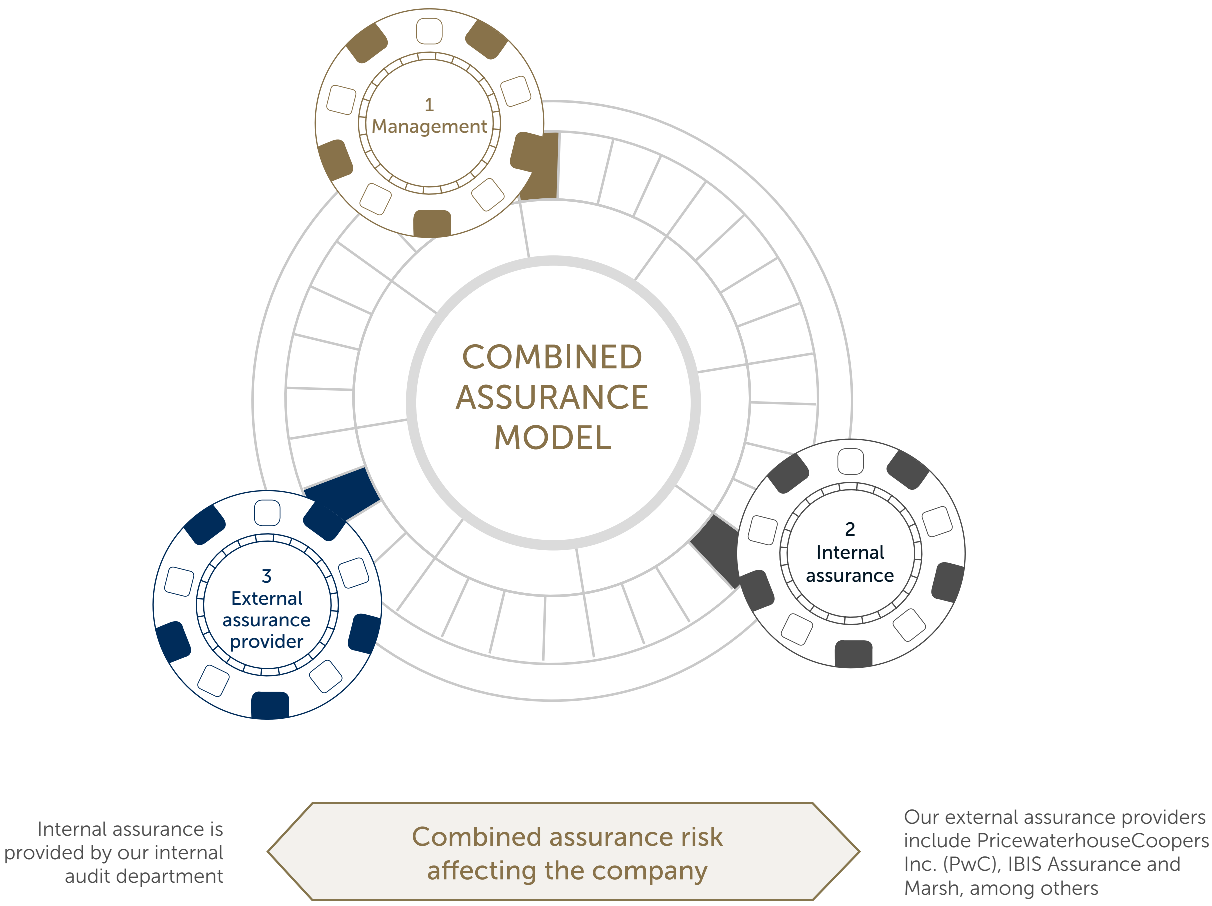
The committee's chairperson is a member of the risk committee and the chairman of the risk committee is a member of the audit committee. This provides the audit committee with oversight of the group's risk management function, including the risks relating to operational, financial reporting, fraud, internal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

CMHenry

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
Chairman
15 March 2019

AM Leeming
Chief executive

N Basthdaw
Chief financial officer

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
Balance at 31 December 2016		295	(604)	165	116
Profit for the period		–	–	–	–
Other comprehensive income		–	–	(39)	–
Total comprehensive profit for the period		–	–	(39)	–
Treasury shares sold	22	–	(11)	–	–
Employee share schemes	22	–	27	–	(27)
Release of share options reserve		–	164	–	–
Fair value adjustment on investments held for sale		–	–	–	–
Time Square SPV#		–	–	–	–
Disposal of Botswana, Namibia and Lesotho operations		–	–	–	–
Dividends paid	9	–	–	–	–
Balance at 31 December 2017		295	(424)	126	89
IFRS 9 adjustment					
Balance at 1 January 2018^		**295**	**(424)**	**126**	**89**
Total comprehensive income for the year		**–**	**–**	**119**	**–**
Treasury shares purchased		**–**	**(7)**	**–**	**–**
Employee share schemes		**–**	**–**	**–**	**34**
Reclassification of share option reserve		**–**	**37**	**–**	**(38)**
Acquisition of minorities' interests^		**–**	**–**	**(134)**	**–**
Rights issue		**1 598**	**–**	**–**	**–**
Capitalisation of loan to minorities interest#		**–**	**–**	**–**	**–**
Dividends paid		**–**	**–**	**–**	**–**
Balance at 31 December 2018		**1 893**	**(394)**	**111**	**85**

* *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.

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
4	(2 045)	(54)	4 502	2 379	(4 651)	(2 272)	2 936	664
–	–	–	(243)	(243)	–	(243)	231	(12)
–	–	59	–	20	–	20	(22)	(2)
–	–	59	(243)	(223)	–	(223)	209	(14)
–	–	–	–	(11)	–	(11)	–	(11)
–	–	–	1	1	–	1	–	1
–	–	–	(164)	–	–	–	–	–
(4)	–	–	–	(4)	–	(4)	–	(4)
–	(84)	–	–	(84)	–	(84)	84	–
–	(257)	–	257	–	–	–	–	–
–	–	–	–	–	–	–	(330)	(330)
–	(2 386)	5	4 353	2 058	(4 651)	(2 593)	2 899	306
			25	25		25		25
–	**(2 386)**	**5**	**4 378**	**2 083**	**(4 651)**	**(2 568)**	**2 899**	**331**
–	**–**	**12**	**(7)**	**124**	**–**	**124**	**434**	**558**
–	**–**	**–**	**–**	**(7)**	**–**	**(7)**	**–**	**(7)**
–	**–**	**–**	**–**	**34**	**–**	**34**	**–**	**34**
–	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**
–	**(117)**	**–**	**183**	**(68)**	**3 365**	**3 297**	**(575)**	**2 722**
–	**–**	**–**	**–**	**1 598**	**–**	**1 598**		**1 598**
–	**–**	**–**	**–**	**–**		**–**	**(533)**	**(533)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(417)**	**(417)**
–	**(2 503)**	**17**	**4 555**	**3 764**	**(1 286)**	**2 478**	**1 808**	**4 286**

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%

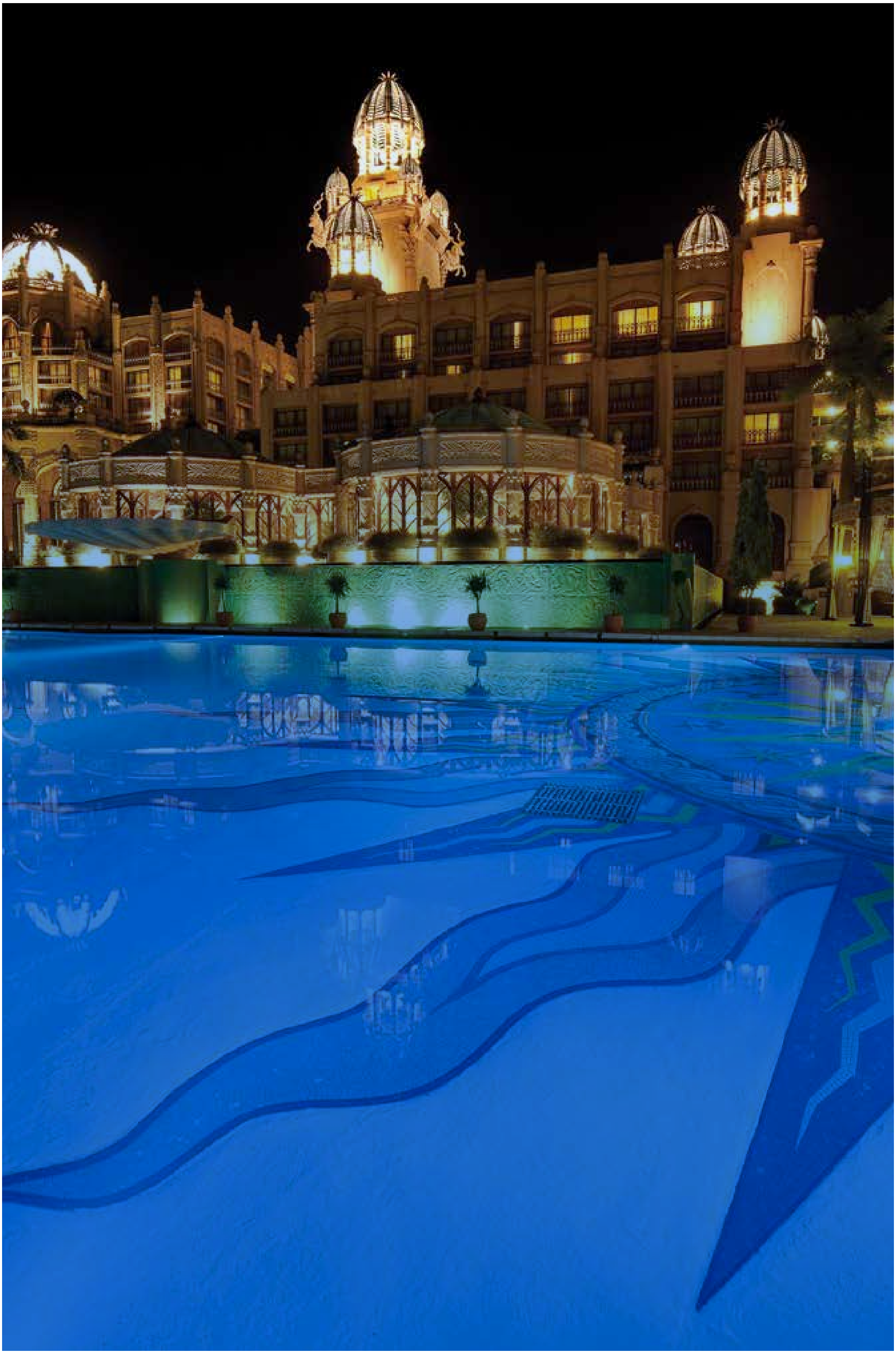
Management has applied judgement to conclude that the group has control over the Tourist Company of Nigeria Plc (Federal Palace) even though it has less than 50% of the voting rights. Control is determined by applying the application guidance of IFRS 10, which includes an assessment of various factors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

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.

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
2 925	2 910	990	976	903	921	1 032	1 013	11 803	11 430
93	89	2	2	62	61	29	26	2 214	2 155
1 160	1 154	495	498	363	388	302	268	1 672	1 731
90	86	18	14	65	62	7	10	1 289	1 269
151	83	25	–	96	66	30	17	1 247	827
70	79	5	6	46	50	19	23	961	980
93	100	38	36	41	50	14	14	532	552
111	108	39	39	40	37	32	32	498	481
19	21	5	6	–	–	14	15	163	246
37	27	10	4	26	21	1	2	308	302
341	354	263	270	70	76	8	8	341	354
13	12	–	–	13	12	–	–	273	255
–	–	–	–	–	–	–		1 162	1 060
–	2	–	–	–	2	–	–	–	38
15	14	–	–	13	14	2	–	165	172
18	16	5	3	11	12	2	1	170	176
–	–	–	–	–	–	–	–	77	49
142	148	84	88	54	57	4	3	142	148
4	24	1	10	3	13	–	1	21	42
568	593	–	–	–	–	568	593	568	593
88	86	47	41	41	41	–	4	148	143
757	567	292	224	450	334	15	9	5 018	4 326
212	127	8	16	199	111	5	–	1 904	1 673
354	352	159	178	193	174	2	–	1 581	2 367
84	79	27	30	53	49	4		823	
650	558	194	224	445	334	11	–	4 308	4 040
–	9	–		–		–	9	–	9
1	–	–	–	–	–	1	–	288	277
5	–	–	–	5	–	–	–	194	–
101	–	98	–	–	–	3	–	228	–
(549)	(548)	–	–	–	–	(549)	(548)	(549)	(548)
3 221	3 015	1 329	1 241	1 394	1 296	498	478	16 420	15 351

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

Interest earned on cash and cash equivalents	**77**	34

6. FINANCE EXPENSE

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 Gross Rm	31 December 2018 Loss allowance Rm	31 December 2018 *IFRS 9 loss allowance matrix	31 December 2017 Gross Rm	31 December 2017 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				
	Total Rm	Swaziland Rm	Colombia Rm	Panama Rm	Chile land Rm
Property, plant and equipment	832	56	22	655	99
Other assets	70	17	11	42	–
Cash and cash equivalents	44	14	8	22	–
Total assets held for sale	**946**	**87**	**41**	**719**	**99**
Liabilities of disposal group classified as held for sale:					
Borrowings	(17)	(17)	–	–	–
Other non-current liabilities	(5)	(5)	–	–	–
Accounts payable and accruals	(76)	(35)	(3)	(38)	–
Total liabilities held for sale	**(98)**	**(57)**	**(3)**	**(38)**	**–**
Net assets held for sale	**848**	**30**	**38**	**681**	**99**

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

	31 December 2018				
	Total Rm	Swaziland Rm	Colombia Rm	Panama Rm	Chile land Rm
Revenue	305	194	10	101	–
Expenses	(568)	(201)	(69)	(298)	–
Impairment reversal	54	–	–	54	–
Loss before tax	**(209)**	**(7)**	**(59)**	**(143)**	**–**
Tax	(1)	1	(2)	–	–
Loss for the year from discontinued operations	**(210)**	**(6)**	**(61)**	**(143)**	**–**
Cash flows of the discontinued operation:					
Operating cash flows	(150)	3	(54)	(99)	–
Investing cash flows	–	–	–	–	–
Financing cash flows	139	(2)	58	83	–
Total cash flows	**(11)**	**1**	**4**	**(16)**	**–**

	31 December 2017			
	Total Rm	Swaziland Rm	International VIP business Rm	Fish River Sun Rm
	120	60	–	60
	37	14	22	1
	13	13	–	–
	170	87	22	61
	(13)	(13)	–	–
	(9)	(7)	–	(2)
	(111)	(30)	(77)	(4)
	(133)	(50)	(77)	(6)
	37	37	(55)	55

	31 December 2017					
	Total	Swaziland	International VIP business	Fish River Sun	Colombia	Panama
	470	208	4	–	35	223
	(779)	(201)	(81)	–	(160)	(337)
	–	–	–	–	–	–
	(309)	7	(77)	–	(125)	(114)
	18	(2)	22	–	(2)	–
	(291)	5	(55)	–	(127)	(114)
	(108)	20	4	–	(44)	(88)
	(23)	(15)	–	–	(8)	–
	136	(3)	–	–	42	97
	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:

December 2018	Rand Interest rate	Rand Rm	Chilean peso (CLP48.21:R1) Interest rate	Chilean peso (CLP48.21:R1) Rm	US dollar (R14.43:US$1) Interest rate	US dollar (R14.43:US$1) 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 remuneration R'000	Bonuses/ performance-related payments R'000	Retirement contributions R'000	Other benefits R'000	Fair value of share awards expensed R'000	Total R'000
December 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	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			Carrying amounts		
	Original (IAS 39)	New (IFRS 9)	Notes	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.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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.

	31 December 2018 Rm	31 December 2017 Rm
6. INVESTMENTS IN SUBSIDIARIES		
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

	31 December 2018 Rm	31 December 2017 Rm
10. BORROWINGS		
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.		
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.

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

ANNUAL STATUTORY REPORT '18

LETTER FROM THE CHAIRMAN

Sun International
6 Sandown Valley Crescent
Sandton
2146

29 March 2019

Dear shareholder,

SUN INTERNATIONAL LIMITED [SUN INTERNATIONAL]: ANNUAL GENERAL MEETING: 14 MAY 2019

On behalf of the board of directors of Sun International, I have pleasure in extending an invitation to you to attend Sun International's annual general meeting, which will be held at 09h00 on Tuesday, 14 May 2019 at The Maslow Hotel, Corner Grayston Drive and Rivonia Road, Sandton. If you are unable to attend, please arrange to vote by proxy in accordance with the instructions on the form of proxy.

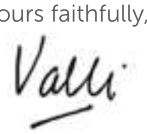
Again, Sun International will, subject to the requirements set out in the notice of the annual general meeting, make provision for its shareholders or their proxies to participate in the annual general meeting by way of electronic communication. For further details in this regard, please refer to the Sun International notice of the annual general meeting which accompanies this letter.

The board recognises the importance of its shareholders' presence at the annual general meeting. This is an opportunity for shareholders to participate in discussions relating to items included in the notice of the annual general meeting. In addition, the chairmen of board-appointed committees, senior members of management, as well as the external auditor and head of internal audit will be present to respond to any questions from shareholders.

The notice of the annual general meeting and explanatory notes, which accompany this letter, set out the effects of all proposed resolutions included in the notice. In addition to the aforegoing, Sun International's audited annual financial statements are available on the company's website at www.suninternational.com/investors or available on request from andrew.johnston@suninternational.com

I look forward to your presence at the meeting.

Yours faithfully,



Mr MV Moosa
Chairman

NOTICE OF THE ANNUAL GENERAL MEETING

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

Notice is hereby given to shareholders recorded in the company's securities register on Friday, 22 March 2019, that the 35th annual general meeting of the shareholders of Sun International will be held at The Maslow Hotel, Corner Grayston Drive and Rivonia Road, Sandton, Johannesburg, at 09h00, on Tuesday, 14 May 2019 (South African time), to (i) deal with such business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, No 71 of 2008, as amended (the Act), as read with the JSE Limited Listings Requirements (JSE Listings Requirements) on which exchange the company's ordinary shares are listed, which meeting is to be participated in and voted at by shareholders as at the record date of Friday, 3 May 2019. The last day to trade in order to be eligible to attend and vote at the annual general meeting is Monday, 29 April 2019.

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

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

1. Presentation of annual financial statements for the year ended 31 December 2018

The consolidated audited annual financial statements of the company and its subsidiaries (as approved by the board of directors of the company), incorporating the external auditor, audit committee and directors' reports for the year ended 31 December 2018, are presented to shareholders.

The audited summary group financial statements accompanying this notice of the annual general meeting are set out in Annexure "A" hereto. The complete audited consolidated annual financial statements for the year ended 31 December 2018 are set out on the company's website at www.suninternational.com/investors

ORDINARY RESOLUTIONS

2. Ordinary resolutions numbers 1.1 to 1.4: Election of directors

"Resolved that the following directors of the company, who, being eligible, have offered themselves for election, are elected by separate resolutions, and each by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, in terms of articles 25.5 and 25.17 of the company's memorandum of incorporation:

1.1 Mr VP Khanyile
1.2 Mr JA Mabuza
1.3 Mr S Sithole
1.4 Ms ZP Zatu"

Brief biographies in respect of each director offering himself/herself for election are set out in Annexure "B" hereto.

3. **Ordinary resolutions numbers 2.1 to 2.3: Re-election of directors**

   "Resolved that the following directors of the company, who, being eligible, have offered themselves for re-election, are re-elected by separate resolutions, and each by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, in terms of articles 25.6.1 and 25.17 of the company's memorandum of incorporation:

   2.1 Mr PDS Bacon

   2.2 Mr PL Campher

   2.3 Dr NN Gwagwa"

   Brief biographies in respect of each director offering himself/herself for re-election are set out in Annexure "B" hereto.

4. **Ordinary resolution number 3: Reappointment of external auditor**

   "Resolved that, upon the recommendation of the current Sun International audit committee, PricewaterhouseCoopers Incorporated (PwC) is reappointed as the independent registered auditor of the company (to report on the financial year ending 31 December 2019) until the conclusion of the next annual general meeting, with Mr J Potgieter as the designated individual auditor."

5. **Ordinary resolutions numbers 4.1 to 4.5: Election of audit committee members**

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

   4.1 Mr PDS Bacon*

   4.2 Mr PL Campher*

   4.3 Mr EAMMG Cibie

   4.4 Ms CM Henry

   4.5 Ms ZP Zatu*"

   * *Subject to their election/re-election, as the case may be, as directors pursuant to ordinary resolutions numbers 2.1, 2.2 and 1.4 respectively.*

   Brief biographies in respect of those independent non-executive directors offering themselves for election as members of the Sun International audit committee are set out in Annexure "B" hereto and in the report of the Sun International audit committee contained on the company's website at www.suninternational.com/investors

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

   "Resolved, by way of a non-binding advisory vote, that the Sun International group remuneration policy (excluding the remuneration of the non-executive directors and the members of statutory and board committees for their services as directors and members of committees), as set out in Part 2 of the company's remuneration report on pages 55 to 63 of Annexure "C" hereto, is endorsed."

7. **Ordinary resolution number 6: Endorsement of implementation of Sun International group remuneration policy**

   "Resolved, by way of a non-binding advisory vote, that the implementation of the Sun International group remuneration policy, details of which are set out in the company's remuneration report for the year ended 31 December 2018 (excluding the remuneration of the non-executive directors and the members of statutory and board committees for their services as directors and members of committees), as set out in Part 3 of the company's remuneration report on pages 64 to 76 of Annexure "C" hereto, is endorsed."

8. **Ordinary resolution number 7: Ratification relating to personal financial interest arising from multiple offices in the Sun International group**

   "Resolved that any resolutions or agreements of executive directors and prescribed officers of the company in contravention of Section 75 of the Act are hereby ratified, but only to the extent that the relevant resolutions or agreements fell within the ambit of Section 75 of the Act as a result of the deeming of the relevant executive director and/or prescribed officer as a 'related person' to another company in the Sun International group, of which the relevant executive director and/or prescribed officer is also a director or prescribed officer."

SPECIAL RESOLUTIONS

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

   "Resolved that the company and/or any subsidiary of the company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary shares in the share capital of the company from any person in accordance with the requirements of article 40 of Sun International's memorandum of incorporation, the Act and the JSE Listings Requirements, from time to time, provided that:

   - any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system, subject to the approval of the JSE, where necessary, and done without any prior understanding or arrangement with the counterparty (reported trades are prohibited);
   - this general authority shall be valid until the earlier of the company's next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1;
   - an announcement containing full details of such acquisitions will be published as soon as the company or any of its subsidiaries shall have acquired ordinary shares constituting, on a cumulative basis, not less than 3% of the number of ordinary shares in issue as at the date of this approval and for each subsequent acquisition constituting, on a cumulative basis, not less than 3% in aggregate of the number of ordinary shares in issue as at the date of this approval, in compliance with paragraph 11.27 of the JSE Listings Requirements;
   - acquisitions of ordinary shares in aggregate in any one financial year may not exceed 5% of the company's issued ordinary share capital as at 31 December 2018;
   - ordinary shares may not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of acquisition of such ordinary shares;
   - the company has been given authority by its memorandum of incorporation;
   - a resolution is passed by the board of directors that it has authorised the acquisition, that the company and its subsidiaries will pass the solvency and liquidity test immediately after the acquisition and that from the time that the test is performed, there are no material changes to the financial position of the company or the group;
   - at any point in time, the company and/or its subsidiaries may only appoint one agent to effect any such acquisition;
   - the company and/or its subsidiaries may not acquire any ordinary shares during a prohibited period, as defined in the JSE Listings Requirements, unless a repurchase programme is in place, where dates and quantities of the shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE in writing, prior to the commencement of the prohibited period;
   - the company's subsidiaries shall not be entitled to acquire ordinary shares issued by the company if the acquisition of the shares will result in them holding, on a cumulative basis, more than 10% of the number of ordinary shares in issue in the company; and
   - no voting rights attached to the ordinary shares acquired by the company's subsidiaries may be exercised while the shares are held by them and they remain subsidiaries of the company."

10. **Special resolution number 2: Remuneration of non-executive chairman**

"Resolved that, in terms of article 28.1 of the company's memorandum of incorporation, the remuneration payable, with effect from 1 July 2019, to Sun International's non-executive chairman for his services as a director and chairman of the company, be set as follows:

Remuneration payable to non-executive chairman*	Proposed annual composite fee± R
Sun International non-executive chairman	3 000 000

"

* Directors' fees are exclusive of value added tax (VAT) which will be payable to those non-executive directors who are registered for VAT and who submit a valid VAT invoice to the company in accordance with prevailing legislation.

± The chairman's remuneration is based on an all inclusive fee. This includes his remuneration for serving on the board of Sun International, as well as his remuneration for acting as a member of the various board committees.

11. **Special resolution number 3: Remuneration of lead independent director**

"Resolved that, in terms of article 28.1 of the company's memorandum of incorporation, the remuneration payable, with effect from 1 July 2019, to Sun International's lead independent director for his services as lead independent director of the company, be set as follows:

Remuneration payable to lead independent director[1]*	Proposed annual fee R
Sun International lead independent director	496 000

"

05

[1] The remuneration payable to the lead independent director is in substitution for the board fee payable to other non-executive directors.

* Directors' fees are exclusive of VAT which will be payable to those non-executive directors who are registered for VAT and who submit a valid VAT invoice to the company in accordance with prevailing legislation. The proposed fee set out in this resolution represents a 0% increase on the lead independent director's fees, which were approved by shareholders at the annual general meeting held on 15 May 2018.

12. **Special resolution number 4: Remuneration of non-executive directors**

"Resolved that, in terms of article 28.1 of the company's memorandum of incorporation, the remuneration payable, with effect from 1 July 2019, to Sun International's non-executive directors for their services as non-executive directors of the company, be set as follows:

Remuneration payable to non-executive directors their services as directors*	Proposed annual fee R
Sun International non-executive directors	322 000

"

* Directors' fees are exclusive of VAT which will be payable to those non-executive directors who are registered for VAT and who submit a valid VAT invoice to the company in accordance with prevailing legislation. The proposed fee set out in this resolution represents a 15% increase on the non-executive directors' fees which were approved by shareholders at the annual general meeting held on 15 May 2018. This increase will align the non-executive directors' fees with the median of the market.

13. Special resolutions numbers 5.1 to 5.12: Remuneration payable to non-executive directors participating in statutory and board committees

"Resolved that, in terms of article 28.1 of the company's memorandum of incorporation, the remuneration payable, with effect from 1 July 2019, to the Sun International non-executive directors who participate in the company's statutory and board committees, be set in accordance with the separate special resolutions set out below numbered 5.1 to 5.12 (inclusive):

Special resolution numbers	Remuneration payable to non-executive directors for participating in statutory and board committees*#	Proposed annual fees R
5.1	Sun International audit committee chairman	**268 462**
5.2	Sun International audit committee member	**127 050**
5.3	Sun International remuneration committee chairman	**152 460**
5.4	Sun International remuneration committee member	**83 940**
5.5	Sun International risk committee chairman	**173 565**
5.6	Sun International risk committee member	**99 185**
5.7	Sun International nomination committee chairman	**112 140**
5.8	Sun International nomination committee member	**77 600**
5.9	Sun International social and ethics committee chairman	**134 925**
5.10	Sun International social and ethics committee member	**94 000**
5.11	Sun International investment committee chairman[1]	**134 925**
5.12	Sun International investment committee member[1]	**95 276**

"

* *Committee fees are exclusive of VAT which will be payable to those non-executive directors who are registered for VAT and who submit a valid VAT invoice to the company in accordance with prevailing legislation. The proposed fees in respect of the remuneration committee chairman, risk committee chairman, social and ethics committee chairman and nomination committee chairman represent a 0% increase on the comparator fees which were approved by shareholders at the annual general meeting held on*
15 May 2018. Each of these directors and chairmen are remunerated at or slightly above the median of the market. The following increases are proposed to the committee fees from 1 July 2019 in order to align them with the median of the market: audit committee chairman – 6%; remuneration committee member – 9.7%; risk committee member – 14%; nomination committee member – 38%; social and ethics committee member – 39%; and investment committee member – 41%.

\# *Each of the board and statutory committees, other than the investment committee, meet at least three times per annum.*

[1] *The investment committee meets at least four times per annum and thereafter on an ad hoc basis and as and when required.*

14. Special resolution number 6: Financial assistance to employee share scheme beneficiaries and related or inter-related companies and corporations

"Resolved that the board of directors of the company may, to the extent required by sections 44 and 45 of the Act and subject to compliance with the requirements (if applicable) of the:

i) company's memorandum of incorporation;

ii) the Act; and

iii) JSE Listings Requirements,

from time to time, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

6.1 any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the company for any purpose or in connection with, any matter, including, but not limited to, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities in the company or any related or inter-related company; and

6.2 any of the present or future directors or prescribed officers (or any person related to any of them or to any company or entity related or inter-related to any of them), or to any other person who is or may be a participant in any of the Sun International group's current or future employee share plans or other employee incentive schemes, or any share scheme trust or other entity facilitating any such scheme, for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the company or a related or inter-related company or entity or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such plan or scheme that does not constitute an employee share scheme that satisfies the requirements of section 97 of the Act,

provided that this authority shall expire at the earlier of the second anniversary of the date of the adoption of this special resolution number 6 or the date of the annual general meeting of the company to be held in 2020."

VOTING AND PROXIES

In terms of, among others, the Act and the JSE Listings Requirements, no voting rights attaching to the treasury shares held by Sun International or shares held by a share plan, trust or scheme (save for those shares held in favour of employees to whom voting rights have already accrued) and unlisted securities may be exercised.

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

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

Shareholders holding dematerialised shares in their own name, or who hold shares that are not dematerialised, and who are unable to attend the annual general meeting and wish to be represented thereat, must complete the relevant form of proxy enclosed in accordance with the instructions therein and lodge it with, or mail it to, The Meeting Specialist (Pty) Ltd (the meeting specialist) at the address set out hereunder.

It is requested that for administrative purposes only, forms of proxy should be forwarded to reach the meeting specialist at the address given on the following page or by email, by not later than 09h00 on Monday, 13 May 2019.

Should your form of proxy not be returned to the meeting specialist by the aforesaid date and time, the form of proxy may be handed to the chairman of the annual general meeting before that meeting is due to commence.

NOTICE OF THE ANNUAL GENERAL MEETING CONTINUED

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

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

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

By order of the board

Sun International Limited
Secretaries

per: Mr AG Johnston
6 Sandown Valley Crescent
Sandton
2196

29 March 2019

Meeting Specialist
The Meeting Specialist (Pty) Ltd
JSE Building
One Exchange Square
Gwen Lane
Sandown
2196
(PO Box 62043, Marshalltown, 2107)
proxy@tmsmeetings.co.za

AGM EXPLANATORY NOTES

Ordinary resolutions numbers 1.1 to 1.4 and 2.1 to 2.3 – Election and re-election of directors

In accordance with the company's memorandum of incorporation, one-third of the non-executive directors are required to retire at each annual general meeting and being eligible may offer themselves for election or re-election, as the case may be. The directors who are to retire are firstly those who have been appointed to fill a casual vacancy and secondly those who have held their positions the longest period since their last election or re-election. In addition thereto and if at the date of any annual general meeting of the company, any non-executive director will have reached the age of 70 years or older and/or held office for an aggregate period of nine years since his or her first election or appointment, he or she shall retire at such meeting, either as one of the non-executive directors to retire in pursuance of the aforegoing or additionally thereto and being eligible, may offer themselves for election or re-election, as the case may be. Mr PD Bacon, Mr PL Campher and Dr NN Gwagwa retire from the board in accordance with articles 25.6.1 and 25.17 of the company's memorandum of incorporation while Messrs VP Khanyile, JA Mabuza and S Sithole, as well as Ms ZP Zatu retire from the board in accordance with articles 25.5 and 25.17 of the company's memorandum of incorporation.

A brief biography in respect of each director offering himself/herself for election/re-election, as the case may be, is set out in Annexure "B" hereto.

Having served as non-executive director on the Sun International board for 14 years and in accordance with a SENS announcement released by the company on 6 February 2019, Mr MV Moosa has indicated that he will be retiring as a director and as the chairman of Sun International at the 2019 annual general meeting and will not be making himself eligible for re-election in terms of the company's memorandum of incorporation. Subject to being elected as a director by shareholders, Mr JA Mabuza has consented to being appointed as the following Chairman of Sun International.

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

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

At a board meeting, which took place on 16 March 2018, the members (excluding Mr MV Moosa and Dr NN Gwagwa who recused themselves from that portion of the meeting) considered the reclassification of Mr MV Moosa and Dr NN Gwagwa from non-executive to independent directors of Sun International. Key to making this determination was the fact that both Mr MV Moosa and Dr NN Gwagwa had previously been classified as non-independent directors solely by virtue of them both serving on the board of Dinokana Investments, a subsidiary company of Sun International which holds approximately 6% of Sun International's issued shares. Having resigned as directors from this board in 2015 and having served an appropriate cooling off period and considering that neither holds a material equity interest in Sun International, the board confirmed and endorsed the reclassification of both these directors as independent non-executive directors. As indicated previously, Mr MV Moosa has decided to retire from the board at the 2019 annual general meeting of Sun International, which will be taking place on 14 May 2019.

Neither Mr JA Mabuza nor Mr S Sithole are classified as independent non-executive directors due to the former having a special advisory agreement in place with Sun International Management Limited, a subsidiary of Sun International, and the latter being a representative of a material shareholder of Sun International.

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

Accordingly, the board recommends to shareholders the election and re-election of each of the retiring directors referred to in ordinary resolutions numbers 1.1 to 1.4 and 2.1 to 2.3 by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act, No 71 of 2008, as amended (the Act).

Ordinary resolution number 3 – Reappointment of external auditor

PricewaterhouseCoopers Inc. (PwC) has indicated its willingness to continue in office and ordinary resolution number 3 proposes the reappointment of that firm (with the designated individual auditor being Johan Potgieter) as the company's external auditor until the conclusion of the next annual general meeting.

At a Sun International audit committee meeting held on 14 March 2019, the committee considered the independence of the external auditor PwC, in accordance with sections 90 and 94 of the Act. In assessing the independence of the external auditor, the audit committee satisfied itself that PwC:

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

Accordingly, the Sun International audit committee has satisfied itself that PwC is independent as contemplated by the South African independence laws and the applicable rules of the International Federation of Accountants (IFAC) and nominated the reappointment of PwC as independent registered auditor to Sun International, to report on the financial year ending 31 December 2019 until the conclusion of the 2020 annual general meeting.

Furthermore, the Sun International audit committee has executed its responsibilities in assessing the suitability of the external auditor and designated individual auditor as required by paragraph 3.84(g)(iii) of the JSE Listings Requirements by considering the relevant information pursuant to paragraph 22.15(h) of the JSE Listings Requirements. The Sun International audit committee has satisfied itself that PwC and Johan Potgieter, as the designated individual auditor, are appropriate and that PwC is accredited to appear on the JSE List of Accredited Auditors, in compliance with section 22 of the JSE Listings Requirements.

Ordinary resolutions numbers 4.1 to 4.5 – Election of audit committee members

In terms of section 94(2) of the Act, the audit committee is a statutory committee elected by the shareholders at each annual general meeting. Part 5.3 of the King IV™ Report on Corporate Governance for South Africa 2016 (King IV™) likewise requires the shareholders of a public company to elect the members of an audit committee at each annual general meeting. In accordance therewith the nomination committee should present shareholders with suitable candidates for election as audit committee members.

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

At a meeting of the nomination committee held on 13 March 2019, the committee satisfied itself that, among others, the independent non-executive directors offering themselves for election as members of the Sun International audit committee:

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

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

Ordinary resolution number 5 – Endorsement of Sun International group remuneration policy

Principle 14 (paragraphs 36 to 39) of King IV™, dealing with remuneration governance, read in conjunction with paragraph 3.84(k) of the JSE Listings Requirements, requires companies to every year table their remuneration policy or implementation report, or both, to shareholders for a non-binding advisory vote at the annual general meeting. This vote enables shareholders to express their views on the company's remuneration policies and on their adoption and implementation in respect of the remuneration of, among others, executive directors and prescribed officers.

Sun International's remuneration policy is included in Part 2 of the company's remuneration report, which can be found on pages 55 to 63 of Annexure "C" hereto. The remuneration policy deals with, *inter alia*, Sun International's approach towards remuneration governance, reward philosophy and strategy and guidelines on the various components making up the remuneration packages of Sun International group employees including the remuneration arrangements in place for the non-executive directors.

Please note that the remuneration to be paid to non-executive directors for their services as directors for the 12 months commencing 1 July 2019 will require the approval of the shareholders by special resolution (special resolutions numbers 2 to 5.12) in terms of the Act, such remuneration having been benchmarked in relation to other similar sized public listed companies in South Africa.

Ordinary resolution number 5 is non-binding and of an advisory nature only, and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, Sun International undertakes to engage with its shareholders should 25% or more of the voting shares vote against this resolution as required in terms of King IV™ and the JSE Listings Requirements.

Ordinary resolution number 6 – Endorsement of implementation of Sun International group remuneration policy

Similar to the explanatory notes provided for ordinary resolution number 5 above, Principle 14 (paragraphs 36 to 39) of King IV™, dealing with remuneration governance, read in conjunction with paragraph 3.84(k) of the JSE Listings Requirements, requires companies to every year seek an advisory vote from their shareholders on the implementation of the company's remuneration policy during the period under review. This vote allows shareholders to express their views on the extent of implementation of the company's remuneration policy, but will not be binding on the company.

AGM EXPLANATORY NOTES CONTINUED

The implementation of Sun International's remuneration policy which is detailed in the company's remuneration report for the period ended 31 December 2018, is set out in Part 3 of the remuneration report, which can be found on pages 64 to 76 of Annexure "C" hereto.

Please note that the remuneration paid by Sun International to non-executive directors for their services as directors was approved by the shareholders by way of separate special resolutions at the annual general meeting which took place on 15 May 2018.

Ordinary resolution number 6 is non-binding and of an advisory nature only, and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, Sun International undertakes to engage with its shareholders should 25% or more of the voting shares vote against this resolution as required in terms of King IV™ and the JSE Listings Requirements.

Ordinary resolution number 7 – Ratification relating to personal financial interest arising from multiple offices in the Sun International group

Section 75 of the Act prohibits a director or prescribed officer from participating in or voting on any board resolutions or entering into any agreements if such director or prescribed officer has a 'personal financial interest' in the matter. This prohibition also applies if that director is related to another person that has a 'personal financial interest' in that matter. Section 75 of the Act extends the definition of 'related person' to other companies for which the director or prescribed officer is a director or prescribed officer.

As the executive directors and prescribed officers of the company may serve on more than one company board in the Sun International group, ordinary resolution number 7 is intended to ensure that any resolutions or agreements by the board are valid, despite the fact that it may have involved multiple group companies, served by the same individuals as directors or prescribed officers. Ordinary resolution number 7 does not ratify any other actions of directors or prescribed officers that contravened section 75 of the Act for any other reason. In addition, ordinary resolution number 7 does not limit any other statutory or common-law duties that apply to directors or prescribed officers.

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

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

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

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

The JSE Listings Requirements require, in terms of paragraph 11.26, the following disclosures in relation to special resolution number 1, which appear on the company's website at www.suninternational.com/investors

- major shareholders – refer to the directors' report which appears on the company's website at www.suninternational.com/investors;
- directors' interests in securities – refer to the directors' report which appears on the company's website at www.suninternational.com/investors; and
- share capital of the company – refer to note 22 of the complete audited annual financial statements, which are set out on the company's website at www.suninternational.com/investors.

Directors' responsibility statement

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

Material changes

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

Statement of the board's intention

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

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

Special resolutions numbers 2 to 5.12 – Remuneration of non-executive directors for their services as directors and for participating in statutory and board committees

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

The reason for proposing special resolutions numbers 2, 3, 4, and 5.1 to 5.12, is, where applicable, to increase the remuneration paid to non-executive directors, so as to ensure that such remuneration remains generally market-related and accords with the increasing level of responsibility being placed on directors.

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

The proposed revised remuneration to be paid to the non-executive directors with effect from 1 July 2019 includes, where appropriate, an increase to the fees approved by shareholders at the 2018 annual general meeting, which are set out in the notes to special resolutions numbers 2 to 5.12 in the notice of the annual general meeting. In the case of the chairman designate of the board, a single annual composite fee is proposed to compensate him for his services both as chairman and as a director of Sun International and for serving on the investment, nomination and remuneration committees of the company. This fee also takes into consideration other strategic advisory and regulatory services, which Mr Mabuza provides to the group on a regular basis and which were previously included in a special advisory agreement, which will be terminated following his appointment as chairman of Sun International effective 14 May 2019. Other than the proposed composite fee, the chairman designate does not draw any other form of fixed or variable remuneration from the group.

The proposed remuneration in special resolutions numbers 2 to 5.12 has been recommended by the management of the company. Consequently, special resolutions numbers 2 to 5.12 are recommended for shareholder approval.

The proposed remuneration increases will take effect from 1 July 2019.

Full particulars of all remuneration of non-executive directors for their services as directors, paid during the past year, as well as the process followed by the remuneration committee in recommending the remuneration of non-executive directors for their service as directors, are contained in the remuneration report, forming part of the annual statutory report, as set out in Annexure "C" hereto.

Special resolution number 6 – Financial assistance to employee share scheme beneficiaries and related or inter-related companies and corporations

Notwithstanding the title of section 45 of the Act, being 'Loans or other financial assistance to directors', on an interpretation thereof, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and corporations, including, among others, its subsidiaries, to a member of such related or inter-related corporation, and to a person related to any such company, corporation or member, for any purpose.

Furthermore, section 44 of the Act may also apply to the financial assistance so provided by a company to related or inter-related companies, a member of a related or inter-related company or corporation, or a person related to any such company, corporation or member, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the Act provide, among others, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the board of directors must be satisfied that:

(a) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Act; and
(b) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company would like the ability to provide financial assistance, if necessary, in accordance with section 45 of the Act (provided that financial assistance may only be provided to Sun International directors and prescribed officers as beneficiaries participating in a Sun International group share incentive plan or scheme as set out below). Furthermore, it may be necessary or desirous for the company to provide financial assistance to related or inter-related companies and corporations to subscribe for options or securities or purchase securities of the company or another company related or inter-related to it. Under the Act, the company will, however, require the special resolution referred to above to be adopted.

In the circumstances and in order to, among others, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number 6.

Sections 44 and 45 contain exemptions in respect of employee share or other employee incentive schemes that satisfy the requirements of section 97 of the Act. To the extent that any Sun International group employee share plan or other employee incentive scheme do not constitute employee share schemes as defined in the Act, that satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under any such plans or schemes will, among others, also require approval by special resolution. Accordingly, special resolution number 6 authorises financial assistance to any of the company's directors or prescribed officers (or any person related to any of them or to any company or entity related or inter-related to them), or to any other person who is a participant in any of the Sun International group share plans or other employee incentive schemes or share scheme trust or other entity facilitating any such scheme, in order to facilitate their participation in any such plans or schemes that do not satisfy the requirements of section 97 of the Act.

Passing of resolutions

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

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

ANNEXURE "A"

AUDITED SUMMARY GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. INDEPENDENT AUDIT

The summary group financial statements have been derived from the audited group financial statements. The directors of the company take full responsibility for the preparation of the summary group financial statements and that the financial information has been correctly derived and is consistent in all material respects with the underlying group financial statements. The summary group financial statements for the year ended 31 December 2018 have been audited by our auditor PricewaterhouseCoopers Inc., who has expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the group financial statements from which the summary group financial statements were derived. The individual auditor assigned to perform the audit is Johan Potgieter. The auditor's report does not necessarily cover all the information contained in the summarised financial results. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of that report, together with the group financial statements from the registered office of the company. These documents will be available from the company's registered office from 18 March 2019. The group financial statements will be available on the company's website, suninternational.com on or about 29 March 2019.

The company's external auditor has not reviewed or reported on the forecasts included in these summary group financial statements.

2. ACCOUNTING POLICIES

The summary group financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for preliminary financial statements and the requirements of the South African Companies Act, No 71 of 2008, as amended, applicable to summary financial statements. The JSE Listings Requirements include preliminary reports which have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Financial Pronouncements as issued by the Financial Reporting Standard Council (FRSC), and also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the group financial statements from which the summary group financial statements have been derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous group financial statements, unless otherwise stated. The summary group financial statements should be read in conjunction with the group financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS.

The operations in Panama and Colombia were disclosed in the current year as discontinued operations. The prior year comparative financial information was restated to reflect Panama and Colombia, as required by IFRS 5: Non Current Assets Held for Sale and Discontinued Operations.

3. STANDARDS IMPLEMENTED

IFRS 9: Financial Instruments

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 group:

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

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 as follows:

- loan receivables with a contractual period greater than 12 months, are mainly represented by preference shares issued within the group and enterprise development loans;
- trade receivables consisting mainly of large tour operators; and
- casino debtors consisting of a small group of VIP customers.

Trade receivables

Due to the intrinsic nature of trade receivables, where they should mature within a period of less than 12 months, the group has adopted the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss 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 macro-economic forecasts.

Applying the expected credit loss model resulted in a decrease of the loss allowance by R28 million on 1 January 2018 (loss allowance balance at 31 December 2017 was R263 million) for trade receivables at amortised cost and an increase in the allowance by R3 million to R238 million in the current reporting period.

R million	1 January 2018 Under IFRS 9	IFRS 9 Adjustment	31 December 2017 as previously reported
Statement of financial position extract			
Non-current assets			
Loans receivable	**60**	–	60
Trade and other receivables	**436**	28	408
Available-for-sale financial assets	**–**	–	–
Current assets			
Loans receivable	**3**	(3)	6
Other reserves extract			
Retained earnings	**25**	25	–

Financial asset carried at amortised cost arising from inter-company loans repayable on demand

Most of the debt instruments within the group represent inter-company loans that eliminate in these consolidated financial statements. However, the process described below has been consistently applied to all financial assets throughout the group.

Financial assets with fixed repayment terms

Includes those debt investments held at amortised cost with fixed maturity dates. The effect on 31 December 2017 has been adjusted against opening retained earnings as evidenced above.

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 the credit risk relating to these loans in respect of the following:

- 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 months expected credit losses through the application of the formula PD% x LGD% x EAD.

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

The PD percentage was supplied by external actuarial consultants after a review of the individual financial statements of the entity concerned. The process and model used in determining these percentages varied under 5%.

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.

Equity instruments carried at fair value through other comprehensive income

The group historically accounted for available for sale investments in terms of IAS 39 at fair value. In terms of IFRS 9: Available-for-Sale investments are measured at fair value through other comprehensive income. The only available-for-sale investment the group held was impaired in the prior financial year, thus the IFRS 9 effect was assessed as immaterial.

Financial instruments carried at fair value through profit and loss (FVPL)

The group does not have any financial instruments that are carried at FVPL.

Financial liabilities

The group identified the following financial liabilities and assessed them against the following IFRS 9 criteria, with no change in the measurement or classification of these liabilities:

- borrowings;
- forward purchase liability (put liability);
- derivative liability; and
- contract and other liabilities.

No changes were made to the above liabilities.

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 customers was identified;
- the various performance obligations in the contract were separately identified;
- the transaction price for the contract was determined; and
- the transaction price was allocated to the various separately identifiable performance obligations.

We were satisfied that revenue is recognised once the relevant performance obligations are met.

The following 4 income streams were identified and assessed against the scope of IFRS 15 and IFRS 9:

1) Net gaming win, including limited pay out machines (LPMs) and online sports betting 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, the amount recognised and reported for gaming transactions is the difference between gaming wins and losses. This is referred to as net gaming win or loss.

Fixed-odds wagering contracts resulting in the generation of the net gaming win or loss, 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.

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 by applying the tax fraction over the net gaming win and provincial gaming levies. These costs are included in net gaming wins and are disclosed separately on the face of the statement of comprehensive income as direct costs.

2) Hotel and conferencing

The revenue derived from hotel rooms is included in Rooms revenue. Revenue is recognised as the performance obligations are met over time as the services are rendered.

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

Management is satisfied that IFRS 15 has no material impact on how hotel revenue is currently recognised.

3) Food and Beverage

Revenue from Food and Beverage 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 programs. Management is satisfied that IFRS 15 has no material impact on how Food and Beverage revenue is recognised.

4) Other revenue

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

- other conferencing and entertainment revenue;
- management fee income;
- membership revenue;
- merchandise revenue;
- entrance fee revenue; and
- time share revenue.

Management is satisfied that IFRS 15 has no material impact on the current manner in which revenue is recognised.

ANNEXURE "A" CONTINUED

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 of the group's revenue, management assessed the IFRS 15 impact as immaterial to revenue 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 which it assessed as insignificant. Therefore, no adjustments were recorded besides the reclassification of net gaming wins as "income" on the face of the statement of comprehensive income for the current and prior financial year.

4. 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, as if the economy has always been hyperinflationary. The results of this entity have been adjusted in terms of the measuring unit currency at the end of the year. The monetary gains or losses were immaterial for the current year.

The financial statements of the group entity whose functional currency is that of a hyperinflationary economy is adjusted in terms of the measuring unit currency 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 statement of comprehensive income 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 the acquisition date, 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. In the current year the restatement is reflected at acquisition date in the statement of financial position and equity. 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 currency at the reporting date.

A detailed table of indices is published monthly by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences and the extract below was used in our assessment.

Date	Base year	General price index	Inflation rate (%)
31 December 2018	11 July 2018	2 178,61	12,70%

5. STANDARDS ISSUED NOT YET IMPLEMENTED

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

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 (such as leases of operating equipment etc.). The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets (including property leases) 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. The group plans to elect 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. 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.

For the remaining lease commitments, the group will recognise a right of use asset which will initially be measured at the amount of the future lease liability plus any initial direct cost incurred. 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 the rate implicit in the lease. 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 has pertain to the following properties:

- the Maslow Sandton (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 adoption of the standard will result in a change in the presentation of lease payments in the statement of comprehensive income. The lease payments currently disclosed as operating expenses, will in future, under the right-of-use model, be disclosed as depreciation and interest expense will be recognised separately. Operating cash flows will increase and financing cash flows are expected to decrease as 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, however some additional disclosures will be required in the following reporting period.

SUMMARY GROUP STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2018

R million	Audited Year ended 31 December 2018	Audited Year ended 31 December 2017*
Continuing operations		
Net gaming wins	**13 199**	12 336
Revenue	**3 221**	3 015
Income	**16 420**	15 351
Consumables and services	**(1 633)**	(1 649)
Depreciation and amortisation	**(1 643)**	(1 593)
Employee costs	**(3 187)**	(2 923)
Impairment of assets	**(306)**	(93)
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	**(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)
Interest income	**77**	34
Fair value adjustment to put liability	**(27)**	(223)
Interest expense	**(1 253)**	(1 088)
Share of profit of investments accounted for using the equity method	**8**	2
Profit before tax	**1 108**	774
Tax	**(547)**	(495)
Profit for the year from continuing operations	**561**	279
Loss for the year from discontinued operations	**(210)**	(291)
Profit/(loss) for the year	**351**	(12)

* *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, as well as for IFRS 15 net gaming wins, which was previously disclosed as revenue.*

SUMMARY GROUP STATEMENT OF **COMPREHENSIVE INCOME** continued

FOR THE YEAR ENDED 31 DECEMBER 2018

R million	Audited Year ended 31 December 2018	Audited Year ended 31 December 2017*
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	(20)	51
Tax on remeasurements of post-employment benefit obligations	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 profit/(loss) for the year	558	(14)
Profit/(loss) for the year attributable to:	351	(12)
Minorities	358	231
Ordinary shareholders	(7)	(243)
Total comprehensive profit/(loss) for the year attributable to:	558	(14)
Minorities	434	210
Ordinary shareholders	124	(224)
Total comprehensive profit/(loss) attributable to ordinary shareholders arises from:	124	(224)
Continuing operations	258	(43)
Discontinued operations	(134)	(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.*

HEADLINE EARNINGS AND ADJUSTED **HEADLINE EARNINGS RECONCILIATION**

FOR THE YEAR ENDED 31 DECEMBER 2018

R million	Audited Year ended 31 December 2018	Audited Year ended 31 December 2017*
Loss attributable to ordinary shareholders	**(7)**	(243)
Net loss on disposal of property, plant and equipment	**29**	13
Profit on disposal of shares in joint ventures and associates	**–**	(27)
Net impairment of assets	**337**	92
Fair value adjustment on investment held for sale	**–**	43
Tax on the above items	**(89)**	(12)
Minorities' interests in the above items	**(24)**	(41)
Headline earnings	**246**	(175)
Straight-line adjustment for rentals	**13**	20
Pre-opening expenses	**3**	48
Transaction costs	**–**	43
Amortisation of Sun Dreams intangible assets raised as part of PPA	**102**	148
Fair value adjustment on put option liabilities	**27**	223
Interest on Time Square note	**–**	22
Additional Goldrush payment	**–**	6
Foreign exchange (profit)/losses on inter-company loan	**(44)**	27
Forward exchange contract losses	**75**	–
Onerous lease provision reversal	**(31)**	50
Provision for remaining licence conditions – Fish River	**–**	20
Restructuring and related costs	**–**	43
Fair value of debenture	**–**	6
Other**	**46**	17
Tax relief on above items	**(29)**	(89)
Minorities' interest in the above items	**(43)**	(105)
Adjusted headline earnings^^	**365**	304
Continuing adjusted headline earnings	**472**	485
Discontinued adjusted headline earnings	**(107)**	(181)

Basic and diluted (loss)/earnings per share	Cents per share	Cents per share^
(Loss)/earnings per share		
basic	**(6)**	(243)
diluted	**(6)**	(243)
Diluted adjusted headline earnings per share	**316**	304

* *The result pertain to continuing and discontinued operations.*

** *Other includes various non-recurring exceptional items.*

^ *The group has restated the prior year's weighted average number of shares to reflect the effect of Rights Offer as required by IAS 33: Earnings per Share.*

^^ *The measure of reporting profit for each segment, that also represents the basis on which the chief operating decision maker 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.*

SUMMARY GROUP STATEMENT OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

R million	Audited Year ended 31 December 2018	Audited Year ended 31 December 2017
ASSETS		
Non-current assets		
Property, plant and equipment	**17 099**	18 196
Intangible assets	**3 142**	2 695
Equity-accounted investments	**27**	18
Pension fund asset	**33**	32
Deferred tax*	**248**	912
Trade and other receivables	**278**	214
	20 827	22 067
Current assets		
Inventory	**170**	170
Accounts receivable and other^	**1 418**	1 333
Cash and cash equivalents	**938**	696
	2 526	2 199
Assets held for sale	**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)	**2 478**	(2 593)
Minorities' interests	**1 808**	2 899
	4 286	306
Non-current liabilities		
Deferred tax*	**444**	950
Borrowings	**10 551**	11 737
Other non-current liabilities**	**1 054**	1 007
Put option liability	**1 331**	4 838
	13 380	18 532
Current liabilities		
Accounts payable and other	**2 420**	2 206
Borrowings	**4 115**	3 259
	6 535	5 465
Liabilities held for sale	**98**	133
Total liabilities	**20 013**	24 130
Total equity and liabilities	**24 299**	24 436

^ *The opening balance for retained earnings and accounts receivables were restated due to the effect of IFRS 9. Refer to standards implemented.*

* *The movement in the net deferred tax position of the group relates to the capitalisation of the Time Square development cost that was previously included in work in progress. Acquisition of subsidiaries in Latam also had a further effect on the net deferred tax position.*

** *The accrual of the defined benefit liabilities ceased with effect from 1 October 2017 for all active members and 30 June 2018 for pensioners resulting 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.*

SUMMARY GROUP STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2018

R million	Share capital and premium	Treasury shares and share options	Foreign currency translation reserve	Share-based payment reserve	Available-for-sale reserve
Audited					
FOR THE YEAR ENDED 31 DECEMBER 2018					
Balance at 31 December 2017	**295**	**(424)**	**126**	**89**	**–**
IFRS 9 adjustment	–	–	–	–	–
Restated balance at 1 January 2018^	**295**	**(424)**	**126**	**89**	**–**
Total comprehensive income for the year	–	–	119	–	–
Treasury shares purchased	–	(7)	–	–	–
Reclassification of share options	–	37	–	(38)	–
Employee share schemes	–	–	–	34	–
Rights issue	1 598	–	–	–	–
Acquisition of minorities' interests	–	–	(134)	–	–
Capitalisation of loan to minorities interest	–	–	–	–	–
Dividends paid to minorities	–	–	–	–	–
Balance at 31 December 2018	**1 893**	**(394)**	**111**	**85**	**–**
Audited					
FOR THE YEAR ENDED 31 DECEMBER 2017					
Balance at 31 December 2016	295	(604)	165	116	4
Correction of PPA misallocation	–	–	–	–	–
Dreams SA merger PPA finalisation adjustment	–	–	–	–	–
Balance at 31 December 2016 restated	295	(604)	165	116	4
Total comprehensive income for the year	–	–	(39)	–	–
Treasury shares purchased	–	(11)	–	–	–
Employee share schemes	–	27	–	(27)	–
Time Square SPV	–	–	–	–	–
Fair value adjustment on investment held for sale	–	–	–	–	(4)
Disposal of interest in Botswana, Namibia and Lesotho operations	–	–	–	–	–
Release of share options reserve	–	164	–	–	–
Dividends paid to minorities	–	–	–	–	–
Balance at 31 December 2017	295	(424)	126	89	–

^ *The opening balance for retained earnings was restated due to the effect of IFRS 9. Refer to standards implemented.*

	Reserve for non-controlling interests	Hedging and other reserve	Retained earnings	Ordinary shareholders' equity before put option reserve	Put option reserves	Ordinary shareholders' equity	Minorities' interests	Total equity
	(2 386)	**5**	**4 353**	**2 058**	**(4 651)**	**(2 593)**	**2 899**	**306**
	–	**–**	**25**	**25**	**–**	**25**	**–**	**25**
	(2 386)	**5**	**4 378**	**2 083**	**(4 651)**	**(2 568)**	**2 899**	**331**
	–	**12**	**(7)**	**124**	**–**	**124**	**434**	**558**
	–	**–**	**–**	**(7)**	**–**	**(7)**	**–**	**(7)**
	–	**–**	**1**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**34**	**–**	**34**	**–**	**34**
	–	**–**	**–**	**1 598**	**–**	**1 598**	**–**	**1 598**
	(117)	**–**	**183**	**(68)**	**3 365**	**3 297**	**(575)**	**2 722**
	–	**–**	**–**	**–**	**–**	**–**	**(533)**	**(533)**
	–	**–**	**–**	**–**	**–**	**–**	**(417)**	**(417)**
	(2 503)	**17**	**4 555**	**3 764**	**(1 286)**	**2 478**	**1 808**	**4 286**
	(2 411)	(54)	4 502	2 013	(4 651)	(2 638)	3 171	533
	235	–	–	235	–	235	(235)	–
	131	–	–	131	–	131	–	131
	(2 045)	(54)	4 502	2 379	(4 651)	(2 272)	2 936	664
	–	59	(243)	(223)	–	(223)	209	(14)
	–	–	–	(11)	–	(11)	–	(11)
	–	–	1	1	–	1	–	1
	(84)	–	–	(84)	–	(84)	84	–
	–	–	–	(4)	–	(4)	–	(4)
	(257)	–	257	–	–	–	–	–
	–	–	(164)	–	–	–	–	–
	–	–	–	–	–	–	(330)	(330)
	(2 386)	5	4 353	2 058	(4 651)	(2 593)	2 899	306

SUMMARY GROUP STATEMENT OF **CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2018

R million	Audited Year ended 31 December 2018	Audited Year ended 31 December 2017*
Cash generated by operations before:	**4 278**	3 602
Vacation Club timeshare sales	**145**	158
Cash generated by operations	**4 423**	3 760
Tax paid	**(711)**	(769)
Net cash generated by operating activities	**3 712**	2 991
Purchase of property, plant and equipment	**(880)**	(2 558)
Disposal of property, plant and equipment	**123**	32
Purchase of intangible assets	**(171)**	(43)
Acquisition of subsidiaries, net of cash acquired	**(586)**	–
Disposal of investment in joint venture	**–**	121
Investment income received	**77**	34
Net cash flows utilised in investing activities	**(1 437)**	(2 414)
Cash paid for the purchase of treasury shares	**(7)**	(11)
Purchase of additional non-controlling shareholding in subsidiaries	**(678)**	–
Dividends paid to minorities	**(417)**	(330)
Interest paid	**(1 258)**	(1 204)
Increase in other non-current liabilities	**47**	90
Increase in loan to non-controlling interest	**(673)**	–
Capital raised through Rights Offer	**1 598**	–
(Decrease)/increase in borrowings	**(600)**	487
Net cash flows utilised in financing activities	**(1 988)**	(968)
Effect of exchange rates upon cash and cash equivalents	**(14)**	(34)
Increase/(decrease) in cash and cash equivalents	**273**	(425)
Cash and cash equivalents at beginning of the year	**709**	1 134
Cash and cash equivalents at end of the year*	**982**	709
Assets held for sale	**(44)**	(40)
Cash and cash equivalents at end of the year excluding non-current assets held for sale	**938**	669
Cash flows from discontinued operations	**(11)**	5

* *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.*

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2018

R million	Audited Year ended 31 December 2018	Audited Year ended 31 December 2017*
ADJUSTED EBITDA RECONCILIATION		
Continuing operating profit	**2 266**	2 160
Depreciation and amortisation	**1 643**	1 593
Net profit/(loss) on disposal of property, plant and equipment**	**(12)**	13
Straight-line adjustment for rentals***	**13**	20
Impairment of assets**	**306**	92
Pre-opening expenses***	**3**	48
Transaction costs	**–**	43
Profit on disposal of shares in associates and subsidiaries**	**–**	(27)
Onerous lease provision	**–**	50
Restructure and related costs	**–**	43
Provision for remaining licensing conditions – Fish River	**–**	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
Adjusted EBITDA margin (%)	**27**	27

* *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.*

** *Items identified above are included as headline adjustments.*

*** *Items identified above are included as adjusted headline earnings adjustments impacting operating profit in the segmental analysis. Other includes various non-recurring exceptional items. The measure of reporting profit for each segment, that also represents the basis on which the chief operating decision maker 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.*

SUPPLEMENTARY INFORMATION continued

FOR THE YEAR ENDED 31 DECEMBER 2018

	Audited Year ended 31 December 2018	Audited Year ended 31 December 2017*
Number of shares ('000)		
– for basic EPS/HEPS/adjusted HEPS	**115 360**	100 079
– for diluted EPS/HEPS/adjusted HEPS	**115 377**	100 079
Earnings/(loss) per share (cents)^		
– basic	**(6)**	(243)
– headline	**213**	(175)
– adjusted headline	**316**	304
– diluted basic	**(6)**	(243)
– diluted headline	**213**	(175)
– diluted adjusted headline	**316**	304
Continuing – earnings/(loss) per share (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 – loss per share (cents)^		
– basic loss per share	**(116)**	(181)
– headline loss per share	**(74)**	(182)
– adjusted headline loss per share	**(94)**	(182)
– diluted basic loss per share	**(116)**	(181)
– diluted headline loss per share	**(74)**	(182)
– diluted adjusted headline loss per share	**(93)**	(182)

* *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.*

^ *The group has restated the prior year's weighted average number of shares to reflect the effect of Rights Offer as required by IAS 33: Earnings per Share.*

	Audited Year ended 31 December 2018	Audited Year ended 31 December 2017*
TAX RATE RECONCILIATION		
Profit before tax	**1 108**	774
Share of associates' losses	**(8)**	(2)
Adjusted profit before tax	**1 100**	772
	%	%
Effective tax rate	**61**	103
Preference share funding	**(3)**	(6)
Depreciation on non-qualifying buildings	**(2)**	(4)
Non-deductible expenditure – expenses incurred to produce exempt income	**–**	(1)
Other non-deductible expenditure	**(5)**	(20)
Movement in put options	**(1)**	(13)
Exempt income – dividend income	**–**	7
Exempt income – other (lessor contribution, associated income and disposal of income earning structure)	**–**	2
Tax incentives	**1**	1
Deductible foreign withholding taxes	**–**	(1)
Chilean capital indexed to inflation tax adjustment	**(8)**	–
Utilisation of tax losses not previously recognised	**2**	–
Tax losses not meeting recognition criteria	**(16)**	(44)
Discontinued operation – (tax losses not meeting recognition criteria)	**(7)**	–
Adjustment for current tax of prior periods	**7**	4
Rate change	**(1)**	–
South African corporate tax rate	**28**	28
OTHER METRICS		
Adjusted EBITDA to interest (times) – South Africa	**3,2**	3,3
Borrowings to adjusted EBITDA (times) – South Africa	**3,0**	3,7
Net asset value per share (Rand)	**31,3**	2,8
Capital expenditure (R million)	**1 050**	2 591
Capital commitments (R million)	**1 496**	1 771

* *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.*

SEGMENT REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2018

	Income			Adjusted EBITDA		
R million	**2018**	%	2017	**2018**	%	2017
GrandWest	**2 214**	3	2 155	**868**	2	850
Sun City	**1 672**	(3)	1 731	**205**	(14)	237
Sibaya	**1 289**	2	1 269	**430**	(2)	439
Carnival City	**961**	(2)	980	**231**	(9)	254
Boardwalk	**532**	(4)	552	**95**	–	95
Wild Coast Sun	**498**	4	481	**95**	2	93
Meropa	**308**	2	302	**94**	(2)	96
Windmill	**273**	7	255	**95**	20	79
Flamingo	**165**	(4)	172	**40**	(15)	47
Golden Valley	**170**	(3)	176	**32**	(18)	39
Table Bay	**341**	(4)	354	**78**	(12)	89
The Maslow	**142**	(4)	148	**(35)**	(59)	(22)
Naledi	**20**	(5)	21	**(1)**	86	(7)
South African casinos	**8 585**	–	8 596	**2 227**	(3)	2 289
Sun Slots	**1 162**	10	1 060	**287**	15	249
SunBet	**77**	57	49	**8**	>100	2
Comparable South African operations*	**9 824**	1	9 705	**2 522**	(1)	2 540
Time Square	**1 247**	51	827	**305**	66	184
South African operations including Time Square	**11 071**	5	10 532	**2 827**	4	2 724
Carousel	**163**	(34)	246	**(15)**	<(100)	28
Fish River	**–**	(100)	21	**(1)**	95	(21)
Morula	**–**	(100)	38	**(1)**	75	(4)
Management companies	**569**	(4)	593	**175**	(9)	193
Inter-company management fees	**(549)**	–	(548)	**–**	–	–
	11 254	3	10 882	**2 985**	2	2 920

* *Comparable South African operations exclude Time Square, Carousel, management companies, Morula and Fish River.*

Adjusted operating profit		
2018	%	2017
727	1	721
(8)	<(100)	26
360	(6)	385
163	1	162
23	(15)	27
47	2	46
74	(1)	75
75	32	57
26	(21)	33
17	(26)	23
59	(16)	70
(47)	(18)	(40)
(2)	75	(8)
1 514	(4)	1 577
222	34	166
6	>100	–
1 742	–	1 743
69	>100	26
1 811	2	1 769
(33)	<(100)	10
(1)	96	(23)
(1)	80	(5)
150	(11)	168
–	–	–
1 926	–	1 919

SEGMENT REVIEW continued
SEGMENTAL INCOME ANALYSIS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Net gaming wins							
	Total net gaming wins		Tables		Slots		Alternate Gaming income	
R million	2018	2017*	2018	2017*	2018	2017*	2018	2017*
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	**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	**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

** 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, as well as for IFRS 15 net gaming wins, which was previously disclosed as revenue.*

Income streams are reported on separately as below:

Income outside the scope of IFRS 15:

Tables and Slots: Income from casino gambling operations.

Alternate Gaming income: Income from Sun Slots (including LPM gaming wins) and SunBet

Revenue from contracts with customers									
Total revenue		Rooms		Food & Beverage		Other		Total income	
2018	2017*	**2018**	2017*	**2018**	2017*	**2018**	2017*	**2018**	2017*
2 925	2 910	**990**	976	**903**	921	**1 032**	1 013	**11 803**	11 430
93	89	**2**	2	**62**	61	**29**	26	**2 214**	2 155
1 160	1 154	**495**	498	**363**	388	**302**	268	**1 672**	1 731
90	86	**18**	14	**65**	62	**7**	10	**1 289**	1 269
151	83	**25**	–	**96**	66	**30**	17	**1 247**	827
70	79	**5**	6	**46**	50	**19**	23	**961**	980
93	100	**38**	36	**41**	50	**14**	14	**532**	552
111	108	**39**	39	**40**	37	**32**	32	**498**	481
19	21	**5**	6	**–**	–	**14**	15	**163**	246
37	27	**10**	4	**26**	21	**1**	2	**308**	302
341	354	**263**	270	**70**	76	**8**	8	**341**	354
13	12	**–**	–	**13**	12	**–**	–	**273**	255
–	–	**–**	–	**–**	–	**–**	–	**1 162**	1 060
–	2	**–**	–	**–**	2	**–**	–	**–**	38
15	14	**–**	–	**13**	14	**2**	–	**165**	172
18	16	**5**	3	**11**	12	**2**	1	**170**	176
–	–	**–**	–	**–**	–	**–**	–	**77**	49
142	148	**84**	88	**54**	57	**4**	3	**142**	148
4	24	**1**	10	**3**	13	**–**	1	**21**	42
568	593	**–**	–	**–**	–	**568**	593	**568**	593
88	86	**47**	41	**41**	41	**–**	4	**148**	143
757	567	**292**	224	**450**	334	**15**	9	**5 018**	4 326
212	127	**8**	16	**199**	111	**5**	–	**1 904**	1 673
354	352	**159**	178	**193**	174	**2**	–	**1 581**	2 367
84	79	**27**	30	**53**	49	**4**	–	**823**	–
650	558	**194**	224	**445**	334	**11**	–	**4 308**	4 040
–	9	**–**	–	**–**	–	**–**	9	**–**	9
1	–	**–**	–	**–**	–	**1**	–	**288**	277
5	–	**–**	–	**5**	–	**–**	–	**194**	–
101	–	**98**	–	**–**	–	**3**	–	**228**	–
(549)	(548)	**–**	–	**–**	–	**(549)**	(548)	**(549)**	(548)
3 221	3 015	**1 329**	1 241	**1 394**	1 296	**498**	478	**16 420**	15 351

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.

ANNEXURE "A" CONTINUED

GrandWest's income increased 3% to R2.2 billion and adjusted EBITDA increased 2% to R868 million. Slots income was up 2% while tables income was up 6%.

Sun City experienced difficult trading conditions, with income down 3%. Tables were impacted by a lower drop, while slots continued to come under pressure in the local market following the opening of a third Electronic Bingo Terminal (EBT) outlet in Rustenburg in October 2017. Rooms revenue was 1% lower than the prior year with occupancy down 5% at 67% and the average room rate up 3% at R1 823. Occupancy was partly impacted by the severe hailstorm on 15 December 2018 which resulted in the resort temporarily losing a number of rooms. Included in Sun City's results is a business interruption claim of R25 million as a result of the storm. As a result of the lower income and the high fixed cost base, adjusted EBITDA was down 14% compared to the prior year.

Sibaya income increased by 2% while adjusted EBITDA decreased by 2%, impacted by the VAT increase and legal fees for litigation relating to the award of the EBT licences in the province. We continue to challenge the award of these licences on the basis that the correct process has not been followed. The Sibaya Privé and Food and Beverage refurbishments were completed during the third quarter of the year.

Time Square achieved income of R1.3 billion and adjusted EBITDA of R305 million. Casino market share for the year was at 13.5% although for the second half of the year market share was 14.2% reflecting steady growth, which has continued in the early part of 2019 where revenue for January and February were up 9% and 32% respectively. The hotel achieved occupancy of 48% at a room rate of R1 197.

Carnival City income decreased 2% with adjusted EBITDA down 9%. Although the property experienced an increase in footfall, average spend continued to drop. The Carnival City Privé and a number of the hotel rooms will be refurbished during 2019.

Boardwalk's income decreased 4% with casino income down by 3% and adjusted EBITDA in line with the prior year following certain restructures and cost-cutting initiatives. The property is currently undergoing a comprehensive restructure which will result in further cost reductions.

The shopping mall development is progressing, albeit at a slower pace than we would have preferred. We currently have two experienced retail mall developers who have expressed interest in investing in and developing the mall. The development will likely commence in the second half of 2019.

Wild Coast Sun increased income by 4% and adjusted EBITDA by 2%. We submitted our bid for the casino licence renewal on 31 January. The current licence expiring in August 2019.

The Table Bay was impacted by the water crisis in Cape Town, which resulted in a number of cancellations and a slowdown in bookings, in the first half of the year. The situation has however improved and we have noticed a pickup in bookings towards the end of the year. Room occupancy decreased by 6% to 69% and the average room rate improved by 6% to R3 188.

The **small urban casinos**, which include Meropa (Limpopo), Windmill (Free State), Flamingo (Northern Cape) and Golden Valley (Western Cape) collectively grew their income by 1% while maintaining adjusted EBITDA in line with the prior year.

The **Carousel** has been severely impacted by Time Square, resulting in income declining by 34%. We have received approval from the North West Gambling Board to restructure operations. The restructure will result in the closure of the tables department, a reduction in slots to 400 and a reduction in headcount. Consultations with the union have commenced.

Sun Slots continues to trade well with income and adjusted EBITDA increasing by 10% and 15% respectively.

Management fees and related income of R569 million remained in line with the comparative period, due primarily to lower development fees. Management company costs of R402 million were R24 million higher than the prior year, largely due to the roll out of shared services and the insourcing of our own creative and design team.

SEGMENT REVIEW continued

FOR THE YEAR ENDED 31 DECEMBER 2018

The Latam segment review is set out below:

	Income		Adjusted EBITDA	
R million	**2018**	2017	**2018**	2017
Monticello	**1 904**	1 674	**573**	417
Sun Dreams SCJ licences	**1 581**	1 532	**612**	586
Sun Dreams municipal licences	**823**	834	**287**	303
Sun Chile office	**–**	9	**(8)**	8
Central office*	**–**	–	**(194)**	(132)
Chile operations	**4 308**	4 049	**1 271**	1 182
Peru excluding Thunderbird Resorts	**288**	277	**32**	33
Comparable operations**	**4 596**	4 326	**1 303**	1 215
Thunderbird	**194**	–	**25**	–
Mendoza	**228**	–	**36**	–
Total continuing operations	**5 018**	4 326	**1 363**	1 215

** PPA adjustment included in central office.*
*** Comparable operations excludes Thunderbird, Mendoza, and the two discontinued units: Ocean Sun and Sun Nao.*

Our Latam operations performed well with income growing 6% to R4.3 billion and adjusted EBITDA increasing 8% to R1.3 billion. Sun Dreams' growth was achieved on the back of a strong second half with revenue up 16% and adjusted EBITDA up 12%. Monticello revenue was up 8% and adjusted EBITDA 12% in the second half. The increase in income is partly due to Monticello being closed in July 2017 for 12 days following the unfortunate shooting incident. Monticello benefited from a new arena which opened in June 2017 and a refresh of its restaurant offering. Monticello's adjusted EBITDA also improved due to certain costs being moved from Monticello to the central office to align with other Sun Dreams' properties. Iquique, which is located in a copper mining region, was impacted by a stagnating local economy as well as a lack of investment in the property due to the imminent expiry of the current licence in 2020 when the casino will be relocated to new premises.

The Peruvian operations (excluding Thunderbird Resorts) increased income by 4% while adjusted EBITDA remained in line with the prior comparative period. Thunderbird Resorts, which acquisition was effective 11 April 2018, generated revenue of R194 million and adjusted EBITDA of R25 million. The acquisition of the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina became unconditional on 11 July 2018 and has performed ahead of expectations in US dollar terms with a strong performance from the hotel. Its US dollar based income was offset partly by the casino that was impacted by the weak currency.

Depreciation and amortisation		Operating profit	
2018	2017	**2018**	2017
(168)	(152)	**405**	265
(38)	(35)	**574**	551
(37)	(47)	**250**	256
–	–	**(8)**	8
(154)	(145)	**(348)**	(276)
(397)	(379)	**873**	804
(39)	(35)	**(7)**	(3)
(436)	(414)	**866**	801
(11)	–	**14**	–
(10)	–	**26**	–
(457)	(414)	**906**	801

The closure of the International VIP Business and the 66th floor of the Ocean Sun Casino in Panama led to a decrease in income and a significant reduction in costs. We are pursuing opportunities to dispose of the business but until we do so we will continue to operate the casino. Following the closure of the Sun Nao Casino in Colombia, we opened a few small low-cost slot halls utilising the machines and tables from the Sun Nao Casino. The group will dispose of these operations to another Colombian operator and will take a minority stake in the business. We settled the outstanding rental for the Sun Nao Casino at US$1.5 million, US$2.3 million below what we had provided for. Both the Colombian and Panama operations are accounted for as discontinued operations.

GROUP BORROWINGS

FOR THE YEAR ENDED 31 DECEMBER 2018

R million	Total debt	Minorities	Sun International
South Africa	**9 174**	1 310	7 864
SunWest	**728**	256	472
Afrisun Gauteng	**608**	32	576
Afrisun KZN	**276**	92	184
Emfuleni	**507**	76	431
Wild Coast	**234**	70	164
Meropa	**74**	21	53
Teemane	**73**	18	55
Windmill	**74**	20	54
Golden Valley	**(12)**	(4)	(8)
Sun Slots	**24**	7	17
Time Square	**5 070**	722	4 348
Management and corporate	**1 518**	–	1 518
Nigeria	**602**	305	297
Shareholder loans	**927**	470	457
Sun International inter-company debt	**(325)**	(165)	(160)
Latam	**4 890**	1 461	3 429
Sun Dreams	**4 103**	1 461	2 642
Sun Chile	**787**	–	787
31 December 2018	**14 666**	3 076	11 590
31 December 2017	**14 995**	2 654	12 341

DEBT COVENANTS

	South Africa		Sun Dreams	
	Actual	Covenant	Actual	Covenant
Debt to adjusted EBITDA	**3.0x**	3.5x	**3.0x**	4.5x
Interest cover	**3.2x**	3.0x	**–**	–

BORROWINGS

In June 2018, Sun International concluded an equity capital raise through a renounceable rights offer (Rights Offer) when it successfully raised an amount of R1.6 billion. The funds from the Rights Offer were utilised to settle debt.

Sun International's borrowings as at 31 December 2018 were R14.7 billion, decreasing from R15.0 billion in December 2017. South African debt reduced from R11.4 billion at 31 December 2017 to R9.2 billion due to strong cash flows and the Rights Offer. Latam debt, however, increased following the raising of a 10-year bond by Sun Dreams for the acquisition of a minority's 20% interest in Sun Dreams, which was funded by Sun Dreams.

The group's statement of financial position remains resilient and the operations continue to generate strong cash flows. The group continues to trade within its debt covenant levels. The group has unutilised borrowing facilities of R1.4 billion and available cash balances of R938 million.

CAPITAL EXPENDITURE

FOR THE YEAR ENDED 31 DECEMBER 2018

R million	December 12 months Actual
South African operations	
Expansionary	
Time Square	**126**
Refurbishment and ongoing	
Sun City	**134**
GrandWest	**110**
Sibaya	**72**
Sun Slots	**105**
Time Square	**14**
Other	**187**
	622
Total South African capital expenditure	**748**
Latam operations	
Expansionary	**85**
Refurbishment and ongoing	**205**
Total Latam capital expenditure	**290**
Nigerian operations	
Refurbishment and ongoing	**12**
Total group capital expenditure	**1 050**

ACQUISITION OF SUBSIDIARIES

FOR THE YEAR ENDED 31 DECEMBER 2018

Peru acquisition

Sun Dreams finalised the acquisition of Thunderbird Resorts in Peru on 11 April 2018, for a purchase consideration of R317 million (US$26 million). The acquisition included net assets of R192 million, intangible assets of R118 million and goodwill recognised of R7 million. Revenue and profit and loss from acquisition date of R194 million and R29 million respectively was accounted for by Sun Dreams. Had the acquisition date been effective from the beginning of the year, revenue of R258 million would have been accounted for and profit and loss would have been Rnil. Thunderbird Resorts consists of 857 slot machines and 50 tables. The acquisition has allowed Sun Dreams to strengthen its position in Peru and diversify its asset base in Latam.

Argentina acquisition

On 29 June 2018, Sun Dreams entered into an agreement to acquire 100% of the issued share capital of the Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina, for a purchase price of R333 million (US$25 million) and a potential earn out payment of R35 million (US$2.6 million). The acquisition included net assets of R11 million, intangible assets of R273 million and goodwill recognised of R84 million. Revenue and profit and loss from acquisition date of R228 million and R25 million respectively were accounted for by Sun Dreams. Had the acquisition date been effective from the beginning of the year, revenue of R342 million and profit of R47 million would have been accounted for. The Park Hyatt Hotel, Casino & Spa comprises of 186 rooms, 695 slot machines and 19 tables and the transaction became unconditional on 11 July 2018.

The acquisition of this hotel and casino is aligned with the board's strategy of diversifying the group's assets across Latam and extending the average length of the licences of the group. The casino licence is valid for a 20-year period.

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Sun International Limited

Opinion

The summary consolidated financial statements of Sun International Limited, contained in the accompanying Sun International Limited audited summary group financial statements, which comprise the summary group statement of comprehensive income, the summary group statement of financial position as at 31 December 2018, cash flows and changes in equity for the year then ended, and related notes, are derived from the audited consolidated financial statements of Sun International Limited for the year ended 31 December 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in Note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 18 March 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in Note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised): Engagements to Report on Summary Financial Statements.

Other matters

We have not audited future financial performance and expectations expressed by the directors included in the commentary in the accompanying summary consolidated financial statements and accordingly do not express an opinion thereon.

PricewaterhouseCoopers Inc.
Director: Johan Potgieter
Registered Auditor

Johannesburg

18 March 2019

Please note that these numbers constitute only the audited summary group financial statements of the Sun International group. The complete audited consolidated financial statements of the Sun International group incorporating the external auditor, audit committee and directors' reports for the 12 months ended 31 December 2018 are on the company's website at http://www.suninternational.com/investors.

The complete audited consolidated financial statements are also available at our registered office for inspection at no charge during office hours. Copies of the complete financial statements may be requested by contacting Andrew Johnston at andrew.johnston@suninternational.com.

Shareholders are advised that there have been no changes between the audited summary group financial statements for the 12 months ended 31 December 2018 as published on SENS on 18 March 2019 and the complete audited consolidated financial statements which appear on the company's website.

ANNEXURE "B"

DIRECTORS STANDING FOR ELECTION

Name	**Mr VP (Vusi) KHANYILE (69)**
Joined Sun International board	2018
Positions	Independent non-executive director of Sun International Member of the social and ethics committee
Qualifications and experience	*BCom (Hons) Fellowship in Development Finance (Princeton University), Honorary Doctorate, University of Transkei.* Vusi was, up until 2018, the chairman of Thebe Investment Corporation having been its founding managing director in 1992. In addition to having headed up the finance department of the African National Congress between 1990 and 1992, Vusi also serves as the chairman of Santam Limited, chairman of the Steve Biko Academic Hospital and as director of the Worldwide Fund for Nature (WWF).

Name	**Mr JA (Jabu) MABUZA (61)**
Joined Sun International board	2018
Positions	Deputy chairman of Sun International Member of the nomination committee Member of the remuneration committee Member of the investment committee
Qualifications and experience	*DCom (Wits) (h.c.)* Jabu was appointed as deputy chairman to the board effective 5 September 2018. He was previously the group chief executive officer of Tsogo Sun Holdings Limited and recently retired as president of Business Unity South Africa. He currently serves as the chairman of various companies including Anheuser – Busch InBev/SAB Miller – Africa, Business Leadership South Africa, the Casino Association of South Africa, Eskom SOC and Telkom SA SOC. In 2016, Jabu was appointed by the Presidency as a co-convenor together with the Minister of Finance to assess the state of the South African economy. Outside South Africa, Jabu has served on several companies' boards covering various industries, and he has a wide array of organisational memberships in South Africa and abroad. In 2017, an Honorary Doctor of Commerce was awarded to Jabu by the University of Witwatersrand in recognition of his entrepreneurship achievements and his contribution to the South African economy. Jabu was also the recipient of a Lifetime Achievement Award from EY in its World Entrepreneur Awards, and he has presented several papers in southern Africa, the United Kingdom, United States of America and Europe on black economic empowerment investment in South Africa, small and medium enterprise development and the role of business in transition.

Name	**Mr S (Sam) SITHOLE (46)**
Joined Sun International board	2018
Positions	Non-executive director of Sun International Member of the remuneration committee Member of the investment committee
Qualifications and experience	*BAcc (Hons), CA(SA), ACA, CA(Z)* Sam was appointed to the board effective 20 June 2018. He is the chief executive officer and founder of Value Capital Partners (Pty) Ltd and has over 20 years of experience in the accounting and private equity industries in South Africa and internationally. Sam also serves as non-executive director on the boards of Allied Electronics Corporation Limited, Adcorp Holdings Limited and African Phoenix Investments Limited.

Name	**Ms ZP (Zimkhitha) ZATU (35)**
Joined Sun International board	2018
Positions	Independent non-executive director of Sun International Member of the audit committee
Qualifications and experience	*BCom, HDip Acc, CA(SA)* Zimkhitha was appointed as independent non-executive director to the board effective 23 November 2018. Zimkhitha is highly entrepreneurial while still committed to solid commercial and business practice and sound governance. She founded ZAAM Investments (Pty) Ltd, a 100% women-owned and managed company focusing on project development, consultancy services and strategic investments within key economic sectors in South Africa. Her current board roles include deputy chairperson of National Film and Video Foundation and director of Rail 2 Rail (Pty) Ltd and Sedibeng Iron Ore Mine (Pty) Ltd respectively. Previously she held directorships at African Women Chartered Accountants, Commuter Transport Engineering, SAICA Thuthuka Education Upliftment Fund and Siyazisiza Trust. Zimkhitha completed the GIBS Executive Leadership Programme and is currently completing her thesis for a master's in Corporate Finance through Liverpool University. Highly analytical, she has excellent strategic insights and strong operational experience as well as in-depth understanding of infrastructure projects. In 2015, Zimkhitha was selected as one of the Mail & Guardian's 200 Young South Africans.

DIRECTORS STANDING FOR RE-ELECTION

Name	**Mr PDS (Peter) BACON (72)**
Joined Sun International board	2013
Positions	Independent non-executive director of Sun International Chairman of the risk committee Member of the audit committee
Qualifications and experience	*FIH* Peter is an independent non-executive director of the company. He is a Fellow of the institute of Hospitality with over 40 years' experience in the hotel, resort and gaming industry. He joined the group in 1973 and occupied a number of executive positions in South Africa and overseas before becoming managing director of Sun International in 1994 and then group chief executive in 2003. He retired in 2006 and rejoined the board in February 2013. Peter was also previously a director of Woolworths Holdings and is chairman of Atlantic Leaf Properties. He was chairman of the National Sea Rescue Institute up until August 2014 and also served as a director of South African Tourism and as Chairman of the Tourism Grading Council of South Africa. Peter is also a non-executive director of PSG Konsult (Mauritius) Limited and a non-executive director of DMH Limited (Mauritius).

Name	**Dr NN (Lulu) GWAGWA (59)**
Joined Sun International board	2005
Positions	Independent non-executive director of Sun International Member of the nomination committee Member of the remuneration committee Member of the risk committee
Qualifications and experience	*BA, MTRP, MSc, PhD (London)* Lulu was appointed to the board in 2005. She served as a deputy director general in the National Department of Public Works and served a five-year term as chief executive officer of the Independent Development Trust. Her other current directorships include, among others, FirstRand, Massmart, Aurecon and Lereko Investments, the latter of which she is presently chief executive officer. Lulu was previously on the board of ACSA.

Name	**Mr PL (Leon) CAMPHER (70)**
Joined Sun International board	2002
Positions	Lead independent director of Sun International Chairman of the remuneration committee Member of the audit committee Member of the investment committee Member of the nomination committee Member of the social and ethics committee
Qualifications and experience	*BEcon* Leon was appointed to the board in 2002 and as the lead independent director on 1 January 2018. Leon has extensive experience in investment management with Old Mutual, Syfrets Managed Assets, Coronation and African Harvest. He is the CEO of the Savings and Investment Association of South Africa, chairman of the International Investment Funds Association, lead independent director of Brimstone Investment Corp Limited and chairman of Equities Property Fund Limited.

AUDIT COMMITTEE MEMBERS STANDING FOR ELECTION

1. Mr PDS (Peter) BACON (See biography above)
2. Mr PL (Leon) CAMPHER (See biography above)
3. Mr EAMMG (Enrique) CIBIE (See biography below)
4. Ms CM (Caroline) HENRY (See biography below)
5. Ms ZM (Zimkhitha) ZATU (See biography above)

Name	**Mr EAMMG (Enrique) CIBIE (65)**
Joined Sun International board	2014
Positions	Independent non-executive director of Sun International Member of the audit committee Member of the remuneration committee Member of the risk committee
Qualifications and experience	*BA, CA (Pontificia Universidad Catolica de Chile), MBA (Stanford University)* Enrique was appointed to the board with effect from 22 August 2014. Enrique is a Chilean national and currently serves as a non-executive director on various boards in Chile, having previously served as the chief executive of various multinational and Chilean companies. Enrique is also a director of the Sun Dreams S.A. board in Chile.

ANNEXURE "B" CONTINUED

Name	**Ms CM (Caroline) HENRY (52)**
Joined Sun International board	2016
Positions	Independent non-executive director of Sun International Member of the audit committee Member of the risk committee Member of the social and ethics committee
Qualifications and experience	*BCom, BCompt (Hons), CA(SA)* Caroline was appointed as an independent non-executive director on the board with effect from 3 October 2016. Caroline has over 20 years of experience in the finance sector. Since 2005 she headed Eskom's treasury function gaining invaluable experience in debt capital markets and treasury. In 2013 she served as acting chief financial officer taking responsibility for financial reporting, treasury, shared services, insurance, and oversight of the Eskom Pension and Provident Fund (EPPF). Caroline contributed in various capacities (member and executive) to Eskom's investment and finance committee, the new build oversight committee, audit and risk committee, the executive committee, nuclear management committee and the EPPF investment committee.

ANNEXURE “C”

SUN INTERNATIONAL LIMITED (SUN INTERNATIONAL OR THE COMPANY) FY2018 REMUNERATION REPORT

PART 1: BACKGROUND STATEMENT WITH FEEDBACK FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Letter from the chairman of the remuneration committee

Dear shareholders

A core responsibility of the Sun International remuneration committee (the committee) is to ensure that the remuneration philosophy and policy supports the Sun International group’s strategic targets to enable it to attract, motivate, reward and retain executive directors and prescribed officers (senior executives), as well as the general managers of the various South African business units (general managers) and other senior managers of the group (senior managers), in order to maximise shareholder value, while also complying with relevant legislation and the requirements of the King IV Report on Corporate Governance for South Africa™, 2016 (King IV™).

As members of the committee, our focus during 2018 was threefold, namely, to:

1. streamline and integrate the remuneration structures and processes across the entire group, having particular regard to the Sun Dreams remuneration governance structures, vis-a-vis Sun International;
2. address concerns and implement recommendations advocated by shareholders, particularly relating to the variable pay structures, as and where appropriate; and
3. assist and advise the board on matters relating to remuneration governance and the remuneration of top management.

Non-binding advisory vote on remuneration policy and implementation report

For the second consecutive year, this remuneration report is presented in three separate parts, namely this background statement and letter (Part 1), the overview of the main provision of the remuneration policy (Part 2) and the implementation report for the remuneration policy applied in the 2018 financial year (Part 3), in line with best practice and good governance principles for South African remuneration reporting. We trust that this structure continues to provide sufficient clarity and transparency around how the remuneration policy (remuneration policy) is linked to the actual pay received by senior executives, displaying the strong link between pay and performance, which is the backbone of Sun International’s remuneration policies and practices.

Following the significant no vote, which was cast by shareholders against the company’s remuneration policy at the 2016 annual general meeting, the committee actively engaged with several of its major shareholders during the 2017 financial year in order to better understand their concerns and reasons for voting down the remuneration policy resolution. This culminated in Sun International tabling a revised remuneration policy and remuneration report incorporating many of these shareholders’ recommendations at the 2018 annual general meeting, when shareholders voted in favour of both the remuneration policy and remuneration report resolutions by more than 81% of the total number of votes cast at the meeting.

The dissenting votes for the last remuneration report were 17.57% and 18.73%.

Notwithstanding that both remuneration resolutions were passed by in excess of 80% of the total votes cast at the 2018 annual general meeting, the committee continued to engage with those shareholders which voted against the remuneration resolutions at the 2018 annual general meeting and to this extent has adopted several of their recommendations going forward. A summary of the feedback received and the responses and action taken by Sun International is set out in the table on the following page. Further details regarding the changes can be found in Part 2 of this remuneration report.

ANNEXURE "C" CONTINUED

Shareholder feedback	Sun International responses and action taken
There is a lack of return metric as a performance criteria for the long-term incentives (LTIs)	We have revisited the performance metrics for both the STI and LTI and have taken the views of the investor community into account. We intend to include a returns measure for the new LTI, which will be introduced in the current year.
The use of adjusted HEPS as a sole performance metrics for the equity growth plan (EGP) rights	We have taken the views of the investor community into account in this regard and intend to discontinue future grants of EGP rights, subject to the approval of the new LTI.
The number of shares available for the share plans and the maximum number per participant	The current number of shares available for the share plans were previously approved by shareholders in general meeting. The maximum aggregate number equates to approximately 7.88% of the issued share capital, while the individual limit is less than 1% of the issued share capital. This number of shares will be reviewed and where appropriate amended when Sun International tables its proposed new LTI to shareholders in 2019.
Concerns regarding the short-term incentive (STI) and disclosure of key performance areas (KPAs) be expanded upon to show clearly how performance on the specific metrics translated into the vesting achieved for senior executives	We have expanded on our disclosure in Part 2 and Part 3 in order to demonstrate how the STI works and how the senior executive's performance correlates to the outcomes achieved and remuneration paid out in terms of the STI.

Remuneration consultants

During the course of the 2018 financial year, the committee engaged remuneration consultants namely 21st Century, Khokhela Remuneration and Performance, PwC, Investec and Korn Ferry/The Hay Group to, among others, benchmark the senior executives and senior managers' TCOE and total reward packages during the year, as well as advise on recent market trends regarding long-term share-based incentives. The committee is satisfied that these remuneration consultants acted independently and were objective in their advices and recommendations provided during the year under review.

Based on the input provided by the aforesaid consultants, as well as management, and taking into consideration the views expressed by shareholders, the committee recommended to the Sun International board certain changes to both the STI and the LTI which, except for those changes to the LTIs which still require shareholder approval, were approved by the board during 2018 or prior to the date of this remuneration report.

Key focus areas and decisions taken during the reporting period

Building on the changes introduced to both the STI and LTI after the feedback on the 2016 remuneration report, aspects of remuneration focused on by the committee during the year under review included:

- the group-wide integrated governance framework has been bedded down by significantly bolstering the remuneration structures and governance processes in Latin America (Latam), by aligning the remuneration practices and policies of Sun Dreams with those of Sun International;

- reviewed and agreed on a revised peer group of companies against which to benchmark the senior executives' remuneration packages and the non-executive directors' fees in future. Details of these are recorded on page 63 of this remuneration report;
- strengthened the composition of the committee in South Africa and the remuneration committees in Latam and Nigeria;
- obtained shareholder approval on amendments to the EGP rights and bonus matching share plans to align with the Companies Act, revised JSE Listings Requirements and corporate governance recommendations as set out in King IV™. These changes were highlighted in the circular delivered to shareholders dated 16 February 2018 and are referenced in Part 2 of this remuneration report;
- continued to engage with its shareholders regarding changes to its STI and LTI plans, including the proposed new LTI plan, which will be the primary plan for LTI awards going forward for the senior executives, if approved by shareholders at a special general meeting in 2019. Until this approval, the existing LTIs will be used. The details of these proposed changes are highlighted in Part 2 of this remuneration report;
- finalised an extensive analysis pertaining to equal pay for work of equal value across the South African business units and satisfied itself that Sun International pays a living wage to its employees, taking into account the current minimum wage in South Africa and the additional benefits which the group provides to its wage employees;
- conducted a self-evaluation exercise during 2018 to assess its strengths and weaknesses;
- analysis regarding employee well-being which is discussed in more detail below;
- adopted the concept of a 'single figure remuneration' in respect of the remuneration disclosures of its senior executives; and
- satisfied itself that it achieved its stated objectives.

Focus areas for 2019

- A proposed new LTI plan will be tabled for shareholder approval which will encourage senior executives to build up a shareholding in Sun International, thereby further aligning their interests with shareholders
- Further work will be done on the equal pay for work of equal value analysis, to further strengthen Sun International's commitment to fair and responsible remuneration

Fair and responsible remuneration

King IV™ requires executive management remuneration to be fair and responsible in the context of overall employee remuneration. During 2018, Sun International concluded its first comprehensive 'equal pay for work of equal value' analysis, which was conducted across all of the South African business units in order to identify disparity in the remuneration packages for employees in same/similar positions.

Approximately 120 positions had been identified as requiring adjustments to their remuneration packages at a cost of around R2.2 million extra per annum. Equal pay for work of equal value is not a concern in Latam, however, we will be focusing on pay disparity between genders in our Latam operations during the coming year. Sun International expects to have fully addressed and achieved equal pay for work of equal value in 2021.

A key focus area for the committee during 2018 involved employee well-being in the work place. To this end and while remaining sensitive to the wage gap, the committee conducted an in-depth analysis around the payment of a living wage to its employees. In this regard, the committee was satisfied that the cash portion of all wages earned by the Sun International employees exceeded the minimum wage determined by law in South Africa. When adding the cash portion of all wage employees to the additional benefits offered by the group such as, *inter alia*, the various housing and school fee subsidies, free meals while on duty, maternity leave benefits, retirement funding plus the primary healthcare plan for all bargaining unit employees which is paid for by Sun International, the analysis indicated that all wage employees are remunerated higher than the median of the market benchmark. The aspects around the payment of a living wage to employees was also considered and endorsed by Sun International's social and ethics committee and board.

Notwithstanding the aforegoing, Sun International recognises the sensitivity surrounding income disparities and understands that managing and minimising such disparities in South Africa is of extreme socio-economic importance. We acknowledge that taking active steps to address wage inequality is an important aspect of corporate social responsibility and we remain committed to working towards a solution, which is both ethically and economically

ANNEXURE "C" CONTINUED

sustainable for all stakeholders. As we communicated to shareholders in 2018, while we remain committed to ensuring that our employees receive a living wage, we also acknowledge the need to manage remuneration levels at the top. In this regard, although Sun International benchmarks all staff against the 50th percentile of the market, annual increases are not solely inflationary based, and individual performance and each individual's value to the organisation are considered, allowing for flexibility within a band of between 10% and 15% either way.

Pleasingly and following a self-evaluation exercise, which was conducted by the committee members in 2018, no material deficiencies or areas of concern or improvement were identified by the committee, which require remedial action. As per the committee's mandate and terms of reference, these evaluations are conducted every other year.

Key changes to the membership of the committee during the year under review included the appointment of Messrs Sithole and Mabuza and Dr Gwagwa as additional members to the committee. Each of these new members are classified as non-executive directors of Sun International while Dr Gwagwa is an independent director. Mr Cibie, a further independent director of Sun International and a member of the committee also chairs the Sun Dreams remuneration and nomination committee. In addition to the foregoing, Mr Johnston, the Sun International group director: corporate services and a director of the Tourist Company of Nigeria Plc. (TCN) was appointed as the chairman of TCN's nomination and governance committee during the year under review, which oversees remuneration governance at the Federal Palace Hotel in Lagos. Mr Johnston has also been appointed as the secretary of the Sun Dreams remuneration and nomination committee in Chile.

As required by the Companies Act, the JSE Listings Requirements and King IV™, the following resolutions will be tabled for non-binding advisory votes by shareholders at the annual general meeting, which is taking place on Tuesday, 14 May 2019, further details of which can be found in the notice of the annual general meeting:

1. binding vote on non-executive directors' fees;
2. advisory vote on the remuneration policy; and
3. advisory vote on the implementation of the remuneration policy (remuneration report).

We have included provisions in our remuneration policy to ensure that, in instances where either the remuneration policy or the remuneration report are voted against by 25% or more of the voting rights exercised, the committee will take proactive steps to constructively engage with dissenting shareholders in order to address legitimate and reasonable concerns pertaining to our remuneration practices, procedures and governance and provide detailed feedback on the nature and outcomes of the engagements in the following year's remuneration report.

Included at the back of the 2018 annual statutory report is a perforated and detachable form, which has been included for the benefit of shareholders to allow them to proffer any recommended changes or suggestions in respect of Sun International's remuneration policy, remuneration report and/or remuneration practices. I encourage those shareholders who wish to avail themselves thereof to complete the form and return it to myself, care of the group company secretary.

Finally, I would like to take this opportunity to thank my colleagues for their ongoing support during my inaugural year as the chairman of the committee and welcome the new members to the committee.

Mr PL Campher
Chairman: remuneration committee

PART 2: OVERVIEW OF THE MAIN PROVISIONS OF THE REMUNERATION POLICY

Below we set out an overview of the main provisions of the remuneration policy, as applicable to the senior executives (as defined previously), the general managers and senior managers and on a high level, other employees. The remuneration policy, as it appears in this Part 2 of the remuneration report and which is referenced in the notice of the annual general meeting (AGM) will be put forward for the non-binding vote.

Remuneration governance and the committee

Remuneration policy within the Sun International group is reviewed annually by the committee, which is constituted as explained in the governance report posted on the company's website, which is available at www.suninternational.com/investors. The responsibilities and the composition of the committee, as well as attendances at committee meetings are set out in that report. The mandate of the committee covers, among others, the formulation of remuneration policy as it affects employees at all levels throughout the Sun International group. The committee's terms of reference and this remuneration report, incorporating the remuneration policy, are both available on Sun International's website and can be accessed from www.suninternational.com/investors.

The committee oversees compliance in this respect by the company and its major subsidiary companies with the requirements set out in the JSE Listings Requirements, the principles set out in King IV™ and with the terms of the Companies Act (2008) in relation to the remuneration of senior executives and non-executive directors. Following the publication of King IV™ on 1 November 2016 and its implementation with effect from 1 October 2017, the committee has afforded much attention to the implications and application of the same for Sun International. The committee is satisfied that the remuneration policy of the Sun International group has achieved its stated objectives and except for those changes documented in this report, there have been no material deviations to the said remuneration policy during the year under review. As indicated in Part 1 of this report, Sun International, acting through its major subsidiary, Sun Dreams S.A. in Chile has established a remuneration and nomination committee for its Latam operations. Sun International is also adequately represented on the TCN nomination and governance committee, which oversees remuneration governance and the remuneration of the group's employees in Nigeria.

The members of the Sun Dreams remuneration and nomination committee include, among others, the Sun International chief executive, chief financial officer and Mr Cibie, all of whom attend meetings of the committee. Each of Messrs, Basthdaw, Leeming and Cibie are directors of Sun International. Mr Cibie is also the chairman of the Sun Dreams remuneration and nomination committee. In addition, the Sun International group company secretary also attends meetings of the Sun Dreams remuneration and nomination committee by invitation and is responsible for ensuring that similar principles of remuneration and an equivalent standard of remuneration governance to that adopted in South Africa, is applied in Latam. To avoid conflicts of interest, neither the chief executive of Sun International, nor the chief executive officer of Sun Dreams are members of their respective remuneration committees and both excuse themselves from meetings when their remuneration is discussed.

The company is also guided by international best practice and, to this end, is an active participating member of the International Corporate Governance Network (ICGN) and has substantially aligned its remuneration policy with the best practice standards expounded by the ICGN.

Activities undertaken by the committee during the year

During the year under review, the committee performed those activities, which have been elaborated on by the committee chairman in Part 1 of this remuneration report.

In addition, the committee:

- satisfied itself, following the recommendations received from the trustees of the Sun International Provident Fund, that it would be in the best interests of the relevant group employees to transfer from the Sun International Provident Fund to the Sanlam Umbrella Fund with effect from 1 July 2019;
- applied certain changes agreed by the committee and the board to the annual STI (particularly around the financial performance metrics to be applied to annual STI, the methodology and basis for paying enhanced annual STI where there has been outperformance and implemented amendments to the various long-term share-based incentives, which were approved by shareholders in 2018 and which included the introduction of malus on unvested EGP rights, bonus matching shares and restricted shares, the repayment of dividends received on bonus

matching shares and restricted shares under certain circumstances, the reduction in the number of bonus matching shares awarded to the senior executives and the grant of an increased number of EGP rights to senior executives to compensate them therefore, linked to financial performance conditions; and
- adopted the single figure remuneration concept for the senior executives as disclosed in Part 3 of this remuneration report and as advocated in King IV™.

Remuneration policy in overview

The remuneration policy places an emphasis on rewarding consistent and sustainable individual and corporate performance in the short, medium and long term. It also seeks to ensure that the remuneration of the senior executives is fair and responsible in the context of overall employee remuneration throughout the organisation. Some of the methods in which the remuneration policy seeks to align remuneration practices with the strategic objectives of the business are summarised below.

Strategic objective	Policy highlights
Improving relationships with all external stakeholders	• The interests of senior executives are aligned with the interests of shareholders and with the business strategy as formulated by the board, through the linking of remuneration to sustainable individual performance through the utilisation of performance-based rewards to drive corporate performance. • The company is committed to communication and ensuring that all stakeholders are aware of the remuneration policy.
Emphasising financial sustainability, focusing on profitable growth and capital and cost management	• Remuneration practices seek to reinforce, encourage and promote superior performance through STIs and LTIs. • The company adopts remuneration practices, which reward consistent and sustainable individual and corporate performance. • High-performing employees are rewarded for the contribution they make to the company and/or Sun International group. • To achieve effective cost management, the company manages guaranteed pay levels using total cost of employment (TCOE). Performance management is directly linked to both TCOE and annual STI bonuses. • There is no contractual right to the payment of any STI bonus in any circumstances.
Establishing a unified, group-wide culture	• Remuneration practices are designed to ensure that Sun International and each subsidiary company have a top management team at their helm and top-level expertise available to management at all times. • Sun International group standards are adopted and uniformly applied, while recognising that the different nature of the major underlying units and operating subsidiaries may require a differential approach between them.

Strategic objective	Policy highlights
Develop, retain and attract core skills	• The remuneration policy guidelines have been developed to attract, motivate, reward and retain senior executives and other key personnel by providing attractive, appropriate and market-related remuneration packages. • Our total reward levels are appropriately set to encourage and reward superior performance, while ensuring that market competitive levels are maintained where target performance is met. The company identifies and positions itself against the organisations or companies from which skills are acquired, or to which skills are lost. It also considers and benchmarks itself against similar sized companies in other sectors and in the case of the chief executive (CE), considers international benchmarks of chief executive officer's TCOE in the gaming and hospitality sectors.
Drive sustainable growth and financial sustainability	• Ensure that 'pay mix' is designed to focus on achievable organisational goals and personal objectives. • Total remuneration for senior executives, senior managers, key talent and scarce skills, includes a guaranteed package, an STI and an LTI. • The performance conditions of the STI bonus include both financial performance indicators as well as key performance indicators (KPIs) relevant to each participant, which ensure that pay out is dependent on performance resulting in sustainable growth and financial sustainability. • Similarly, the vesting of awards in terms of the EGP rights scheme is based on performance conditions, which drive sustainable growth and financial sustainability.

Elements of pay

We have set out below the various elements of pay applicable to senior executives, senior managers, as well as other staff (as may be applicable). The following table displays the elements of pay as applicable to senior executives, senior managers, as well as other staff (as may be applicable).

Guaranteed pay

Remuneration is defined in terms of a TCOE package approach; the guaranteed package including base salary, travel allowance (as may be applicable), retirement savings, death, disability and healthcare contributions.

The company positions senior executives, general managers and senior managers' guaranteed pay and total reward to the 50th percentile, while allowing for total reward to reach the 75th percentile, where stretch performance is achieved. This allows STI and LTI to be utilised to reward superior performance, while ensuring that the reward offering remains competitive in the market, allowing us to retain our senior executives, general managers and key talent.

The Sun International group's annual TCOE increase process is performed between October and February each year. Increases are determined by the committee in conjunction with Sun International's executive committee. Consideration for increases takes into account, among others, the following factors: market-related TCOE increases, changes in individual responsibility, individual performance, the performance of the Sun International group as a whole and other relevant economic indicators such as, *inter alia*, affordability and inflation. Overall increases will typically reflect the market benchmark increases, with individual increases varying according to an assessment of individual performance/worth. A job-sizing audit is conducted periodically in order to ensure that the guaranteed pay base remains competitive and relevant to the remainder of the market.

ANNEXURE "C" CONTINUED

STI

The STI is calculated on a formulaic basis, taking each employee's TCOE into account, as well as a specific percentage determined with reference to their job grade. The combination of these two factors is adjusted by a modifier, which is informed by:

(i) financial performance on company-wide KPIs, agreed annually in advance by the committee; and

(ii) a score derived from their personal performance rating, which is based on their achievement of personal KPIs (incorporating a combination of financial and non-financial key strategic objectives/performance indicators).

The personal performance score is stringently set, and an 'exceeding expectations' rating of 4 is required to unlock 100% for this component. This can be enhanced beyond 100% (up to a maximum of 200%) in the event that above target performance was achieved for the financial measures component. This ensures that the maximum STI can only be unlocked where truly exceptional performance has been achieved on both a personal and organisational level.

The modifier can be a maximum of 200%, meaning that the maximum any employee is eligible to receive is 200% of the on-target STI (being their TCOE multiplied by their individual on-target STI percentage).

The diagram below sets out how individual STIs are calculated:

TCOE X **On-target** X **Modifier (0 to 200%)**

On-target

Job grade	OT%
CE	85%
CFO, COO, CSOO	60%
Other senior executives including large unit general managers	50%
Remaining unit general managers/ group senior managers	40%
Group managers	30%

Modifier (0 to 200%)

<table>
<tr><th></th><th>70%</th><th>30%</th></tr>
<tr><th></th><th>Financial measures</th><th>Personal measures</th></tr>
<tr><td>CE,
CFO,
director of corporate services</td><td>Group EBITDA – (50% weighting)
Group ADHEPS – (20% weighting)</td><td rowspan="3">Measured against individual KPIs and awarded a performance rating as follows:
• Performance rating of 2.5 or less – 0% score
• Performance rating between 2.5 and 3 –linear vesting from 0% at 2.5 rating to 70% at 3 rating
• Performance rating between 3 and 4 – linear vesting from 70% at 3 rating to 100% at 4 rating
• Performance rating of 4 and above – 100% score
In circumstances where financial performance has exceeded on-target levels, senior executives, general managers and other senior managers will be entitled to an enhancement of the KPI portion of their STI, calculated as follows:
• On-target or budget achievement of financial measures = no enhancement factor of KPI portion of STI
• Achievement of 105% of on target achievement of financial measures = 50% enhancement factor
• Achievement of Stretch, target (110% of on target) of on-target achievement of financial measures = 100% enhancement factor</td></tr>
<tr><td>Other senior executives</td><td>SA EBITDA (50% weighting)
Group ADHEPS – (20% weighting)</td></tr>
<tr><td>Senior managers, general managers and other qualifying managers</td><td>SA EBITDA (14% weighting)
Group ADHEPS – (6% weighting)
Unit's EBITDA (45% weighting)
Unit's operating free cash flow (5% weighting)</td></tr>
</table>

Targets for the financial measures:

- Financial performance indicators making up 70% of the STI (incorporating a minimum, on-target and stretch targets) are based on actual targets set by the committee with reference to board-approved budgets.
- For the financial performance component to be unlocked (i.e. any value to accrue) a minimum threshold performance level of 90% of the on-target needs to be achieved. Threshold performance for any financial measure will thus unlock 0% score for that measure. On-target performance is generally aligned with budget, and will unlock 100% score for that financial measure, and stretch performance is set at 110% of budget, and will unlock 200% score for that financial measure.
- Linear vesting takes place between the minimum (threshold) and on-target, as well as between the on-target and stretch targets.

Example

- Personal performance rating of 3
- Stretch performance achieved for financial measures
- TCOE of R1 000 000
- On-target STI % of 50%

Step 1: Calculation of the on-target STI

= TCOE x on-target %

= R1 000 000 x 50%

= R500 000

Step 2: Calculation of the modifier

Financial measures

Stretch achievement, results in 200% modifier

= 70% (weighting) x 200%

= 140%

Personal measures

3 rating results in 70% score

Enhancement of personal performance score due to stretch achievement of financial measures

= 30% (weighting) x 70% x 200%

= 42%

Modifier = 140% + 42%

Step 3: Calculation of the STI payment

= On-target STI x modifier

= R500 000 x (140% + 42%)

= R500 000 x (182%)

= R910 000

The long-term share-based incentive plans

The existing LTI plans for senior managers and above are described below. However, we intend to put a new LTI share plan to vote at a special general meeting during 2019, which, if approved will form the main share plan used for senior executives, general managers and certain senior managers (depending on Hay grade) going forward. Until the new LTI is approved, the existing plans will continue to be used.

ANNEXURE "C" CONTINUED

Subject to shareholder approval of the new LTI, existing awards in terms of the EGP will be run their course until there are no further EGP rights to be exercised, and no further grants of EGP rights will be made;

The current plans include:

- an EGP rights element; and
- a bonus share matching plan (BSMP) element (which includes bonus matching shares (BMS) and restricted shares).

	EGP	**BSMP**	
	EGP rights	BMS	Restricted shares
Nature of instrument	EGP rights operate on a similar principle to share appreciation rights. EGP rights are conditional rights that provide participants with the right to receive shares to the value of the appreciation of the share price from the grant date to the vesting date subject to certain performance conditions being met.	BMS are forfeitable shares, which are awarded based on performance during the previous financial year, quantified as a specified percentage of the preceding financial year's pre-tax STI bonus.	Restricted shares are forfeitable shares made to key employees or prospective employees for a retention award or buy-out/sign-on wards, in exceptional circumstances and limited to senior executives.
On-target award levels	The number of annual EGP rights are determined based on the seniority of the employee concerned. • CE: 257% of TCOE • CFO, COO and CSOO: 168% of TCOE • Excom members (excluding the above but including large unit general managers): 158% • Operational smaller unit general managers/senior group managers: 64% • Group managers: 24% These percentages represent the maximum face value of the EGPs and not the value of the EGP.	The number of annual BMS awarded is determined based on the seniority of the employee concerned. **BMS %** The following percentages are applied to the pre-tax STI to determine the number of BMS granted: • CE: 25% • CFO, COO and CSOO: 25% • Executive committee members (excluding the above and general managers): 25% • Operational unit general managers/senior group managers: 25% to 35% • Group managers: 50% to 75%	

	EGP	BSMP	
	EGP rights	BMS	Restricted shares
Frequency of awards and vesting period	• Annual awards • Three-year vesting period (performance condition tested after three years) • Exercise period of four years after vesting date after which the right lapses	• Annual awards • Three-year vesting period	• No annual awards of restricted shares • From time to time and on an ad hoc basis • Three to five-year vesting period
Applicable conditions	• As mentioned, if the new LTI is adopted during the FY2019 year, no future grants of EGP rights will be made	The shares are forfeited if the participant terminates employment during the vesting period, with the exception of certain 'no fault' terminations as provided for by the rules of the BSMP.	
Malus and clawback	Malus applies to unvested EGP rights in the event of certain 'trigger events' occurring.	Malus applies to unvested awards in the event of certain 'trigger events' occurring. In the event of fault terminations prior to the vesting date, participants are required to repay dividends received in terms of these awards.	
Limits	The maximum aggregate number of Sun International ordinary shares which have been reserved for the LTI plans and which were previously approved by shareholders is limited to 10 780 000 shares, equating to approximately 7.88% of the total issued ordinary shares of Sun International. The maximum aggregate number of Sun International ordinary shares which may be held by an individual participant under the LTI plans is limited to 1 078 026 shares, equating to approximately 0.79% of the total issued ordinary shares of Sun International. Historically, as and when Sun International has awarded and/or delivered shares to participants under the LTI plans, it has purchased these shares in the open market at the ruling share price to avoid having to issue new shares and thereby dilute shareholders' interests. In line with comments raised with shareholders during 2018, Sun International will be reviewing the number of shares reserved for the share plans and individual participants respectively, when it tables the proposed new LTI to shareholders during 2019.		

Proposed new LTI

Below we set out the high-level principles of the proposed new LTI intended to be introduced for senior executives, general managers and certain selected senior managers. However, we intend to embark upon a shareholder engagement process preceding the calling of a special general meeting in which we will request the approval of the proposed new LTI, to engage with shareholders in more detail regarding the proposed plan.

The principles which will govern the proposed new LTI will be as follows:

- LTI awards will be limited to market-appropriate annual LTI award levels.

ANNEXURE "C" CONTINUED

- performance awards, subject to an employment condition of three years, and performance conditions.
- a portion of the new LTI will be through the company matching what a participant chooses to invest in Sun International shares utilising the proceed of their STI, subject to a maximum amount. This will be considered in light of tax efficiencies and reward strategy.
- the balance of the new LTI will be through the company awarding shares with performance conditions which will include returns measures. The performance measures currently being considered are:
  - 50% on investor capital (adopting economic value added principles);
  - 50% on ADHEPS (targets to be agreed at date of each award);
- malus provisions and clawback of dividends will apply, should certain trigger events occur.
- termination of employment provisions will be aligned with best market practice and good governance.

The remuneration of senior executives

Contractual provisions of senior executives

No special contractual arrangements apply to the appointments of and termination of employment of the senior executives and no fixed-term contracts of employment remain to be fulfilled.

For senior executives, notices of termination vary between one month and a maximum of six months. For other group employees, notices of termination range from one to three months. Severance packages are not less than the minimum prescribed by law at the relevant time, but may in special circumstances be negotiated on more preferential terms.

Although, in line with prevailing practice in South Africa, the committee has the discretion to negotiate separation payments with executives, none of the senior executives of Sun International have special termination benefits or balloon payment provisions in their employment contracts.

The Sun International CE is subject to a restraint of trade condition prohibiting him from taking up employment with competing organisations for a period of 12 months after the termination of his employment. No additional consideration is paid to the CE in terms of his restraint.

External appointments and board meeting attendance of executive directors

Executive directors do not draw any additional remuneration for attending the main board or the subsidiary company board meetings. Sun International executive directors who sit on internal boards of companies forming part of the Sun International group do not personally receive fees for serving on the boards of those companies.

Policies affecting non-executive directors

The remuneration of the Sun International non-executive directors

Non-executive directors conclude service contracts, with the company upon appointment, which are distinct from employment contracts. While the appointment of non-executive directors is considered and resolved based on proposals received from the Sun International nomination committee, the remuneration of non-executive directors is based on proposals submitted by executive management (in conjunction with independent remuneration consultants) to shareholders for approval.

The percentage increases, if any, to the non-executive directors' fees, which are tabled annually by Sun International at its AGM for shareholder approval, are disclosed in the notes to each of the special resolutions pertaining to the non-executive directors' remuneration, in the notice of the AGM.

During 2018 the committee reviewed the peer group of similar sized companies to Sun International against which executive remuneration and non-executive director fees will be benchmarked in future. Certain changes were made to the peer group agreed upon in 2017 namely, Illovo Sugar, which delisted, was removed from the list and replaced by the City Lodge Hotels Group. Life Health Care Group, the Foschini Group and Truworths International were also removed and replaced by Phumelela Limited (Gaming) and Famous Brands Limited (Food and Beverage).

These companies include the following:

- City Lodge Hotels Limited;
- Tsogo Sun Holdings Limited;
- RCL Foods Limited;
- AVI Limited;
- Famous Brands Limited;
- Phumelela Limited;
- Astral Foods Limited;
- Lewis Group Limited;
- Clover Industries Limited; and
- Distell Group Limited.

It is considered good market practice to include at least 12 companies in a comparator group to ensure that a statistically accurate quartile analysis is derived for benchmarking purposes.

These additional companies have been identified and chosen based on a closeness metric, which considers turnover, number of employees, total assets and EBITDA. Seven of the companies listed above have been included in Sun International's comparator group used since 2014.

Non-executive director remuneration is determined and paid in the form of an annual fee (or 'retainer'). Previously Sun International paid a retainer and an attendance fee to its non-executive directors during the year, but since 2018 and in line with best market practice, has moved to paying only a retainer. This annual retainer is paid by way of four equal instalments, quarterly in arrears. Non-executive directors do not receive STIs, and do not participate in Sun International's long-term share-based incentive plans.

The remuneration of non-executive directors is reviewed annually by the committee, and is compared to the median of the selected peer companies. The term of office of non-executive directors is governed by the Sun International memorandum of incorporation, which provides that:

- non-executive directors who have served for three years will retire by rotation, but may, if eligible, offer themselves for re-election for a further three-year term;
- non-executive directors who have served for more than nine years will retire at the end of each year thereafter, but may, if eligible, be re-elected annually for further periods of one year at a time; and
- non-executive directors who have attained the age of 70 years will likewise retire at the end of each year thereafter, but may, if eligible, be re-elected annually for further periods of one year at a time.

Non-executive directors' expenses

The travel and accommodation expenses of non-executive directors and premiums for directors' and officers' insurance cover are paid by Sun International in terms of a formal approved policy.

Non-executive directors' duties and responsibilities

Non-executive directors' fees resolutions and non-binding advisory vote

The resolutions relating to Sun International non-executive director fees for the 12-month period commencing on 1 July 2019 can be found in Sun International's notice of AGM at www.suninternational.com/investors

Shareholders are requested to cast a non-binding advisory vote on Part 2 of this report at the company's AGM to be held on Tuesday, 14 May 2019.

ANNEXURE "C" CONTINUED

PART 3: IMPLEMENTATION OF REMUNERATION POLICY FOR THE 2018 FINANCIAL YEAR

Guaranteed package increases

The overall TCOE increase for the Sun International group during 2018 was approved at 5.0% (compared to 4.4% in 2017, as a result of the pro-rata eight-month period 1 July 2016 to 28 February 2017 following the change to the company year-end) in respect on non-bargaining unit employees, with the actual lift at 4.8% (compared to actual lift of 4.2% in 2017). In terms of the wage agreement concluded with SACCAWU the lift in wages was 6.9%.

The committee conducts an annual benchmark of the guaranteed pay of the Sun International senior executives, which is considered when TCOE increases are awarded. From time to time, the committee uses the services of, 21st Century and Korn Ferry/The Hay Group to benchmark the remuneration of its senior executives and senior managers as follows:

- senior executives and senior managers against the 50th percentile of those peer companies agreed by the committee, which are listed on the JSE Limited;
- employees with scarce or technical skills against the 50th to 75th percentile of the relevant benchmarks prepared by PwC, 21st Century and Korn Ferry/The Hay Group from time to time (which includes appropriate comparator companies within the gaming and hospitality sectors);
- other employees against the 50th percentile of the hospitality survey prepared by 21st Century and the gaming survey prepared by Korn Ferry/The Hay Group; and
- due to the Sun International group operating in a globally attractive sector, it recognises that its employees are highly mobile. Accordingly, the committee deems it appropriate to obtain benchmarks for the remuneration of the senior executives using both JSE listed company data and other relevant international benchmarks, as appropriate. Benchmarks against comparative sized JSE listed companies take into account financial data including revenue, profit before tax, profit after tax, assets, employee costs and market capitalisation. When benchmarking against the various other surveys, the committee takes into consideration revenue, profit before tax, assets and payroll or the number of employees.

Guaranteed packages of the Sun International executive directors and prescribed officers were increased at an average level of 5% whilst Mr J Wilhelm, the chief executive officer in Chile, received an inflationary increase of 2.7% which was payable in Chilean Pesos.

Achievement of variable pay targets for annual STI bonus

The table below reflects the performance-based financial achievements of Sun International for the 2018 financial year. The STI bonuses earned by each South African senior executive is calculated in accordance with the achievements of both the group and the relevant underlying operating unit's performance.

As detailed in Part 2, for senior executives, the financial performance component of the STI has a weighting of 70%, with the personal KPI component weighted at 30%. The resulting financial performance and personal KPI percentages are added to achieve the final STI bonus, which is earned.

The financial component (70% weighting) for the senior executives was measured against the following indicators:

Company	Adjusted HEPS growth (Cents) (Group)* Weighting: 35%		Operating free cash flow (Rm) (Group) Weighting: 35%	
	Target	**Actual**	**Target**	**Actual**
Sun International senior executives	470	316	2 878	2 823

** There was zero achievement of the AHEPS targets at unit level.*

Sun

The remaining 30% of the senior executives' STI bonus is based on the achievement of personal KPIs. The personal KPIs for the senior executives take into account the strategic direction of the Sun International group at the time.

For the 2018 financial year, the following were of strategic importance, and informed the senior executives' KPIs:

- the bedding down of the multiple acquisitions made in recent years and the extraction of value therefrom;
- improving our guests experience and creating efficiency and optimisation around our processes;
- the closing of certain loss making operations in South Africa and Latam and the opening of the Time Square Hotel, casino and arena;
- the progression of certain land development opportunities within South Africa;
- the conclusion of certain key acquisitions in Latam, namely Thunderbird Resorts in Peru and The Park Hyatt in Argentina;
- BEE and in particular employment equity – all senior executives have employment equity targets as part of their KPIs; and
- monitoring and where appropriate ensuring that we implement and comply with King IV™.

The below tables set out more detail relating to the CE and CFO bonus outcomes, including detail surrounding their personal performance during the year.

CE STI outcomes

	Weighting	**Achievement**
Financial performance	70%	**Adjusted HEPS growth – threshold was not met,** resulting in a 0% score for this component of 35%, translating to a weighted score of 0% **Operating free cash flow – target was almost met,** resulting in a 98.1% score for this component of 35%, translating to a weighted score of 34.3%
Personal performance	30%	Anthony's personal performance rating translated to a weighted score of **33%**
Total modifying percentage		34.3% + 33% = **67.3%**

Highlights of Anthony's performance during the year included managing the cash flow well, successfully implementing the rights offer, and achieving significant cost savings through a heightened efficiency optimisation and cost focus exercise.

In addition to these highlights, other aspects regarding Anthony's performance included:

- *good progress was made with the revisiting of business processes, structures and system utilisation, and this focus will continue into 2019 to ensure that the changes result in value creation;*
- *only partial approval was obtained for the Boardwalk restructure, with the restructure still to be implemented in 2019 and beyond;*
- *major challenges were resolved around the shareholding and management structure in the Wild Coast in anticipation of the licence renewal;*
- *while there was slow progress regarding the land development opportunities, it is noted that this is the nature of such developments, with some withdrawals by developers resulting in a setback, and the need to secure new developers and investors; and*
- *good progress was made in the Latam region, with Monticello and Mendoza trading ahead of expectation while Thunderbird is trading slightly behind.*

ANNEXURE "C" CONTINUED

CFO STI outcomes

	Weighting	Achievement
Financial performance	70%	**Adjusted HEPS growth – threshold was not met,** resulting in a 0% score for this component of 35%, translating to a weighted score of 0% **Operating free cash flow – target was almost met,** resulting in a 98.1% score for this component of 35%, translating to a weighted score of 34.3%
Financial performance	30%	Norman's performance rating translated to a weighted score of **37.5%**
Total modifying percentage		34.3% + 37.5% = **71.8%**

Highlights of Norman's performance during the year included the integration and implementation of the roll-out of Cognos, a financial reporting system to streamline and improve management and statutory reporting across the group and the conclusion of a successful capital raise/rights offer for Sun International.

In addition to these highlights, other aspects regarding Norman's performance included:

- *rationalisation of the group structure by cleaning up several legacy structures from the past;*
- *rolling out of a shared services centre; and*
- *restructuring of the Sun International's balance sheet.*

The below table represents all senior executives' bonuses represented as both a ZAR value and as a percentage of TCOE.

Name of executive director/prescribed officer	Bonus R	% of TCOE
Anthony Leeming	4 507 237	57
Norman Basthdaw	1 719 730	43
Thabo Mosololi	1 545 642	37
Zaine Miller	1 042 580	31
Khati Mokhobo	945 105	29
Verna Robson	924 481	31
Catherine Nyathi	1 102 437	36
Andrew Johnston	1 131 401	36
Jaime Wilhelm[1]	4 371 597	74*
Rob Collins[2]	Nil	N/A

[1] Jaime Wilhelm received an STI in Pesos, which has been converted to ZAR.
[2] Rob Collins did not receive an STI in respect of FY2018.
** Jaime Wilhelm's STI has been expressed as a percentage of his base pay.*

General managers, senior managers and other managers

The financial component (66.67% weighting) for the general managers, senior managers and other managers was measured against the following indicators:

Company	EBITDA (Rm) (SA group)		EBITDA (Rm) (SA unit)*	
	Target	Actual	Target	Actual
Sun International general managers, senior managers and other managers	3 178	3 140	3 178	3 074

* *Unit EBITDA is capped between 80% and 120% of budget. Certain adjustments beyond the control of management were made and approved by the committee, including, inter alia, the increase in VAT and certain legal fees.*

The remaining 33.33% of the general managers, senior managers and other managers' STI bonus was based on the achievement of personal KPIs.

The LTI share-based plans

LTIs granted and awarded

During June 2018, Sun International granted EGP rights and awarded BMS to qualifying participants, in terms of the rules of the LTI plans. During 2018, senior executives were granted a greater number of EGP rights (with financial performance conditions) and a fewer number of BMS (with no prospective financial performance conditions).

For the 2018 grants of EGP rights, revised performance targets were applied. The vesting of the EGP rights will be based on the growth in audited adjusted headline earnings per ordinary share (ADHEPS). The growth in the Consumer Price Index (CPI) for metropolitan and other urban areas as supplied by Statistics SA will be used to calculate performance as follows:

- the threshold performance target CPI growth + 6% over the three-year vesting period; and
- the on-target performance target is CPI growth + 20% over the three-year vesting period.

Linear vesting will occur between threshold and on-target performance (threshold = 0% vesting, on-target = 100% vesting.

These targets were significantly more stretching than the targets relating to EGP rights granted in previous years.

Subject to the achievement of the conditions attaching to these EGP rights and BMS, the first tranche of EGP rights, as well as the BMS, will vest in June 2021.

LTI vesting outcomes

The vesting of EGP rights granted is based on the achievement of performance conditions measured over a three-year period. The 2015 grants did not vest as the vesting criteria were not met.

BMS and restricted shares

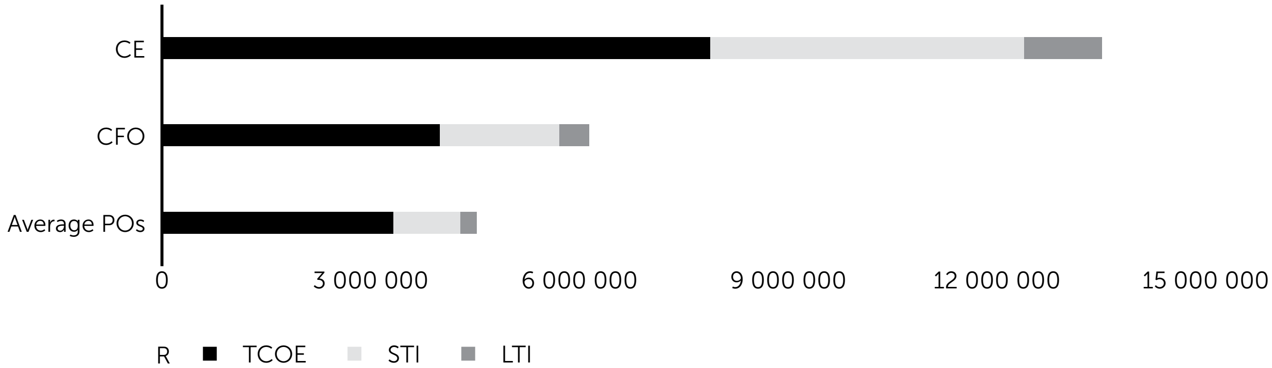
Certain BMS and restricted shares awarded to participants in 2015, vested during 2018 in respect of those participants who remained employed by the Sun International group at the vesting date.

Total remuneration outcomes of the executive directors

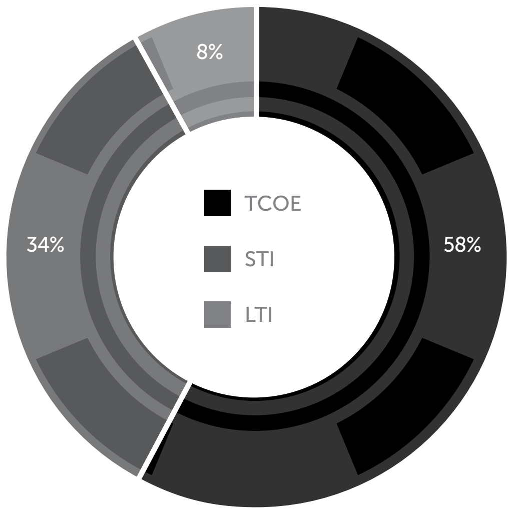
The composition of remuneration outcomes during the 2018 financial year for the executive directors are represented graphically on the following page.

ANNEXURE "C" CONTINUED

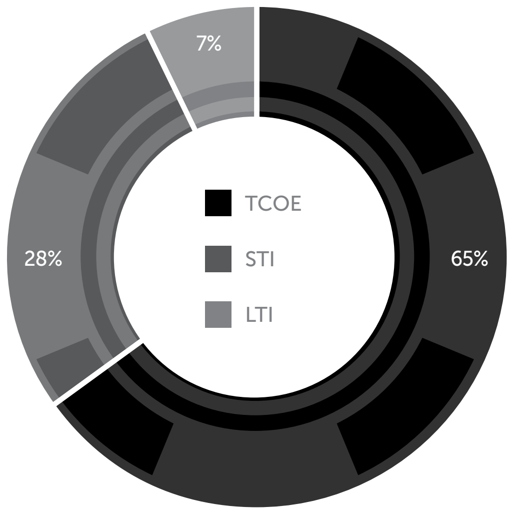
Total remuneration outcomes of the executive directors and prescribed officers (POs)



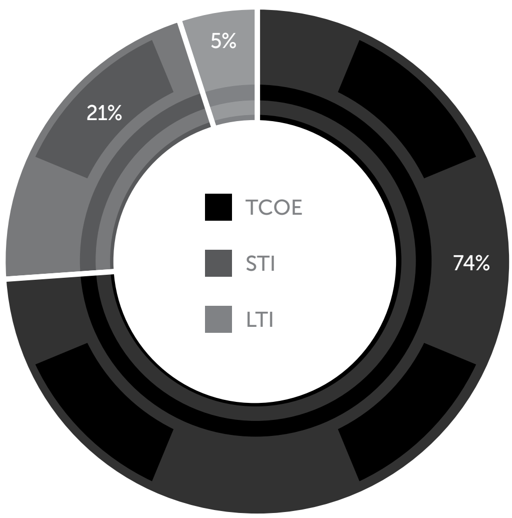
CE



CFO



Average POs



Details of remuneration paid

As indicated in the 2017 remuneration report, Sun International committed to report on the executive directors' and other prescribed officers' emoluments in a single figure format in the 2018 remuneration report, as recommended in Principle 14 of King IV™.

Accordingly, the remuneration of executive directors and prescribed officers of Sun International for the past two financial years, in a single figure format, is shown in the table below.

Total single figure of remuneration (income statement)

Executive directors and prescribed officers	Financial year	Base salary[1] R	Retirement[2] R	Bonus Performance-related payment[3] R	Other[4,8] R	LTI reflected[5,6] R	Total single figure of remuneration R
Executive directors							
AM Leeming	2017	6 212 632	851 019	2 832 370	210 016	708 092	10 814 129
	2018	**6 676 750**	**914 062**	**4 507 237**	**221 688**	**1 126 809**	**13 446 546**
N Basthdaw	2017	2 893 740	496 259	1 254 000	21 924	313 500	4 979 423
	2018	**3 365 089**	**570 000**	**1 719 730**	**23 244**	**429 933**	**6 107 996**
DR Mokhobo[9]	2017	2 313 114	523 994	685 537	227 184	171 384	3 921 213
	2018	**2 423 758**	**549 688**	**945 105**	**241 104**	**236 276**	**4 395 931**
Prescribed officers							
R Collins	2017	3 936 319	889 537	1 250 713	116 016	312 678	6 505 263
	2018	**3 587 351**	**818 257**	**–**	**140 264**	**–**	**4 545 872**
AG Johnston	2017	2 404 340	350 025	767 425	237 302	191 856	3 950 948
	2018	**2 533 127**	**365 625**	**1 131 401**	**226 248**	**282 850**	**4 539 251**
MZ Miller	2017	2 469 111	578 699	762 847	167 184	190 712	4 168 553
	2018	**2 584 463**	**607 076**	**1 042 580**	**181 104**	**260 645**	**4 675 868**
TF Mosololi	2017	3 438 574	461 520	1 320 000	44 520	330 000	5 594 614
	2018	**3 631 239**	**487 500**	**1 545 642**	**47 928**	**386 411**	**6 098 719**
C Nyathi	2017	2 563 055	339 612	649 379	–	162 345	3 714 391
	2018	**2 688 735**	**356 265**	**1 102 437**	**–**	**275 609**	**4 423 046**
VL Robson	2017	2 378 393	410 517	734 420	61 903	183 605	3 768 838
	2018	**2 498 054**	**430 647**	**924 481**	**61 903**	**231 120**	**4 146 205**
J Wilhelm	2017	5 738 655	–	3 369 057	1 648 951	–	10 756 663
	2018	**5 876 194**	**–**	**4 371 597**	**3 132 518**	**–**	**13 380 309**
Former							
GE Stephens[7]	2017	2 053 266	281 054	–	580 540	–	2 914 860
	2018	**–**	**–**	**–**	**–**	**–**	**–**

1 *Base rate salary reporting on the 2017 and 2018 financial year.*

2 *Benefits are reported as the sum of retirement contributions for the 2017 and 2018 financial years.*

3 *The short-term incentive bonus known as the executive bonus scheme (EBS) is payable on the basis of achieving the budgeted results at the Sun International group and operational level, as well as KPI or personal performance objectives for the 2017 and 2018 financial years.*

4 *Other benefits include the medical aid contributions and car allowance for the 2017 and 2018 financial years.*

5 *The 2015 and 2014 EGP grants are underwater and are therefore included at a zero estimated fair value.*

6 *The 2018 and 2019 BMS share award is based on a 25% match of the participants 2017 and 2018 EBS bonus.*

7 *Mr GE Stephens resigned on 30 April 2017.*

8 *Mr J Wilhelm's other benefits include housing allowance, transport allowance, independence day bonus, Christmas bonus, legal bonus, and annual bonus.*

9 *Mr DR Mokhobo resigned as an executive director on 5 September 2018.*

ANNEXURE "C" CONTINUED

The follow table reflects the status of unexercised EGP rights, BMS and restricted shares held by executive directors and prescribed officers and the gains made by them as a result of past awards during the year

REMUNERATION OF KEY MANAGEMENT

Unvested LTIs awards and cash value of settled award

Incentives scheme	Award date	Award price	Vesting date	Opening number on 1 Jan 2017	Awarded during 2017	Shares forfeited/ lapsed 2017	Share settled/ vested 2017	Closing number as at 31 Dec 2017	Value of receipts 2017 [6]	Estimated closing fair value as at 31 Dec 2017 [1, 2, 3, 4, 5]
									R	R
AM Leeming	**Executive director**									
EGP	27/06/2014	109.65	26/06/2017	42 058.00		(42 058)		–		–
EGP	26/06/2015	111.21	26/06/2018	44 673.00				44 673		–
EGP	27/06/2016	87.52	30/06/2019	59 033.00				59 033		809 047
EGP	20/06/2017	59.66	20/06/2020		108 109			108 109		3 033 539
EGP	15/06/2018	60.08	15/06/2021					–		
BSMP	11/09/2014	112.33	11/09/2017	14 255.00			(14 255)	–	683 507	
BSMP	14/09/2015	104.82	14/09/2018	16 754.00				16 754		1 033 615
BSMP	09/09/2016	90.86	09/09/2019	18 139.00				18 139		1 119 060
BSMP	20/06/2017	54.85	20/06/2020		6 983			6 983		430 806
BSMP	15/06/2018	60.07	15/06/2021					–		
Total									683 507	6 426 068
N Basthdaw	**Executive director**									
EGP	27/06/2014	109.65	26/06/2017	19 699.00		(19 699)		–		
EGP	26/06/2015	111.21	26/06/2018	20 685.00				20 685		–
EGP	27/06/2016	87.52	30/06/2019	27 335.00				27 335		374 626
EGP	20/06/2017	59.66	20/06/2020		34 394			34 394		965 096
EGP	15/06/2018	60.08	15/06/2021					–		
BSMP	11/09/2014	112.33	11/09/2017	7 828.00			(7 828)	–	375 342	
BSMP	14/09/2015	104.82	14/09/2018	6 539.00				6 539		403 415
BSMP	09/09/2016	90.86	09/09/2019	5 999.00				5 999		370 100
BSMP	20/06/2017	54.85	20/06/2020		2 463			2 463		151 951
BSMP	15/06/2018	60.07	15/06/2021					–		
RSP	08/04/2016	70.63	08/04/2019	15 079.00				15 079		930 278
Total									375 342	3 195 466
RD Mokhobo	**Executive director**									
EGP	27/06/2014	109.65	26/06/2017	26 286.00		(26 286)		–		
EGP	26/06/2015	111.21	26/06/2018	27 602.00				27 602		–
EGP	27/06/2016	87.52	30/06/2019	36 475.00				36 475		499 890
EGP	20/06/2017	59.66	20/06/2020		27 931			27 931		783 744
EGP	15/06/2018	60.08	15/06/2021					–		
BSMP	11/09/2014	112.33	11/09/2017	6 497.00			(6 497)	–	311 522	
BSMP	14/09/2015	104.82	14/09/2018	8 196.00				8 196		505 641
BSMP	09/09/2016	90.86	09/09/2019	6 702.00				6 702		413 471
BSMP	20/06/2017	54.85	20/06/2020		3 286			3 286		202 725
BSMP	15/06/2018	60.07	15/06/2021					–		
Total									311 522	2 405 470

Awarded during 2018	Shares forfeited/ lapsed 2018	Share settled/ vested 2018	Closing number as at 31 Dec 2018	Value of receipts[13] 2018 R	Estimated closing fair value as at 31 Dec 2018[8, 9, 10, 11, 12] R
			–		–
	(44 673)		–		–
			59 033		–
			108 109		–
686 919			686 919		12 178 647
			–		
		(16 754)	–	989 117	–
			18 139	23 923	1 137 800
			6 983	9 210	438 021
11 788			11 788	15 547	739 423
				1 037 796	14 493 891
			–		
	(20 685)		–		
			27 335		–
			34 394		–
311 590			311 590		5 524 297
			–		
		(6 539)	–	386 841	–
			5 999	8 640	376 298
			2 463	3 547	154 496
5 219			5 219	7 517	327 371
			15 079	21 717	945 856
				428 262	7 328 318
			–		
	(27 602)		–		
			36 475		–
–			27 931		–
85 228			85 228		1 511 040
			–		
		(8 196)	–	492 349	–
			6 702	15 770	420 394
			3 286	7 732	206 120
2 853			2 853	6 713	178 959
				522 564	2 316 513

ANNEXURE "C" CONTINUED

Incentives scheme	Award date	Award price	Vesting date	Opening number on 1 Jan 2017	Awarded during 2017	Shares forfeited/ lapsed 2017	Share settled/ vested 2017	Closing number as at 31 Dec 2017	Value of receipts[6] 2017 R	Estimated closing fair value as at 31 Dec 2017[1, 2, 3, 4, 5] R
R Collins	**Prescribed officer**									
EGP	27/06/2014	109.65	26/06/2017	39 430.00		(39 430)		–		
EGP	26/06/2015	111.21	26/06/2018	44 673.00				44 673		–
EGP	27/06/2016	87.52	30/06/2019	59 033.00				59 033		809 047
EGP	20/06/2017	59.66	20/06/2020		45 205			45 205		1 268 452
EGP	15/06/2018	60.08	15/06/2021					–		
BSMP	11/09/2014	112.33	11/09/2017	5 013.00			(5 013)	–	263 746	
BSMP	14/09/2015	104.82	14/09/2018	14 752.00				14 752		910 104
BSMP	09/09/2016	90.86	09/09/2019	15 186.00				15 186		936 879
BSMP	20/06/2017	54.85	20/06/2020		7 446			7 446		459 371
BSMP	15/06/2018	60.07	15/06/2021					–		
RSP	01/01/2014	94.42	01/01/2017	21 069.00		(21 069)		–		
RSP	24/08/2015	100.01	24/05/2018	45 994.00				45 994		2 837 536
Total									263 746	7 221 390
AG Johnston	**Prescribed officer**									
EGP	20/06/2017	59.66	20/06/2020		27 153			27 153		761 913
EGP	15/06/2018	60.08	15/06/2021					–		
BSMP	20/06/2017	54.85	20/06/2020		3 280			3 280		202 355
BSMP	15/06/2018	60.07	15/06/2021					–		
RSP	16/11/2016	79.06	16/11/2019	18 656.00				18 656		1 150 956
Total									–	2 115 224
MZ Miller	**Prescribed officer**									
EGP	27/06/2014	109.65	26/06/2017	27 579.00		(27 579)		–		
EGP	26/06/2015	111.21	26/06/2018	28 960.00				28 960		–
EGP	27/06/2016	87.52	30/06/2019	38 269.00				38 269		524 477
EGP	20/06/2017	59.66	20/06/2020		29 305			29 305		822 298
EGP	15/06/2018	60.08	15/06/2021					–		
BSMP	11/09/2014	112.33	11/09/2017	3 603.00			(3 603)	–	189 563	
BSMP	14/09/2015	104.82	14/09/2018	8 599.00				8 599		530 503
BSMP	09/09/2016	90.86	09/09/2019	7 032.00				7 032		433 829
BSMP	20/06/2017	54.85	20/06/2020		3 448			3 448		212 720
BSMP	15/06/2018	60.07	15/06/2021					–		
RSP	08/04/2016	70.63	08/04/2019	21 110.00				21 110		1 302 352
Total				135 152.00					189 563	3 826 180
TF Mosololi	**Prescribed officer**									
EGP	27/06/2016	87.52	30/06/2019	46 200.00				46 200		633 171
EGP	20/06/2017	59.66	20/06/2020		36 204			36 204		1 015 884
EGP	15/06/2018	60.08	15/06/2021					–		
BSMP	11/09/2014		11/09/2017	–				–		
BSMP	14/09/2015		14/09/2018	–				–		
BSMP	09/09/2016	87.52	09/09/2019	3 220.00				3 220		198 653
BSMP	20/06/2017	59.66	20/06/2020		4 078			4 078		251 587
BSMP	15/06/2018	60.08	15/06/2021					–		
RSP	22/02/2016	70.09	22/02/2019	76 164.00				76 164		4 698 832
Total									–	6 798 128

Awarded during 2018	Shares forfeited/ lapsed 2018	Share settled/ vested 2018	Closing number as at 31 Dec 2018	Value of receipts 2018 [13] R	Estimated closing fair value as at 31 Dec 2018 [8, 9, 10, 11, 12] R
			–		
	(44 673)		–		
			59 033		–
–			45 205		–
139 683			139 683		2 476 493
			–		
		(14 752)	–	894 195	–
			15 186	43 984	952 568
			7 446	21 566	467 063
5 205			5 205	15 076	326 493
			–	61 023	–
		(45 994)	–	2 787 936	–
				3 823 781	4 222 617
–			27 153		–
96 092			96 092		1 703 651
			3 280	7 795	205 744
3 194			3 194	7 590	200 349
			18 656	44 334	1 170 230
				59 719	3 279 974
			–		
	(28 960)		–		
			38 269		–
–			29 305		–
104 779			104 779		1 857 667
			–		
		(8 599)	–	520 386	
			7 032	19 677	441 094
			3 448	9 648	216 282
3 175			3 175	8 884	199 157
			21 110	59 069	1 324 161
				617 663	4 038 361
			46 200		–
–			36 204		–
217 463			217 463		3 855 484
			–		
			–		
			3 220	8 675	201 980
			4 078	10 986	255 800
5 494			5 494	14 801	344 621
			76 164	205 190	4 777 519
				239 652	9 435 403

ANNEXURE "C" CONTINUED

Incentives scheme	Award date	Award price	Vesting date	Opening number on 1 Jan 2017	Awarded during 2017	Shares forfeited/ lapsed 2017	Share settled/ vested 2017	Closing number as at 31 Dec 2017	Value of receipts 2017 [6] R	Estimated closing fair value as at 31 Dec 2017 [1, 2, 3, 4, 5] R
C Nyathi	**Prescribed officer**									
EGP	27/06/2016	87.52	30/06/2019	34 551.00				34 551		473 521
EGP	20/06/2017	59.66	20/06/2020		26 458			26 458		742 411
EGP	15/06/2018	60.08	15/06/2021					–		
BSMP	20/06/2017	59.66	20/06/2020		3 113			3 113		192 052
BSMP	15/06/2018	60.08	15/06/2021					–		
RSP	01/06/2016	74.71	01/06/2019	20 224.00				20 224		1 247 692
Total									–	2 655 677
VL Robson	**Prescribed officer**									
EGP	27/06/2014	109.65	26/06/2017	–				–		
EGP	26/06/2015	111.21	26/06/2018	22 754.00				22 754		–
EGP	27/06/2016	87.52	30/06/2019	33 934.00				33 934		465 065
EGP	20/06/2017	59.66	20/06/2020		25 985			25 985		729 139
EGP	15/06/2018	60.08	15/06/2021					–		
BSMP	11/09/2014	112.33	11/09/2017	3 475.00			(3 475)	–	182 828	
BSMP	14/09/2015	104.82	14/09/2018	4 845.00				4 845		298 906
BSMP	09/09/2016	90.86	09/09/2019	4 988.00				4 988		307 728
BSMP	20/06/2017	54.85	20/06/2020		3 057			3 057		188 597
BSMP	15/06/2018	60.07	15/06/2021					–		
RSP	01/02/2015	115.46	01/02/2018	6 496.00				6 496		400 762
RSP	24/08/2015	100.01	24/08/2018	23 427.00				23 427		1 445 296
Total									182 828	3 835 493
GE Stephens [7]										
EGP	27/06/2014	109.65	26/06/2017	102 063		(102 063)		–		
EGP	26/06/2015	111.21	26/06/2018	107 172		(107 172)		–		
EGP	27/06/2016	87.52	30/06/2019	141 623		(141 623)		–		
BSMP	11/09/2014	112.33	11/09/2017	30 771		(30 771)		–		
BSMP	14/09/2015	104.82	14/09/2018	38 365		(38 365)		–		–
BSMP	09/09/2016	90.86	09/09/2019	27 777		(27 777)		–		–
Total									–	–

Notes: 2017 financial year

1 *The 2015 EGP awards are included at the intrinsic value of Rnil in the 2017 financial year due to the awards being underwater.*

2 *The 2016 EGP awards are included at an estimated fair value based on an indicative valuation of R10.94 for awards subject to share price growth and R16.47 for awards subject to AHEPS.*

3 *The 2017 EGP awards are included at an estimated fair value based on an indicative valuation of R28.06 and an estimate of 100% of the performance conditions being met.*

4 *The 2015, 2016 and 2017 BSMP awards are included at the five-day VWAP of R61.69.*

5 *The 2015 and 2016 RSP awards are included at the five-day VWAP of R61.69.*

6 *Includes the taxable gain amount from the settlement of the 2014 BSMP awards that vested in the 2017 financial year.*

7 *Mr GE Stephens resigned on 30/04/2017 therefore all of his awards were forfeited in the 2017 financial year.*

Awarded during 2018	Shares forfeited/ lapsed 2018	Share settled/ vested 2018	Closing number as at 31 Dec 2018	Value of receipts[13] 2018 R	Estimated closing fair value as at 31 Dec 2018[8, 9, 10, 11, 12] R
			34 551		–
–			26 458		–
80 732			80 732		1 431 328
			3 113	7 422	195 268
2 703			2 703	6 445	169 550
			20 224	48 220	1 268 585
				62 087	3 064 732
			–		
	(22 754)		–		
			33 934		–
			25 985		–
91 960			91 960		1 630 394
			–		
		(4 845)	–	295 666	–
			4 988	16 491	312 881
			3 057	10 107	191 756
3 057			3 057	10 107	191 756
		(6 496)	–	376 250	–
		(23 427)	–	1 429 632	–
				2 138 254	2 326 786
			–		–
	–		–		–
			–		–
			–		
		–	–		–
			–		–
				–	–

Notes: 2018 financial year

[8] *The 2016 EGP awards are included at the intrinsic value of Rnil in the 2018 financial year due to the awards being underwater.*

[9] *The 2017 EGP awards are included at an estimated fair value based on an indicative valuation of R28.50 and an estimate of 0% of the performance conditions being met.*

[10] *The 2018 EGP awards are included at an estimated fair value based on an indicative valuation of R30.99 and an estimate of 57.21% of performance conditions being met.*

[11] *The 2016, 2017 and 2018 BSMP awards are included at the five-day VWAP of R62.72.*

[12] *The 2016 RSP awards are included at the five-day VWAP of R62.72.*

[13] *Includes the proceeds from the rights sold by participants, the estimated proceeds from rights followed in at a theoretical ex-rights price of R64.49 less the rights offer price of R57.82 as well as the taxable gain amount from the settlement of the 2015 BSMP and 2015 RSP awards that vested in the 2018 financial year.*

ANNEXURE "C" CONTINUED

Non-executive directors' expenses

The total of the non-executive directors' expenses for travel and accommodation for the past financial year was R637 951 (2017 – R619 685).

Fees paid to non-executive directors by the company and its subsidiaries during 2018 financial year

Fees for services as directors and consulting fees	2018 Subsidiaries	2018 Sun International	2018 Total	2017 Subsidiaries	2017 Sun International	2017 Total
MV Moosa		**1 384 588**	**1 384 588**		1 476 000	1 476 000
PD Bacon		**554 833**	**554 833**		547 900	547 900
ZBM Bassa*		**44 229**	**44 229**		531 000	531 000
PL Campher		**1 001 990**	**1 001 990**		790 700	790 700
EAMMG Cibie**	**653 293**	**545 745**	**1 199 038**	589 749	411 206	1 000 956
GW Dempster		**416 738**	**416 738**		65 619	65 619
NN Gwagwa		**420 438**	**420 438**		404 413	404 413
CM Henry		**554 340**	**554 340**		407 539	407 539
VP Khanyile		**127 275**	**127 275**	–	–	–
JA Mabuza^	**1 858 288**	**141 712**	**2 000 000**	–	–	–
BLM Makgabo-Fiskerstrand		**412 638**	**412 638**		406 100	406 100
IN Matthews±		**–**	**–**		882 600	882 600
GR Rosenthal#		**204 808**	**204 808**		634 700	634 700
S Sithole		**221 822**	**221 822**	–	–	–
ZP Zatu		**29 674**	**29 674**	–	–	–

Retired on 12 February 2018.
** *Mr Cibie's fee for serving on the Sun Dreams board is paid in Chilean Pesos, which we have converted to ZAR for comparative purposes.*
± *Retired on 31 December 2017.*
Retired on 15 May 2018.
^ *In terms of an advisory agreement between Sun International Management Limited and Mr JA Mabuza, Mr Mabuza was paid a consultancy fee by Sun International Management Limited in respect of strategic and regulatory advisory services, which he provided to the group.*

Compliance with remuneration policy

During the period under review the committee satisfied itself that Sun International substantially complied with the remuneration policy approved by shareholders and that there were no material deviations therefrom.

Non-binding advisory vote

Shareholders are requested to cast a non-binding advisory vote on Part 3 of this report at the company's AGM to be held on Tuesday, 14 May 2019.

ANNEXURE "D"

SUN INTERNATIONAL BOARD OF DIRECTORS

Mr MV Moosa	Independent chairman
Mr JA Mabuza	Deputy chairman
Mr PL Campher	Lead independent director
Mr AM Leeming	Chief executive
Mr PDS Bacon	Independent non-executive director
Mr N Basthdaw	Chief financial officer
Mr EAMMG Cibie	Independent non-executive director
Mr GW Dempster	Independent non-executive director
Dr NN Gwagwa	Independent non-executive director
Ms CM Henry	Independent non-executive director
Mr VP Khanyile	Independent non-executive director
Ms BLM Makgabo-Fiskerstrand	Independent non-executive director
Mr S Sithole	Non-executive director
Ms ZP Zatu	Independent non-executive director

SUN INTERNATIONAL PRESCRIBED OFFICERS

Mr RA Collins	Chief strategy and operations officer
Mr ZM Miller	Chief information officer
Mr DR Mokhobo	Director: special projects
Mr TF Mosololi	Chief operating officer (SA)
Ms C Nyathi	Director: group internal audit
Mr AG Johnston	Director: corporate services and group company secretary
Ms VL Robson	Director: group human resources
Mr J Wilhelm	Chief executive officer (Latam)

CORPORATE DATA AND ADMINISTRATION

SHAREHOLDERS' DIARY

Financial year-end	Tuesday, 31 December 2019
Annual general meeting	Tuesday, 14 May 2019

REPORTS AND FINANCIAL STATEMENTS

Audited summary group financial statements (published on SENS and website)	Monday, 18 March 2019
Short form announcement (published in business press only)	Tuesday, 19 March 2019
Audited summary group financial statements delivered to shareholders	Friday, 29 March 2019
Complete audited consolidated annual financial statements (posted on website only)	Friday, 29 March 2019
Interim results announcement	Monday, 2 September 2019

ADMINISTRATION

Business, secretaries and registered address

6 Sandown Valley Crescent
Sandton
2196
(PO Box 782121, Sandton, 2146)
South Africa

Telephone: 011 780 7762
Telefax: 011 780 7716

Transfer Secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196

Telephone: 011 370 5000
Telefax: 011 370 5271

Meeting Specialist

The Meeting Specialist (Pty) Ltd
JSE Building
One Exchange Square
Gwen Lane
Sandown
2196

Telephone: 011 520 7951
email: proxy@tmsmeetings.co.za

Auditors

PricewaterhouseCoopers Inc.

Bankers

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

Sponsor

Investec Bank Limited

Reservations and National Sales

Telephone (+27) 11 780 7810

NOTES

NOTES

FORM OF PROXY

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

FORM OF PROXY FOR THE 35th ANNUAL GENERAL MEETING TO BE HELD AT THE MASLOW HOTEL, CORNER GRAYSTON DRIVE AND RIVONIA ROAD, SANDTON, JOHANNESBURG AT 09h00 ON TUESDAY, 14 MAY 2019 – FOR USE BY CERTIFICATED ORDINARY SHAREHOLDERS AND DEMATERIALISED ORDINARY SHAREHOLDERS WITH 'OWN NAME' REGISTRATION ONLY

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

I/We

(Please print)

of (address)

Telephone number Cell phone number Email address

1. or failing him/her,

2. or failing him/her,

the chairman of the annual general meeting as my/our proxy to act for me/us and on my/our behalf at the 35th annual general meeting of the company which will be held at 09h00 on Tuesday, 14 May 2019 and at any adjournment thereof for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

			Number of ordinary shares		
			For	Against	Abstain
2.	Ordinary resolutions numbers 1.1 to 1.4: Election of directors				
	1.1	Mr VP Khanyile			
	1.2	Mr JA Mabuza			
	1.3	Mr S Sithole			
	1.4	Ms ZP Zatu			
3.	Ordinary resolutions numbers 2.1 to 2.3: Re-election of directors				
	2.1	Mr PD Bacon			
	2.2	Mr PL Campher			
	2.3	Dr NN Gwagwa			
4.	Ordinary resolution number 3: Reappointment of external auditor				
5.	Ordinary resolutions numbers 4.1 to 4.5: Election of audit committee members				
	4.1	Mr PD Bacon			
	4.2	Mr PL Campher			
	4.3	Mr EAMMG Cibie			
	4.4	Ms CM Henry			
	4.5	Ms ZP Zatu			
6.	Ordinary resolution number 5: Endorsement of Sun International group remuneration policy				
7.	Ordinary resolution number 6: Endorsement of implementation of Sun International group remuneration policy				
8.	Ordinary resolution number 7: Ratification relating to personal financial interest arising from multiple offices in the Sun International group				
9.	Special resolution number 1: General authority to acquire (repurchase) ordinary shares				
10.	Special resolution number 2: Remuneration of non-executive chairman				
11.	Special resolution number 3: Remuneration of lead independent director				
12.	Special resolution number 4: Remuneration of non-executive directors				
13.	Special resolution number 5.1: Remuneration of audit committee chairman				
14.	Special resolution number 5.2: Remuneration of audit committee members				
15.	Special resolution number 5.3: Remuneration of remuneration committee chairman				
16.	Special resolution number 5.4: Remuneration of remuneration committee members				
17.	Special resolution number 5.5: Remuneration of risk committee chairman				
18.	Special resolution number 5.6: Remuneration of risk committee members				
19.	Special resolution number 5.7: Remuneration of nomination committee chairman				
20.	Special resolution number 5.8: Remuneration of nomination committee members				
21.	Special resolution number 5.9: Remuneration of social and ethics committee chairman				
22.	Special resolution number 5.10: Remuneration of social and ethics committee members				
23.	Special resolution number 5.11: Remuneration of investment committee chairman				
24.	Special resolution number 5.12: Remuneration of investment committee members				
25.	Special resolution number 6: Financial assistance to employee share scheme beneficiaries and related or inter-related companies and corporations				

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

Signed at on 2019

Signature

Assisted by me (where applicable)

NOTES TO FORM OF PROXY AND SUMMARY OF APPLICABLE RIGHTS ESTABLISHED BY SECTION 58 OF THE COMPANIES ACT, 2008 (COMPANIES ACT)

1. An ordinary shareholder holding dematerialised shares by 'own name' registration, or who holds shares that are not dematerialised, is entitled to appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder. Such ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space provided, with or without deleting 'the chairman of the annual general meeting', provided that any such deletion must be signed in full by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the chairman of the annual general meeting. A proxy need not be a shareholder of the company.
2. All resolutions put to the vote shall be decided by way of a poll. An ordinary shareholder is entitled on a poll, to 1 (one) vote per ordinary share held. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An 'X' in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will result in the proxy not being authorised to vote or to abstain from voting at the annual general meeting in respect of the shareholder's votes, except in the case where the chairman of the annual general meeting is the proxy. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.
3. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
4. Any alteration or correction made to this form of proxy must be signed in full and not initialled by the signatory.
5. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the chairman of the annual general meeting.
6. A minor must be assisted by his/her parent/guardian and the relevant documentary evidence establishing his/her legal capacity must be attached to this form of proxy unless previously recorded by the company or waived by the chairman of the annual general meeting.

7. When there are joint holders of shares, any one holder may sign the form of proxy.
8. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
9. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person other than the chairman of the annual general meeting.
10. The appointment of a proxy or proxies:
    a. is suspended at any time to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
    b. is revocable in which case the shareholder may revoke the proxy appointment by:
        i. cancelling it in writing or making a later inconsistent appointment of a proxy; and
        ii. delivering a copy of the revocation instrument to the proxy and to the company.
11. Should the instrument appointing a proxy or proxies have been delivered to the company, as long as the appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by such company to the shareholder, must be delivered by such company to:
    a. the shareholder; or
    b. the proxy or proxies, if the shareholder has directed the company to do so in writing and has paid any reasonable fee charged by the company for doing so.
12. The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.
13. It is requested for administrative purposes only that this form of proxy should be completed and returned to The Meeting Specialist (Pty) Ltd (the meeting specialist), JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 (PO Box 62043, Marshalltown, 2107), so as to reach them by not later than 09h00 on Monday, 13 May 2019. Should this form of proxy not be returned to the meeting specialist by the aforesaid date and time, it may be handed to the chairman of the annual general meeting before that meeting is due to commence.

ADDITIONAL FORMS OF PROXY ARE AVAILABLE FROM THE MEETING SPECIALIST ON REQUEST.

SUGGESTED CHANGES REGARDING THE COMPANY'S REMUNERATION POLICY AND REPORT

To : The chairman of the remuneration committee – Sun International Limited (the company)

c/o : The group company secretary – andrew.johnston@suninternational.com

Suggested changes/concerns regarding the company's remuneration policy and/or implementation report (remuneration report) for the financial year ended 31 December 2018

Dear Sirs,

Please be advised that we ________________________________ being the registered ordinary shareholder of the company and holding ____________________ (number of shares) (__ %) of the company's shares, either for our own account or as a manager for and on behalf of the following underlying beneficial shareholders (disclose if permitted):

and being duly authorised hereto do hereby record the following suggested changes and/or concerns relating to the company's remuneration policy and/or remuneration report as tabled at the company's annual general meeting held on Tuesday, 14 May 2019.

Remuneration policy

Remuneration report

We are willing/unwilling (delete whichever is not applicable) to further engage with yourselves regarding the aforementioned and in this respect please contact ____________ on +27 __ _________ to meet and/or discuss the same.

Yours faithfully,

Asset owner/asset manager

SUN INTERNATIONAL LIMITED
Registration Number: 1967/007528/06
Share Code: SUI | ISIN: ZAE 000097580

suninternational.com