THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 6 apply to this cover page.

ACTION REQUIRED BY SHAREHOLDERS:

1. If you are in any doubt as to what action to take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.
2. If you have disposed of all your Shares in Sun International, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected.
3. Shareholders are referred to page 3 of this Circular, which sets out the action required by them.

Sun International does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any Shareholder to notify such Shareholder of the General Meeting, notice of which is contained in and forms part of, this Circular.

Sun International

Sun International Limited

(Incorporated in the Republic of South Africa)
(Registration number 1967/007528/06)
Share code: SUI & ISIN code: ZAE000097580
LEI: 378900835F180983C60
("**Sun International**" or "**the Company**")

CIRCULAR TO SHAREHOLDERS

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relating to:

– the disposal by Sun Latam, a subsidiary of Sun International, of its remaining 50% equity interest in Sun Dreams to Pacifico, which constitutes a Category 1 transaction in terms of the Listings Requirements;

and incorporating:

– a Notice of General Meeting; and
– a Form of Proxy (*grey*) for purposes of the General Meeting (for use by Certificated Shareholders and Dematerialised Shareholders who have selected Own-name Registration only).

Financial Advisor and Transaction Sponsor

Investec
Specialist Bank

Independent Reporting Accountant

pwc

Legal advisor to Sun International in South Africa

CDH
CLIFFE DEKKER HOFMEYR

Legal advisor to Sun International and Sun Latam in Chile

/Carey

Date of issue: 30 September 2020

This Circular is available in English only. Copies may be obtained during normal business hours from the registered office of Sun International, whose address is set out in the "Corporate Information" section of this Circular from, Wednesday, 30 September 2020 until Wednesday, 28 October 2020 (both days inclusive). A copy of this Circular will also be available on Sun International's website (www.suninternational.com/investors) from Wednesday, 30 September 2020.

CORPORATE INFORMATION

Company Secretary and Registered Office

Company Secretary: AG Johnston
6 Sandown Valley Crescent
Sandton
2196
(PO Box 784487, Sandton, 2146)
Sun International Limited
(Registration number 1967/007528/06)

Date and Place of Incorporation: 11 July 1967, South Africa

Company website: www.suninternational.com

Legal advisor to Sun International

Cliffe Dekker Hofmeyr Incorporated
(Registration number 2008/018923/21)
1 Protea Place
Sandton
2196
(Private Bag X36, Sunninghill, 2157

Legal advisor to Sun International and Sun Latam in Chile

Carey y Cía. Ltda.
Isidora Goyenechea 2800, Piso 43
7550647/Las Condes, Santiago
Chile

Financial Advisor and Transaction Sponsor

The Corporate Finance division of Investec Bank Limited
(Registration number 1969/004763/06)
2nd Floor, 100 Grayston Drive
Sandown
Sandton, 2196
(PO Box 785700, Sandton, 2146)

Independent reporting accountant

PricewaterhouseCoopers Inc.[1]
(Registration number 1988/012055/21)
4 Lisbon Lane,
Waterfall City,
Jukskei View, 2090,
South Africa
(Private Bag X36, Sunninghill, 2157, South Africa)

Transfer Secretaries

Link Market Services Proprietary Limited
13th Floor, 19 Ameshoff Street
Braamfontein
2001
(PO Box 4844, Johannesburg, 2000)
(Registration number 2000/007239/07)

The Meeting Specialist

The Meeting Specialist (Pty) Ltd
(Registration number 2017/287419/07)
JSE Building
One Exchange Square
Gwen Lane
Sandown
2196
(PO Box 62043, Marshalltown, 2107)

[1] PricewaterhouseCoopers Inc is also the external auditor of Sun International

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The definitions and interpretations commencing on page 6 apply to the table of contents.

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 6 apply to this action required by Shareholders section.

This Circular is important and requires your immediate attention. Please take careful note of the following provisions regarding the action required by Shareholders. If you are in any doubt as to what actions to take, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.

If you have disposed of all of your Shares in Sun International, please forward this Circular to the purchaser of such Shares or to the CSDP, Broker, banker, attorney or other agent through whom the disposal was effected.

The General Meeting will be held at 10:00 on, Wednesday, 28 October 2020 at Sun International's head office, 6 Sandown Valley Crescent, Sandton, Gauteng, South Africa for purposes of considering and, if deemed fit, passing, with or without modification, the Resolutions set out in the attached Notice of General Meeting and forming part of this Circular; provided, however, that in the event that the General Meeting either cannot be held as a physical meeting due to the declaration of the COVID-19 pandemic as a "national disaster" in terms of the Disaster Management Act, 2002 and the regulations issued pursuant thereto, or the Company subsequently in its discretion, elects not to hold the General Meeting as a physical meeting, then the General Meeting will only be accessible through electronic communication as permitted by the JSE, the provisions of the Companies Act and the MOI. In such an event, the Company will notify Shareholders by way of a Virtual Meeting Notice, to be released on SENS, that the General Meeting will only be held by way of electronic communication as a virtual General Meeting and will advise Shareholders of the basis upon which they can participate and vote in the virtual General Meeting.

1. DEMATERIALISED SHAREHOLDERS WHO ARE NOT OWN-NAME DEMATERIALISED SHAREHOLDERS

1.1 **Voting at the General Meeting**

1.1.1 Your Broker or CSDP should contact you to ascertain how you wish to cast your vote at the General Meeting and should thereafter cast your vote in accordance with your instructions.

1.1.2 If you have not been contacted by your Broker or CSDP, it is advisable for you to contact your Broker or CSDP and furnish it with your voting instructions.

1.1.3 If your Broker or CSDP does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions (if any) contained in the custody agreement concluded between you and your Broker or CSDP.

1.1.4 **You must not complete the attached form of proxy *(grey)*.**

1.2 **Attendance, Participation and Representation at the General Meeting**

In accordance with the mandate between you and your Broker or CSDP, you must advise your Broker or CSDP if you wish to attend and/or participate in the General Meeting and if so, your Broker or CSDP will issue the necessary letter of representation to you to attend and/or participate and vote at the General Meeting.

2. CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WHO ARE OWN-NAME DEMATERIALISED SHAREHOLDERS

2.1 **Voting, Attendance and Participation at the General Meeting**

2.1.1 You may attend and/or participate and vote in the General Meeting in person, provided, however, that should the General Meeting be held as a virtual General Meeting as per the above, your rights of attendance and participation therein will be as stipulated in the Virtual Meeting Notice to be released on SENS prior to the General Meeting.

2.1.2 Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy *(grey)* in accordance with the instructions contained therein and returning it to The Meeting Specialist, to be received by them, for administrative purposes only, by no later than 10:00 on Tuesday, 27 October 2020, alternatively to be handed to the chairman of the General Meeting prior to its commencement.

The Meeting Specialist Proprietary Limited
JSE Building
One Exchange Square
Gwen Lane
Sandown, 2196
(PO Box 62043, Marshalltown, 2107)
proxy@tmsmeetings.co.za

Sun International does not accept any responsibility and will bear no liability for any failure or delay on the part of a CSDP or Broker to notify a Dematerialised Shareholder of this Circular, the General Meeting or otherwise.

3. DEMATERIALISATION

If you wish to dematerialise your Shares, please contact your Broker.

4. ELECTRONIC PARTICIPATION

4.1 Please note that in the event that the General Meeting is held as a physical meeting, the Company intends to make provision for Shareholders, or their proxies, who are entitled to attend thereat, to participate in the 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 company secretary, Mr AG Johnston, either by email at andrew.johnston@suninternational.com or at the Company's registered office address (by way of physical delivery) and such notice must be received by the Company by no later than 48 hours prior to the date of the General Meeting.

4.2 If no notice is received by the Company at least 48 hours prior to the date of the General Meeting, then the Company shall not make provision for Shareholders to participate in the 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 dial in code and pin number. Shareholders participating in this manner will still need to appoint a proxy to vote on their behalf at the General Meeting. Access to this means of electronic communication will be at the expense of Sun International. Shareholders and their proxies will not, unless otherwise advised by the Company beforehand, be entitled to vote by way of electronic participation at the General Meeting. Shareholders who wish to exercise their voting rights should do so as set out in paragraphs 1 or 2 above (as applicable).

4.3 In the event that the Company holds the General Meeting solely by way of electronic communication as a virtual General Meeting, Shareholders will be advised of the basis upon which they can participate and vote in the virtual General Meeting in accordance with the Virtual Meeting Notice, to be released on SENS prior to the General Meeting.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 6 apply to these salient dates and times.

Salient dates and times	**2020**
Notice record date, being the date on which a Shareholder must be registered in the Register in order to be eligible to receive the Notice of General Meeting on	Friday, 25 September
Circular incorporating the Notice of General Meeting and Form of Proxy *(grey)*, posted to Shareholders on	Wednesday, 30 September
Announcement of posting of Circular and Notice convening the General Meeting released on SENS on	Wednesday, 30 September
Last day to trade Shares in order to be recorded in the Register to vote at the General Meeting (see note 3 below) on	Tuesday, 20 October
General Meeting record date, being the date on which a Shareholder must be registered in the Register in order to be eligible to attend and participate in the General Meeting and to vote thereat, by close of trade on	Friday, 23 October
For administrative reasons to ensure an orderly arrangement of affairs on the day, Forms of Proxy (*grey*) in respect of the General Meeting may be lodged at or received via post by The Meeting Specialist or company secretary by no later than 10:00 on	Tuesday, 27 October
Form of Proxy (*grey*) in respect of the General Meeting to be handed to the chairperson of the General Meeting or The Meeting Specialist at the General Meeting, at any time at the General Meeting on	Wednesday, 28 October
General Meeting held at 10:00 on	Wednesday, 28 October
Results of the General Meeting published on SENS on	Wednesday, 28 October

Notes:

1. All dates and times indicated above are South African Standard Time.
2. The above dates and times are subject to amendment at the discretion of Sun International. Any such amendment will be released on SENS and published in the South African press.
3. Shareholders should note that as transactions in Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, Shareholders who acquire Shares after close of trade on Tuesday, 20 October 2020 will not be eligible to attend, participate in and vote at the General Meeting.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the others, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite them in the second column.

"Board" or "Directors"	the directors of Sun International from time to time, comprising, as at the Last Practicable Date, those persons whose names appear on page 9 of this Circular;
"Broker"	any person registered as a "broking member (equities)" in accordance with the provisions of the Financial Markets Act;
"Business Day"	any day, other than a Saturday, Sunday or public holiday in South Africa;
"Certificated Shareholders"	Shareholders who hold Certificated Shares;
"Certificated Shares"	Shares which have not yet been Dematerialised, title to which is represented by a share certificate or other physical Documents of Title;
"Circular"	this bound document, dated Wednesday, 30 September 2020, including annexures and enclosures hereto;
"Clp"	Chilean pesos, the official currency of Chile;
"Companies Act"	the Companies Act, 2008 (Act No. 71 of 2008), as amended, of South Africa;
"CSDP"	a central securities depository participant registered in terms of the Financial Markets Act, as amended, with whom a beneficial holder of shares holds a dematerialised share account;
"Dematerialised Shareholders"	those Shareholders who hold Dematerialised Shares;
"Dematerialised Shares"	Shares which have been incorporated into the Strate system and which are no longer evidenced by share certificates or other physical Documents of Title;
"Documents of Title"	share certificates, certified transfer deeds, balance receipts or any other documents of title to Certificated Shares acceptable to Sun International;
"EBITDA"	earnings before interest, taxation, depreciation and amortisation;
"EBITDAR"	earnings before interest, taxes, depreciation, amortisation, and restructuring costs;
"Exchange Control Regulations"	the South African Exchange Control Regulations, promulgated in terms of the Currency and Exchanges Act, 1933 (Act No. 9 of 1933), as amended of South Africa;
"Financial Advisor and Transaction Sponsor" or "Investec"	the Corporate Finance division of Investec Bank Limited, a company duly incorporated and registered in accordance with the company laws of South Africa, with registration number 1969/004763/06, particulars of which appear in the "*Corporate Information*" section of the Circular;
"Financial Markets Act"	the Financial Markets Act, 2012 (Act No. 19 of 2012), as amended of South Africa;
"Form of Proxy"	for purposes of the General Meeting, the form of proxy (*grey*) for use only by Certificated Shareholders and Own-name Registered Dematerialised Shareholders;
"General Meeting"	the general meeting of Shareholders to be held at 10:00 on Wednesday, 28 October 2020, at Sun International Head Office, 6 Sandown Valley Crescent, Sandton, Gauteng, South Africa, or wholly by electronic participation if the Company announces the Virtual Meeting Notice, for the purpose of considering and if deemed fit, passing, with or without modification, the Resolutions;
"IFRS"	the International Financial Reporting Standards as issued from time to time by the International Accounting Standards Board or its successor body as adopted or applied in South Africa;
"Income Tax Act"	the Income Tax Act, 1962 (Act No. 58 of 1962), as amended of South Africa;

"Initial Transaction"	the share purchase agreement whereby Pacifico had agreed to purchase 14.94% of Sun Latam's shareholding in Sun Dreams for the sum of US$85.8 million, which would result in each party holding a 50% equity interest in Sun Dreams as announced on SENS on 30 April 2019 and which was a category 2 transaction as defined by the JSE Listings Requirements;
"Irrevocable Undertakings"	the irrevocable undertakings entered into by certain Sun International Shareholders and the Company to, among other things, vote in favour of the Resolutions at the General Meeting;
"JSE"	JSE Limited, a public company duly incorporated and registered in accordance with the company laws of South Africa, with registration number 2005/022939/06, which is licensed as an exchange in terms of the Financial Markets Act, or the securities exchange operated by the JSE Limited, as the context requires;
"Last Practicable Date"	the last practicable date before finalisation of this Circular, which date was Friday, 25 September 2020;
"Latam"	Latin America and more specifically the jurisdictions in which Sun Latam operates, being Chile, Argentina, Peru, Colombia and Panama;
"Listings Requirements"	the JSE Limited Listings Requirements, as amended from time to time;
"MOI"	the memorandum of incorporation of Sun International;
"Notice of General Meeting"	the notice of the General Meeting of Shareholders, forming part of this Circular;
"Own-name Registration" or "Own-name Registered"	Shareholders who hold Dematerialised Shares that are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholder;
"Pacifico"	Nueva Inversiones Pacifico Sur Limitada, a company incorporated in Chile in accordance with the Corporations Law (Law 18,046) and Corporations Regulation (Supreme Decree No. 702), as amended, and referred to paragraph 3.1 of this Circular;
"Parties"	collectively Sun International, acting through its subsidiary, Sun Latam in Chile, Sun Dreams and Pacifico;
"Purchase Consideration"	the purchase price payable by Pacifico to Sun Latam to acquire Sun Latam's remaining 50% equity interest in Sun Dreams, as more fully detailed in paragraph 2.3 of the Circular;
"Rand" or "R"	South African Rand;
"Register"	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;
"Resolutions"	the resolutions as contained in the Notice of General Meeting to be considered and voted upon by Shareholders at the General Meeting;
"Rights Offer"	the partially underwritten renounceable rights offer of R1.2 billion made by Sun International to its Shareholders concluded and announced on SENS on 11 August 2020;
"SCJ"	the Superintendencia de Casinos de Juego, the Chilean Casino regulator;
"SENS"	the Stock Exchange News Service of the JSE;
"Shareholders"	the registered holders of Shares;
"Shares"	ordinary shares of no par value in the issued share capital of Sun International, which are listed on the JSE;
"South Africa"	the Republic of South Africa;
"SPA"	the share purchase agreement entered into between Sun International, Sun Latam and Pacifico on 21 August 2020;
"Strate"	Strate Proprietary Limited (registration number 1998/022242/07), a private company duly incorporated and registered under the company laws of South Africa, being a licensed central securities depository in terms of section 1 of the Financial Markets Act and the entity that manages the electronic custody, clearing and settlement environment for all share transactions concluded on the JSE and off-market, and in terms of which transactions in securities are settled and transfers of ownership in securities are recorded electronically;

"Subsidiary/ies"	a "subsidiary" as defined in the Companies Act, provided that the term "subsidiary" shall, for the purposes of this Agreement, not be limited to "companies", but shall include any "juristic person" (as each of those terms are defined in the Companies Act);
"Sun Dreams"	Sun Dreams Sociedad Anonima, a company incorporated in Chile in accordance with the Corporations Law (Law 18,046) and Corporations Regulation (Supreme Decree No. 702), as amended and referred to in paragraph 3.1 of this Circular;
"Sun Dreams Group"	Sun Dreams and its Subsidiaries;
"Sun International Group" or "Group"	Sun International and its Subsidiaries;
"Sun International" or "Company"	Sun International Limited (registration number 1967/007528/06), a limited liability public company duly incorporated in South Africa and listed on the JSE;
"Sun Latam"	Sun Latam SpA, a company incorporated in Chile in accordance with the Corporations Law (Law 18,046) and Corporations Regulation (Supreme Decree No. 702), as amended;
"The Meeting Specialist"	The Meeting Specialist Proprietary Limited (registration number 2017/287419/07), a private company duly registered and incorporated in terms of the Companies Act;
"Transaction"	the proposed disposal by Sun Latam of its remaining 50% equity interest in Sun Dreams to Pacifico as contained in the SPA;
"Transfer Secretaries"	Link Market Services Proprietary Limited, a private company duly incorporated and registered under the company laws of South Africa, with registration number 2000/007239/07, particulars of which appear in the "*Corporate Information*" section of the Circular;
"VAT"	value-added tax, as levied in terms of the Value-Added Tax Act, 1991 (Act No. 89 of 1991), as amended; and
"Virtual Meeting Notice"	an announcement by the Company prior to the General Meeting that the General Meeting will be held wholly by way of electronic participation.

Sun International Limited

(Incorporated in the Republic of South Africa)
(Registration number 1967/007528/06)
Share code: SUI & ISIN code: ZAE000097580
LEI: 378900835F180983C60

Directors

Executive

AM Leeming (Chief Executive)
N Basthdaw (Chief Financial Officer)

Non-executive

JA Mabuza* (Chairman)
GW Dempster* (Lead Independent Director)
PD Bacon*
EAMMG Cibie*
CM Henry*
VP Khanyile*
SN Mabaso-Koyana*
BLM Makgabo-Fiskerstrand*
S Sithole (Alt. TR Ngara)
ZP Zatu*

*Independent

CIRCULAR TO SHAREHOLDERS

1. **INTRODUCTION AND PURPOSE OF THIS CIRCULAR**

Shareholders are referred to the SENS announcement released on 30 April 2019 when Shareholders were advised that Pacifico and Sun International's Subsidiary, Sun Latam, had entered into a share purchase agreement, whereby Pacifico had agreed to purchase 14.94% of Sun Latam's shareholding in Sun Dreams for the sum of US$85.8 million, which would result in each party holding a 50% equity interest in Sun Dreams.

Shareholders are further referred to the SENS announcement released by the Company on 26 June 2020 advising that Sun Latam and Pacifico had become embroiled in a dispute regarding the Initial Transaction and that Sun Latam had initiated arbitration proceedings against Pacifico before the International Chamber of Commerce in Chile to resolve the dispute.

Following the impact of the Covid-19 pandemic on the Sun International Group and taking into consideration the challenges facing Latam and South Africa, plus the length of time, uncertainty and costs associated with arbitration proceedings in a foreign jurisdiction, the Parties have reached agreement whereby:–

- Sun Latam and Pacifico have agreed to settle their dispute in respect of the Initial Transaction and to implement the transfer of Sun Latam's 14.94% equity interest in Sun Dreams to Pacifico on the terms of an agreed form settlement agreement (which is an annexure to the SPA) to be concluded by the Parties; and
- Pacifico has agreed, subject to Sun International Shareholder and SCJ approvals, to acquire Sun Latam's remaining 50% equity interest in Sun Dreams, on terms and conditions as more fully set out in the SPA and as further described below.

The net effect of the above is that, on closing of the Transaction, Pacifico will have acquired Sun Latam's entire 64.94% equity interest in Sun Dreams for US$160 million which equates to a 2019 historical multiple of 5.5x (five point five times multiple) EBITDAR which may increase to a 6.5x (six point five times multiple) subject to certain future earnouts being achieved as detailed in the SPA and described in paragraph 2.3 below. Accordingly, and on closing of the Transaction, Pacifico will become the sole shareholder of Sun Dreams.

The purpose of this Circular is to:–

- provide Shareholders with the relevant information relating to the Transaction to enable Shareholders to make an informed decision in respect of the Resolutions set out in the Notice of General Meeting enclosed with this Circular; and
- convene the General Meeting of Shareholders in order to consider and, if deemed fit, approve the Resolutions.

2. THE TRANSACTION

2.1 Rationale for the Transaction

Given the socio-political uncertainty that exists in Chile including the impact of the Covid-19 pandemic, the renewal of the SCJ licences and the need for further capital, the Transaction gives Sun International the opportunity to realise its investment in Latam at an attractive valuation given the circumstances and the environment in which we are currently operating. It also brings significant liquidity to the South African operations which will allow for a further reduction in the Group's borrowings and a resultant saving on interest charges.

Both the Board and Sun Latam directors have considered the financial and commercial viability of Sun Latam entering into and concluding the Transaction and recommend voting in favour of the Transaction.

2.2 Salient terms of the Transaction

The salient terms and conditions of the Transaction, as set out in the SPA entered into between the Parties, are as follows:–

Sun Latam has agreed to dispose of its 6 674 732 Shares held in Sun Dreams, representing 50% of the issued ordinary share capital of Sun Dreams, to Pacifico, on terms set out in the SPA including:

- the closing date, which will be the effective date of the Transaction, will be the fifth business day after the date on which the last of the suspensive conditions set out in the SPA have been fulfilled (or where applicable waived) by the Parties ("the Closing Date");
- pending the SPA becoming unconditional, including in respect of Sun International Shareholder approval and other necessary regulatory approvals and consents being secured, Pacifico shall guarantee the payment of the future earnouts (referred to in section 2.3 hereof and more fully described in the SPA) by pledging shares held in Sun Dreams to Sun International to cover the full extent of its liability in this regard;
- the Transaction will be subject to usual warranties and indemnities associated with transactions of this nature, as well as the fulfilment (or where applicable waiver) of the suspensive conditions set out more fully in the SPA; and
- the Transaction will be governed by and interpreted according to the laws of Chile, with all disputes being finally settled under the Rules of Arbitration of the International Chamber of Commerce, sitting in Santiago, Chile.

2.3 Purchase Consideration and use of proceeds

The Purchase Consideration payable by Pacifico to Sun Latam to acquire Sun Latam's remaining 50% equity interest in Sun Dreams will be the sum of US$100 million, of which US$85 million will be paid to Sun Latam on the Closing Date and US$15 million will be held in an escrow account as security for the discharge by Sun International of certain indemnity obligations assumed by Sun International when Sun Dreams initially became part of the Sun International Group in 2016. The indemnity obligations relate to a tax claim made by the Chilean revenue authorities regarding the deductibility of free play. The matter is being disputed by Sun International and its legal counsel as referred to in note 24 of the 2019 annual financial statements.

In addition to the Purchase Consideration, Pacifico will be liable to pay Sun Latam a further maximum amount of Clp42 340 000 000 (approximately US$53 million based on a US$/Chilean Peso exchange rate of Clp794 to $1 at 19 August 2020) subject to certain earnout targets being achieved which are linked to the renewal of four gaming licences in Chile and Sun Dreams by 31 December 2024 and these licenses achieving at least their 2019 EBITDAR targets for the 2025 calendar year, as more fully set out in the SPA.

Pacifico will pay $60 million to Sun Latam in respect of the Initial Transaction on entering into a settlement agreement to be concluded by the Parties on the Closing Date. Shareholders are advised that Sun International is not seeking approval for the Initial Transaction which was entered into and announced to Shareholders on 30 April 2019. In the event, that the Proposed Transaction is not approved by Shareholders, the arbitration proceedings in respect of the Initial Transaction will reinstated with immediate effect. In total Sun International will receive approximately R2.7 billion and will remit approximately between R1.8 billion and R1.9 billion to South Africa after settling its holding company debt in Chile and placing the retention into an escrow account.

The proceeds arising from the Transaction will be used to settle Sun International's offshore debt in Latam of approximately R637 million (Clp30.1 billion), with the remaining proceeds being repatriated to South Africa. An amount equal to $15 million of the Purchase Consideration will be retained in escrow in Chile as security for the settlement of a potential tax claim as detailed in the Sun International Group's financial statements.

2.4 **Classification of the Transaction**

The Transaction is a category 1 transaction in accordance with the Listings Requirements and is therefore subject to Shareholder approval (by way of an ordinary resolution) as detailed in the Notice of General Meeting.

2.5 **Transaction expenses**

The estimated costs of preparing and distributing this Circular, holding the General Meeting, implementing the Transaction, including the fees payable to professional advisors, are approximately R5 400 and include the following:–

Service	**Provider**	**R'000**
Financial Advisor and Transaction Sponsor	Investec	400
Printing, publication, distribution and advertising expenses	Ince	200
JSE documentation and ruling fees	JSE	50
Independent reporting accountant fees (*Pro Forma* Financial Information)	PWC	1 300
Independent reporting accountant fees (Historical Financial Information)	PWC SA and Chile	1 400
Legal Advisors to Sun International	CDH	150
	Chilean Attorneys	1 900
TOTAL		**5 400**

All the fees payable to the parties above are exclusive of VAT and, where applicable, have been converted into ZAR. These expenses are once off in nature.

Other than as set out above, Sun International has incurred no preliminary expenses in relation to the Transaction, during the three years preceding this Circular.

3. OVERVIEW OF SUN DREAMS

3.1 **Nature of business of Sun Dreams and Pacifico**

Sun Dreams is a private company registered in accordance with the laws of Chile. It operates a number of casinos, hotels as well as entertainment, food and beverage facilities throughout Latam.

Pacifico is a limited liability company, constituted under Chilean law and established in 2014, which acts as an investment holding company as a result of a merger between Inversiones Pacifico Sur Limitada and Nueva Dos Salmones Limitada to create Nueva Inversiones Pacifico Sur Limitada.

Pacifico's major shareholders and directors are the brothers Claudio and Humberto Fisher Llop, who also control a group with investments in diverse fields, including real estate development, agriculture, and entertainment.

Pacifico and Sun Latam are the current shareholders of Sun Dreams.

Address of Sun Dreams: Av. Alfredo Benavides 509, Benavides 509, Miraflores 15074

3.2 **Historical financial information of Sun Dreams**

Extracts of the consolidated historical financial information of Sun Dreams for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017 are annexed hereto as **Annexure 1.**

Copies of the aforementioned historical financial information of Sun Dreams will also be available for inspection as described in section 9 of this Circular.

3.3 **Material changes and litigation statement in respect of Sun Dreams**

Other than as outlined in paragraph 3.5 below, there has been no material change in the financial and trading position of Sun Dreams between the publication of its audited financial results for the year ended 31 December 2019 and the Last Practicable Date.

Furthermore, and other than certain contingent tax liabilities mentioned above which are awaiting final adjudication by the Inland Revenue Service in Chile and amounting to approximately US$15 million, there are no legal or arbitration proceedings which may have, or have had in the past 12 months, a material effect on the financial position of Sun Dreams. Sun Dreams is not aware of any other such proceedings that are pending or threatened.

3.4 **Material contracts and disclosure of vendors**

Save for the agreements relating to the acquisition of certain casino interests and land in Peru as announced on SENS on 11 October 2017 and the Transaction as described in this Circular, and as set out below, Sun Dreams has not entered into, either verbally or in writing any restrictive funding arrangements and/or material contracts, other than in the ordinary course of business, within the three years preceding the date of this Circular, or at any time, and containing an obligation or settlement that is material to Sun Dreams at the Last Practicable Date of this Circular.

There were no material loans that were made to Sun Dreams by third parties directly as a result of the Transaction, as at the Last Practicable Date.

There have been no vendors of material assets to Sun Dreams or its Subsidiaries during the three years preceding the Last Practicable Date. Other than the potential tax claim referred to in the clause 2.1 no provisions for the settlement of any liability for accrued taxation have been included in the agreements entered into. No promoter or director of Sun Dreams had any material beneficial interest in the Transaction. No amount in cash or securities has been transferred to any promoter in the above Transaction and no shares have been pledged nor ceded by Sun Dreams.

3.5 Prospects of Sun Dreams

The Covid-19 pandemic has had a significant impact on the Sun Dream's operations since it went into lockdown. The extremely challenging trading conditions resulting from Covid-19 and the resultant lockdown has placed significant pressure on the performance of Sun Dreams. In Chile, the SCJ recently announced that casinos can re-open when active cases are less than 25 per 100 000 of the population of each city. While there is no certainty when this will occur, it is anticipated that most of the Sun Dreams' operations will be re-opened by October 2020. However, it remains unclear as to when the operations in Peru and Argentina will be allowed to re-open.

In order to manage costs and liquidity, Sun Dream's has commenced a voluntary retrenchment exercise, in Chile, involving approximately 1000 employees, with 451 of these employees having already accepted voluntary retrenchment packages. This reduction will enable the business to control costs during the recovery period. In Peru, Sun Dreams has launched its online sports betting and gaming business under the brand SolBet which, although in its startup phase has shown a promising start to trading. On the back of SolBet, Sun Dreams will continue to capitalise on online gambling opportunities in Latam.

In Chile, additional loans were raised to fund the debt repayments and to provide sufficient liquidity for the group to trade through the Covid-19 pandemic.

The Covid-19 pandemic will have a significant impact on the Latin American economies in which Sun Dreams operates. These economies will take some time to recover. Once trading commences, it is not expected that there will be a quick recovery to previous trading levels however the company is optimistic that with the various costs saving and efficiency initiatives implemented and a dedicated focus on improving the customer experience positions Sun Dreams to recover from the Covid-19 pandemic.

4. SUN INTERNATIONAL OVERVIEW

4.1 Nature of business

The Sun International Group owns and operates casino, hotel and resort properties in South Africa, Swaziland, Nigeria and Latam. This includes 17 properties in South Africa, 2 in the rest of Africa and 13 in Latam. Gaming currently contributes the largest share of Sun International's revenue. The Company also engages in alternative gaming with 6 000 machine licences and one online sports betting licence in South Africa.

4.2 Prospects

The Covid-19 pandemic will have a significant impact on the South African and Chilean economies which will take some time to recover. With the recent resumption of trading in South Africa and the further lifting of restrictions we expect trading levels to continue to improve.

While we do not expect that there will be a quick recovery to previous trading levels we are optimistic that with the various cost savings and efficiency initiatives implemented and a dedicated focus on improving the customer experience, that the Group will recover from the Covid-19 pandemic and resume delivering strong returns to Shareholders.

The disposal of Sun Dreams and the subsequent receipt of the Purchase Consideration will significantly strengthen the Group's balance sheet and reduce interest charges.

Any forward-looking statement in this Circular has not been reviewed or reported on by the Company's external auditor. Further information on the prospects were announced in the interim results available on https://corporate.suninternational.com/investors/investors-results-reports/.

4.3 *Pro forma* financial information of Sun International

The *pro forma* financial effects of the Transaction set out below are the responsibility of the Directors. The consolidated *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information of Sun International has been prepared and in terms of Sun International's accounting policies. The *pro forma* financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present Sun International's financial position, changes in equity, results of operations or cash flows post the implementation of the Transaction.

The *pro forma* financial effects set out below should be read in conjunction with the consolidated *pro forma* condensed statement of comprehensive income and the consolidated *pro forma* statement of financial position set out in **Annexure 3**, together with the assumptions upon which the financial effects are based and described in the notes thereto.

The report of the independent reporting accountant in respect of the *pro forma* financial statements referred to in the paragraph above, appears in **Annexure 4** to this Circular.

***Pro forma* financial effects** (Cents)	**Before[1]**	***Pro forma* after the Rights Offer[2]**	***Pro forma* after the Transaction[3]**	**% Change**
Earnings per share ("EPS")[3.1]	(894)	(431)	(467)	(8%)
– Continuing operations	(760)	(364)	(337)	7%
– Discontinued operations	(134)	(67)	(130)	(95%)
Headline earnings per share ("HEPS")[3.1]	(231)	(100)	(419)	(317%)
– Continuing operations	(103)	(36)	(9)	75%
– Discontinued operations	(128)	(64)	(410)	(543%)
Net asset value per share[3.2]	1,256	1,106	915	17%
Net tangible asset value per share[3.2]	183	550	359	35%
Number of shares	136,732	263,906	263,906	
Weighted number of shares	126,145	253,319	253,319	

Notes and Assumptions:–

1. The "Before" column has been extracted from the unadjusted unaudited published condensed interim financial results of Sun International for the six -month period ended 30 June 2020.
2. The "*Pro forma* after the Rights Offer" column reflects the impact of a subsequent event, i.e. the Rights Offer, on the Sun International results for the six-month period ended 30 June 2020.
3. The "*Pro forma* after the Transaction" column reflects the impact of the disposal of Sun International's 64.94% interest in Sun Dreams assuming the Transaction was effective as follows:
   3.1 *Pro forma* earnings and headline earnings per share are based on the principal assumption that the Initial Transaction and the Transaction were effective on 1 January 2020.
   3.2. *Pro forma* net asset value and net tangible asset value per share are based on the principal assumption that the Initial Transaction and the Transaction were effective on 30 June 2020.
4. Although there is current significant uncertainty regarding the implications of the global Covid-19 pandemic, no post balance sheet event has been adjusted for in this regard. There are no other material subsequent events that require an adjustment to the *pro forma* financial information.

4.4 **Share capital**

The authorised and issued Share capital of Sun International, as at the Last Practicable Date before the Transaction, is set out below:–

	Number of Shares	**R'000**
Authorised		
Ordinary shares of no-par value	800 000 000	–
Issued shares		
Ordinary shares of no-par value	263 905 660	2 806
Share premium		287
Treasury shares		
Ordinary shares of no-par value	6 719 759	

No change in the authorised or issued Share capital of Sun International is expected as a result of the Transaction.

4.5 **Major Shareholders and interests**

As at the Last Practicable Date, the following persons are beneficially interested, directly or indirectly, in 5% or more of the Shares in issue:

Beneficial shareholders holding 5% or more	**No of Shares**	%
Value Capital Partners H4 QI Hedge Fund	32,360,453	12.26
Allan Gray	29,314,744	11.11
PSG Konsult	23,343,670	8.85
Steyn Capital Management	17,704,369	6.71
Alexander Forbes Investments	15,244,967	5.78
Old Mutual	14,847,189	5.63
Totals	132,815,392	50.34

Fund Managers holding 5% or more	No of Shares	%
Allan Gray Asset Management	63,962,370	24.24
Value Capital Partners H4 QI Hedge Fund	56,477,962	21.40
Prudential Investment Managers	38,956,498	14.76
Steyn Capital Management	25,960,803	9.84
PSG Asset Management	23,343,670	8.85
Totals	**208,701,303**	79.08

There is no controlling Shareholder of Sun International.

4.6 **Material changes**

There have been no material changes in the financial or trading position of Sun International since the publication of the interim results announcement for the six-months ended 30 June 2020, on SENS on 31 August 2020, until the Last Practicable Date.

4.7 **Material loans**

There were no material loans that were made or changed between Sun International and third parties directly as a result of the Transaction, as at the Last Practicable Date.

4.8 **Working capital statement**

The Directors, after considering the effect of the Transaction, are of the opinion that the working capital available to the Group will be sufficient for the Group's present requirements for at least the 12-month period from the date of issue of this Circular.

4.9 **Litigation statement**

Other than the arbitration proceedings recently suspended against Pacifico, there are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which Sun International is aware, which may have or have over the previous 12 months had a material effect on the financial position of the Group.

5. INFORMATION RELATING TO THE DIRECTORS

5.1 **Directors' interests in the issued Shares of Sun International**

As at the Last Practicable Date, the Directors (including directors that retired in the last 18 months) held, directly and indirectly, beneficial interests in the Company's issued Shares as reflected below:–

Ordinary Shares	Direct Beneficial		Indirect Beneficial
Name of Director	**Unrestricted**	**Restricted***	**Unrestricted**
N Basthdaw	104 135	7 682	–
NN Gwagwa	–	–	88 019
AM Leeming	379 966	22 755	–
JA Mabuza	24 435	–	–
MV Moosa	–	–	179 669
S Sithole (alt. TR Ngara)**	–	–	56,477,962
Total	**508 536**	**30 437**	**56 745 650**

* Restricted in terms of the varying vesting dates in accordance with the share plan rules as highlighted in Sun International's remuneration report forming part of the annual statutory report at www.suninternational.com/investors.

** Mr S Sithole & Mr TR Ngara have an indirect beneficial interest in Value Capital Partners (Pty) Ltd ("VCP"), which is the registered investment manager to Value Capital Partners H4 QI Hedge Fund and various other funds.

5.2 **Directors' Interests in the Transaction**

None of the current Directors of the Board nor any former Directors who have resigned as Directors of Sun International during the past 18 months have any interest in the Transaction as contemplated in this Circular nor in any other transaction by Sun International that was effected during the current or immediately preceding financial year, which remains in any material respect outstanding or unperformed.

The Directors' remuneration remains unchanged as a result of the Transaction and is detailed in the 2019 annual financial statements available on the Company's website.

5.3 **Continuation of Directors**

Sun International has a Board and management with a broad range of skills, including significant experience in the gambling industry to support its ongoing operations. The Sun International senior management team and Board will remain unchanged following implementation of the Transaction.

5.4 **Directors' recommendation**

The Directors have considered the terms and conditions of the Transaction and have considered the Resolutions set out in the Notice of General Meeting and are of the opinion that they are in the interests of Shareholders.

The Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

5.5 **Directors' responsibility statement**

The Directors, whose names are listed on page 9 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

6. PROFESSIONAL ADVISORS' CONSENTS

Each of the professional advisors, whose names appear in the "*Corporate information*" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, to the inclusion of their reports in this Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Circular.

7. DISCLOSURE OF CONFLICT

Shareholders are advised that Investec has been appointed as financial advisor and Transaction sponsor in relation to the Transaction.

Investec, acting through its corporate and institutional banking team ("ICIB") has the following funding arrangements in place with Sun International:–

	(R'm)
Term facility	826

Investec also holds the following interests in Sun International Shares:

Name of company	**Nature of holding**	**Holding (number of shares and %)**
Investec Group	Ordinary shares	239 242 (0.1748%)

In its capacity as financial advisor and Transaction sponsor, Investec has confirmed to the JSE and Sun International that there is no matter that would impact on its ability to exercise reasonable care and judgement to achieve and maintain independence and objectivity in professional dealings in relation to Sun International, and that would impact on its ability to act within the Code of Conduct as set out in the Listings Requirements.

Investec has various internal procedures in place to ensure that its ability to act independently as JSE sponsor is not compromised. Pursuant to these internal procedures, Investec has a compliance control room function that identifies and manages conflict risks and ensures that strict "Chinese walls" are maintained to ensure that, as JSE sponsor, it is able to act independently from other divisions within Investec. Investec also enforces and implements physical and logical access restrictions to information, which is limited to deal teams for whom the information is relevant, for the purpose of fulfilling the client mandate.

8. GENERAL MEETING AND VOTING

The General Meeting of Shareholders will be held at 10:00 on Wednesday, 28 October 2020 at the Sun International Head Office, 6 Sandown Valley Crescent Sandton, Gauteng, South Africa, or, in the event, that the Company announces the Virtual Meeting Notice, the General Meeting will only be held by way of electronic communication as a virtual General Meeting, to consider and, if deemed fit, to pass, with or without modification, the requisite Resolutions required to give effect to the Transaction.

A notice convening the General Meeting is attached hereto and forms part of this Circular and contains the Resolutions to be considered at the General Meeting. Full details of the action required by Shareholders are set out in the "Action required by Shareholders" section of this Circular.

The ordinary Resolution for the approval of the Transaction in terms of the Listings Requirements, set out in the Notice of General Meeting, is subject to the approval of more than 50% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting and who are entitled to vote.

The ordinary Resolution for the approval of the Directors and/or company secretary authority to do all such things, sign all such documents and procure the doing of all such things and the signature of all such documents as may be necessary or incidental to give effect to the Resolutions set out in the Notice of General Meeting, is subject to the approval of more than 50% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting and who are entitled to vote.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available on request to the company secretary during normal business hours at andrew.johnston@suninternational.com or on the Company's website at www.suninternational.com/investors from 30 September 2020 until 28 October 2020 (both days inclusive):

- the MOI and the memoranda of incorporation of its major subsidiaries;
- the historical financial information of Sun Dreams for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017, as reproduced in **Annexure 1**;
- the independent reporting accountants reports on the historical financial information of Sun Dreams, as reproduced in **Annexure 2**;
- the *pro forma* financial information of Sun International, as reproduced in **Annexure 3**;
- the independent reporting accountant's report on the *pro forma* financial information of Sun International, as reproduced in **Annexure 4**;
- the written consents from each of the professional advisors referred to in section 6 of this Circular;
- the SPA pertaining to the Transaction; and
- a copy of this Circular and all annexures hereto.

Signed at Sandton on behalf of the Board on Wednesday, 30 September 2020

Anthony Leeming
Chief Executive

HISTORICAL FINANCIAL INFORMATION OF SUN DREAMS GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019, 31 DECEMBER 2018 AND 31 DECEMBER 2017

1. INTRODUCTION

The historical financial information of Sun Dreams for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Listings Requirements.

The historical financial information of Sun Dreams is the responsibility of the Directors of Sun Dreams.

2. NATURE OF BUSINESS

Sun Dreams operates a number of casinos, hotels as well as entertainment, food and beverage facilities throughout Latam including in Argentina, Chile, Colombia, Panama and Peru.

3. REVIEW OF OPERATIONS

In 2019, the Sun Dreams Group operations showed tremendous resilience despite the significant impact of the unexpected and widespread social unrest which erupted in Chile during the last quarter of the year. The social unrest resulted in the curtailment of operations, some damage to their properties and significant deterioration in trading conditions during October and November 2019. This contributed to the reduction in operational profit and cash flow in 2019.

Notwithstanding the various challenges faced, Sun Dreams Group operations continued to demonstrate pleasing de-gearing and balance sheet strength. After the distribution of R114 million minority dividends, net financial debt in Sun Dreams Group (excluding lease liabilities) reduced to R3.3 billion from R4.1 billion in 2018. Sun Dreams Group's net debt to EBITDA (excluding the effect of IFRS 16) reduced from 3.0x to 2.6x at 31 December 2019.

In 2018, the Sun Dreams Group income increased by 16%. 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.

The performance of the Sun Dreams Group operations remained subdued in 2017 as the operations in Monticello, were particularly impacted by the shooting incident mid-year. Due to the continued underperformance of the Ocean Sun Casino, its operations have been scaled down and the International VIP Business closed while the Sun Nao Casino in Colombia, which has continued to incur losses, was closed in December 2017.

The increase in income and cash flow during 2017 is partly due to Monticello closing in July 2017 for 12 days following the unfortunate shooting incident. Monticello benefited from a new arena which opened in June 2017 and from a refreshing of its restaurant offering. 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. Income of the Peruvian operations (excluding Thunderbird Resorts) increased by 2% 2018 while adjusted EBITDAR remained in line with the prior comparative period. Thunderbird Resorts, which acquisition was effective 11 April 2018, generated revenue of R194 million and adjusted EBITDAR 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 partly offset by the casino impacted by the weak currency. The acquisition of the 2 new subsidiaries increased profitability and the cash available at the end of 2018.

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. Following the closure of the Sun Nao Casino in Colombia in December 2017, a few small low-cost slot halls utilising the machines and tables from the Sun Nao Casino were opened. The Sun Dreams Group will dispose of these operations to another Colombian operator and will take a minority stake in the business. Sun Dreams Group settled the outstanding rental for the Sun Nao Casino at US$1.5 million. Both the Colombian and Panama operations are accounted for as discontinued operations in 2019 and 2018.

4. CHILE MUNICIPAL LICENCES

Municipal licences

With reference to the Chilean municipal licence bids:–

- In 2018, Sun Dreams was awarded the bid for the Iquique municipal licence, for a further period of 15 years. Subsequent to being awarded the bid, it transpired that the local municipality had annexed a certain portion of the land on which the Iquique project was to be developed. Consequently, Sun Dreams and the municipality have engaged in discussions regarding how best to resolve this matter and progress with the development. This has had the effect of delaying the project including the payment of higher taxes and the corresponding capital investment required; and
- Sun Dreams has launched a court challenge with regards to the award of the Puerto Varas and Pucon licences to Enjoy. It is the view of Sun Dreams and its legal team that the bids awarded did not comply with all of the prescribed legal and technical requirements.

SCJ licences

- In a press release on 27 July 2020, the SCJ announced that it will commence with the process of bidding for the SCJ casino licences. The due date for bids is 18 January 2021. The Chilean Casino Association alleges that the renewal process does not comply with the regulatory framework currently in force and the SCJ is seeking to unilaterally change the terms which had previously been agreed. Sun Dreams has taken legal advice and will pursue legal action against the process.

Group statement of comprehensive income

for the years ended 2019, 2018 and 2017

	Notes	*Audited* 31 December 2019 Rm	*Reviewed* 31 December 2018 Rm	*Reviewed* 31 December 2017^ Rm
Continuing operations				
Net gaming wins	*1*	**4 532**	*4 261*	*3 758*
Revenue	*1*	**864**	*758*	*564*
Income	*1*	**5 396**	*5 019*	*4 322*
Consumables and services		**(259)**	*(236)*	*(207)*
Depreciation	*11*	**(477)**	*(498)*	*(381)*
Amortisation	*12*	**(149)**	*(167)*	*(147)*
Employee costs	*2*	**(1 089)**	*(929)*	*(790)*
Impairment of intangible assets	*12*	**–**	*–*	*(61)*
Levies and VAT on casino revenue		**(1 398)**	*(1 315)*	*(1 127)*
Promotional and marketing costs		**(422)**	*(395)*	*(373)*
Property and equipment rentals	*3*	**–**	*(43)*	*(36)*
Property costs		**(107)**	*(93)*	*(73)*
Impairment losses on financial assets	*17*	**(29)**	*(15)*	*(89)*
Other operational costs		**(828)**	*(552)*	*(511)*
Operating profit		**638**	*776*	*527*
Foreign exchange (losses)/gains		**20**	*1*	*(78)*
Net monitory gain (hyper-inflation)		**14**	*15*	*–*
Finance income	*5*	**–**	*54*	*11*
Finance expense	*6*	**(228)**	*(194)*	*(67)*
Share of profit of investments accounted for using the equity method	*13*	**1**	*–*	*–*
Profit before tax		**445**	*652*	*393*
Tax	*8*	**(194)**	*(194)*	*(107)*
Profit for the year from continuing operations		**251**	*458*	*286*
Loss for the year from discontinued operations	*20*	**(3)**	*(204)*	*(241)*
Profit for the year		**248**	*254*	*45*
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Currency translation reserve		**79**	*115*	*(49)*
Total comprehensive income for the year		**327**	*369*	*(4)*
Profit/(loss) for the year attributable to:				
Ordinary shareholders		**248**	*254*	*45*
Minorities		–	–	–
		248	*254*	*45*
Total comprehensive profit/(loss) attributable to ordinary shareholders arises from:				
Ordinary shareholders		**327**	*369*	*(4)*
Minorities		**–**	*–*	*–*
		327	*369*	*(4)*
^Basic and diluted (Loss)/Earnings per share (cents)				
Basic and diluted	*9*	**1 860**	*1 901*	*339*
Continuing operations		**1 803**	*3 426*	*1 999*
Discontinued operations		**57**	*(1 525)*	*(1 660)*

^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 20.

Group statement of financial position

as at 31 December 2019, 2018 and 2017

	Notes	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
Non-current assets				
Property, plant and equipment	*11*	**5 863**	*6 163*	*6 538*
Intangible assets	*12*	**1 332**	*1 581*	*1 142*
Equity-accounted investments	*13*	**14**	–	–
Deferred tax	*8*	**421**	*412*	*385*
Trade and other receivables	*17*	**170**	*186*	*167*
		7 800	*8 342*	*8 232*
Current assets				
Inventory	*18*	**51**	*58*	*56*
Trade and other receivables	*17*	**226**	*491*	*411*
Related party receivables	*27*	**198**	*305*	*416*
Cash and cash equivalents	*19*	**427**	*617*	*373*
		902	*1 471*	*1 256*
Assets held for sale	*20*	**784**	*859*	–
Total assets		**9 486**	*10 672*	*9 488*
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary shareholders' equity	*21*	**4 651**	*5 076*	*6 186*
		4 651	*5 076*	*6 186*
Non-current liabilities				
Deferred tax	*8*	**513**	*583*	*323*
Borrowings	*22*	**3 331**	*3 614*	*1 968*
Contract liabilities and other liabilities	*23*	**9**	*15*	*86*
		3 853	*4 212*	*2 377*
Current liabilities				
Borrowings	*22*	**307**	*489*	*299*
Trade payables and accruals	*24*	**541**	*712*	*451*
Related party payables	*27*	**16**	*22*	*23*
Contract liabilities and other liabilities	*23*	**96**	*120*	*152*
		960	*1 343*	*925*
Liabilities held for sale	*20*	**22**	*41*	–
Total liabilities		**4 835**	*5 596*	*3 302*
Total equity and liabilities		**9 486**	*10 672*	*9 488*
		–	–	–

Group statement of cash flows

for the years ended 2019, 2018 and 2017

	Notes	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
Cash flows from operating activities				
Cash generated by operations before:	*25.1*	**1 113**	*1 407*	*1 009*
Tax paid		**(188)**	*(205)*	*(241)*
Net cash inflow from operating activities		**925**	*1 202*	*768*
Cash flows from investing activities				
Purchase of property, plant and equipment		**(297)**	*(204)*	*(354)*
Purchase of intangible assets		**(5)**	*(13)*	*(1)*
Acquisition of subsidiaries, net of cash acquired		**(41)**	*(610)*	–
Other non-current loans received		**270**	*37*	–
Other non-current loans repaid		–	–	*(394)*
Net cash outflow from investing activities		**(73)**	*(790)*	*(749)*
Cash flows from financing activities				
Amounts from capital contributions		**–**	*230*	*9*
Loan amounts		**–**	*2 560*	–
Loan payments		**(569)**	*(987)*	*(222)*
Interest paid		**(126)**	*(108)*	*(78)*
*Capital decline**		**–**	*(1 521)*	–
Dividends paid	*9*	**(316)**	*(364)*	*(114)*
Net cash outflow from financing activities		**(1 011)**	*(190)*	*(405)*
Effects of exchange rate changes on cash and cash equivalents		**(47)**	*52*	*(8)*
Net increase/(decrease) in cash and cash equivalents		**(206)**	*274*	*(394)*
Cash and cash equivalents at beginning of the year		**647**	*373*	*767*
Cash and cash equivalents at end of year^		**441**	*647*	*373*

Consolidated statement of cash flow includes continuous and discontinuous operating flows.

^ Refer to note 19

** Dated June 5, 2018, at the Extraordinary Shareholders' Meeting of Sun Dreams S.A., it was agreed that a capital payment from the Company's accumulated income and other reserves accounts were awarded (which is in terms of Chilean Regulations), up to the total amount of R1,521 million, which was fully paid on August 20, 2018 (to shareholders as part of the increased issued number of shares transaction).*

Group statement of changes in equity

for the years ended 2019, 2018 and 2017

	Notes	Share capital Rm	Foreign currency translation reserve Rm	Other reserves	Ordinary shareholders'[1] equity before retained earnings Rm	Retained earnings Rm	Total Equity Rm
Balance at 31 December 2016		**4 872**	**(747)**	**2 090**	**6 215**	**296**	**6 511**
Total comprehensive profit for the period		–	*(49)*		**(49)**	*45*	**(4)**
Foreign exchange		–			**–**		**–**
Issued capital		*9*			**9**		**9**
Dividends paid	*9*	–			**–**	*(114)*	**(114)**
Decrease from owners		–		*(216)*	**(216)**		**(216)**
Balance at 31 December 2017		**4 881**	**(796)**	**1 874**	**5 959**	**227**	**6 186**
Total comprehensive income for the year		–	*115*		**115**	*254*	**369**
*Increase in share capital**		*210*		*(1 271)*	**(1 061)**	*(239)*	**(1 300)**
Foreign exchange			*185*		**185**		**185**
Dividends paid	*9*				**–**	*(364)*	**(364)**
Balance at 31 December 2018		**5 091**	**(496)**	**603**	**5 198**	**(122)**	**5 076**
Total comprehensive income for the year			*79*		**79**	*248*	**327**
Foreign exchange			*(507)*	*71*	**(436)**	–	**(436)**
Dividends paid	*9*				**–**	*(316)*	**(316)**
Balance at 31 December 2019		**5 091**	**(924)**	**674**	**4 841**	**(190)**	**4 651**

**Please refer to note 21 for details relating to distributions.*

	NET GAMING WINS									Revenue from contracts with customers														
	Total Net Gaming Wins 31 December			Tables 31 December			Slots 31 December			Total Revenue 31 December			Rooms 31 December			Food & Beverage 31 December			Other 31 December			Total Income 31 December		
	2019	2018	2017^	2019	2018	2017^	2019	2018	2017^	2019	2018	2017^	2019	2018	2017^	2019	2018	2017^	2019	2018	2017^	2019	2018	2017^
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
1. SEGMENTAL INCOME ANALYSIS																								
Latam operations	**4 532**	*4 261*	*3 758*	**883**	*798*	*720*	**3 649**	*3 463*	*3 038*	**864**	*758*	*564*	**392**	*292*	*225*	**447**	*450*	*339*	**25**	*16*	–	**5 396**	*5 019*	*4 322*
Monticello	**1 736**	*1 692*	*1 546*	**505**	*489*	*466*	**1 231**	*1 203*	*1 080*	**240**	*213*	*127*	**20**	*8*	*16*	**210**	*199*	*111*	**10**	*6*	–	**1 976**	*1 905*	*1 673*
Dreams SCJ licences	**1 229**	*1 227*	*1 180*	**84**	*84*	*86*	**1 145**	*1 143*	*1 094*	**331**	*354*	*352*	**147**	*159*	*178*	**182**	*193*	*174*	**2**	*2*	–	**1 560**	*1 581*	*1 532*
Dreams Municipal																					–			
licences	**716**	*739*	*755*	**73**	*74*	*87*	**643**	*665*	*668*	**78**	*84*	*80*	**24**	*27*	*31*	**50**	*53*	*49*	**4**	*4*	–	**794**	*823*	*835*
Chile total	**3 681**	*3 658*	*3 481*	**662**	*647*	*639*	**3 019**	*3 011*	*2 842*	**649**	*651*	*559*	**191**	*194*	*225*	**442**	*445*	*334*	**16**	*12*	–	**4 330**	*4 309*	*4 040*
Dreams Peru excluding ThunderBird	**301**	*287*	*277*	**95**	*85*	*81*	**206**	*202*	*196*	**1**	*1*	*5*	**–**	–	–	**–**	–	*5*	**1**	*1*		**302**	*288*	*282*
ThunderBird Peru	**293**	*189*	–	**93**	*56*		**200**	*133*		**6**	*5*	–	**–**	–		**5**	*5*		**1**	–		**299**	*194*	–
Mendoza	**257**	*127*	–	**33**	*10*		**224**	*117*		**208**	*101*	–	**201**	*98*		**–**	–		**7**	*3*		**465**	*228*	–
Total	**4 532**	*4 261*	*3 758*	**883**	*798*	*720*	**3 649**	*3 463*	*3 038*	**864**	*758*	*564*	**392**	*292*	*225*	**447**	*450*	*339*	**25**	*16*	–	**5 396**	*5 019*	*4 322*

Income Streams are reported on seperately as below:

Income outside the scope of IFRS 15: Tables and Slots: Income from casino gambling operations.

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 and other.
^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 20.

Notes to the group financial statements for the years ended 2019, 2018 and 2017

	Adjusted EBITDAR			Depreciation and amortisation			Adjusted Operating profit			Adjusted Tax		
	31 December			31 December			31 December			31 December		
	2019 Rm	2018 Rm	2017^ Rm	2019 Rm	2018 Rm	2017^ Rm	2019 Rm	2018 Rm	2017^ Rm	2019 Rm	2018 Rm	2017^ Rm
1. SEGMENTAL ANALYSIS												
Latam operations	**1 294**	1 363	1 215	**523**	563	379	**771**	757	800	**222**	219	145
Monticello	**539**	573	417	**171**	168	152	**368**	405	265	**71**	60	39
Dreams SCJ licences	**573**	612	586	**43**	38	35	**530**	574	551	**46**	56	66
Dreams Municipal licences	**266**	287	303	**38**	37	47	**228**	250	256	**53**	55	57
Central Office	**(267)**	(194)	(132)	**125**	260	110	**(392)**	(497)	(277)	**8**	9	(17)
Chile total	**1 111**	1 278	1 174	**377**	503	344	**734**	732	795	**178**	180	145
Ocean Sun Casino	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–
Sun Nao Casino	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–
Dreams Peru excluding ThunderBird	**74**	32	33	**101**	39	35	**(27)**	(7)	(3)	**(11)**	6	–
ThunderBird Peru	**31**	25		**20**	11	–	**11**	14	–	**5**	4	–
Mendoza	**87**	36		**25**	10	–	**62**	26	–	**50**	29	–
Total operating segments	**1 294**	1 363	1 215	**523**	563	379	**771**	757	800	**222**	219	145
Other	**–**	–		**104**	102	149	**(133)**	19	(273)	**(28)**	(26)	(38)
PPA Adjustment	**–**	–	–	**104**	102	149	**(104)**	(102)	(149)	**(28)**	(26)	(38)
Exceptional items (refer note 7)	**–**	–		**–**	–		**(29)**	121	(124)	–	–	
Total	**1 294**	1 363	1 215	**627**	665	528	**638**	776	527	**194**	194	107

^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 20.

1. SEGMENTAL ANALYSIS

	Non-Current Assets* 31 December			Borrowings 31 December			Liabilities* 31 December			Capital expenditure 31 December		
	2019 Rm	2018 Rm	2017 Rm	2019 Rm	2018 Rm	2017 Rm	2019 Rm	2018 Rm	2017 Rm	2019 Rm	2018 Rm	2017 Rm
1. SEGMENTAL ANALYSIS												
Monticello	*2 039*	*2 354*	*2 509*	–	–	–	*356*	*212*	*317*	*83*	*116*	*274*
Dreams SCJ licenses	*3 349*	*3 770*	*4 135*	*3 118*	*3 887*	*2 267*	*3 679*	*4 600*	*2 570*	*121*	*173*	*101*
Dreams Municipal licenses	*542*	*571*	*574*	–	–	–	*136*	*137*	*133*	*44*	*13*	*23*
Central Office	*(61)*	*(49)*	*(33)*	*300*	–	–	*(144)*	*55*	*157*	–	–	–
Chile total	*5 868*	*6 646*	*7 185*	*3 418*	*3 887*	*2 267*	*4 027*	*5 003*	*3 177*	*248*	*301*	*398*
Ocean Sun Casino	*695*	*719*	*609*	–	–	–	*22*	*38*	*18*	–	*2*	*1*
Sun Nao Casino	*15*	-	*83*	–	–	–	*16*	*19*	*68*	–	*2*	*3*
Dreams Peru	*954*	*723*	*355*	*218*	*215*	–	*638*	*360*	*39*	*28*	*78*	*20*
Argentina	*268*	*253*	–	*2*	*1*	–	*109*	*135*	–	*56*	*14*	–
Total Latam operations	*7 800*	*8 341*	*8 233*	*3 638*	*4 103*	*2 267*	*4 812*	*5 555*	*3 301*	*332*	*397*	*422*

* *This includes receivable balances owed to the group's central office to operating units, which eliminate on consolidation.*

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017^ Rm
2. EMPLOYEE COSTS			
Salaries, wages, bonuses and other benefits	**1 089**	*929*	*790*
	1 089	*929*	*790*

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017^ Rm
3. PROPERTY AND EQUIPMENT RENTALS			
Property and equipment rentals expense is made up of the following short-term, low value and variable rental charges:			
Plant, vehicles and equipment	–	*43*	*36*
	–	*43*	*36*

Rental Commitments

The group has no material rental agreements as at 31 December 2019, following the adoption of IFRS 16: Leases at 1 January 2019. The future aggregate minimum lease payments under non-cancellable rentals are as follow:

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017^ Rm
No later than 1 year	**–**	*56*	*41*
Later than 1 year and no later than 5 years		*212*	*164*
Later than 5 years		*231*	*218*
	–	*499*	*423*

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

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017^ Rm
4. OPERATING PROFIT IS STATED AFTER CHARGING THE FOLLOWING:			
Auditors' remuneration	**10**	*11*	*10*
Net (loss)/profit on disposal of property, plant and equipment	**6**	–	*4*
*Reversal of impairment of assets**	–	–	*(61)*

** Refer to note 11 and note 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. Refer to note 20.

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017^ Rm
5. FINANCE INCOME			
Interest earned on cash and cash equivalents	**–**	*54*	*11*
6. FINANCE EXPENSE			
Interest paid on borrowings	**209**	*194*	*67*
^^Interest on leaseliabilities	**19**	–	–
	228	*194*	*67*

^^Lease Liabilities

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

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017^ Rm
Interest on lease liabilities:			
Buildings	**19**		
	19		

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017^ Rm
7. ADJUSTED EBITDAR RECONCILIATION			
Operating profit	**638**	*776*	*527*
Depreciation and amortisation	**627**	*665*	*528*
Rental expense	**–**	*43*	*36*
Exceptional items	**29**	*(121)*	*124*
Net loss on disposal of property, plant and equipment	**6**	–	*4*
Impairments	**–**	–	*61*
Pre-opening expenses	**–**	–	*4*
Restructuring cost	**20**	–	*16*
Onerous contract	–	*(31)*	*50*
Transaction costs	–	–	*43*
*Other**	**3**	*(90)*	*(54)*
Adjusted EBITDAR	**1 294**	*1 363*	*1 215*

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

^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 20.

For users of this Group Financial Statements for the year 31 December 2019, we refer to EBITDAR for comparable purposes due to the effect of the adoption of IFRS 16: Leases, as EBITDAR excludes leases expenses both prior and current year.

8. TAX

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017^ Rm
(a) Statement of comprehensive income			
Attributable to continued operations	**(194)**	*(194)*	*(107)*
Normal tax	**(194)**	*(194)*	*(107)*
Current tax – current year	**(236)**	*(235)*	*(166)*
– prior years	**(14)**	*48*	*–*
Deferred tax – current year	**56**	*(7)*	*59*
Withholding taxes	**–**	*1*	*–*
	(194)	*(193)*	*(107)*
Tax losses not recognised as deferred tax assets			

Group reconciliation of effective tax rate

For the period ending 31 December 2019

Deferred tax

(b) Statement of financial position

Deferred tax asset			
Balance at beginning of period	**412**	*385*	*432*
Credited to the statement of comprehensive income Currency	**9**	*27*	*(47)*
translation adjustments	**–**	*–*	
Total asset at end of year from continuing operations	**421**	*412*	*385*
Deferred tax arises from the following temporary differences:			

	Accelerated asset allowances		
Deferred tax liabilities			
Balance at beginning of period	**(583)**	*(323)*	*(427)*
Credited to statement of comprehensive income	**70**	*(260)*	*104*
	(513)	*(583)*	*(323)*
Aggregate assets and liabilities on subsidiary company basis:			
Deferred tax assets	**421**	*412*	*385*
Deferred tax liabilities	**(513)**	*(583)*	*(323)*
	(92)	*(171)*	*62*

These entities are expected to return to profitability in the foreseeable future due to taxable income increasing 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.

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

The Company constantly evaluates and recognizes deferred tax assets only when it reasonably believes that it will have profits to ensure their use within a reasonable period of time.

^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 20.

Notes to the group financial statements for the years ended 2019, 2018 and 2017

9. RETURN TOSHAREHOLDERS

(a) Earnings per Share (EPS)

Net profit per basic share is calculated by taking the profit or loss of the financial year, attributable to the ordinary shareholders of the parent company (the "numerator"), and the weighted average of the number of ordinary shares outstanding during the period (the "denominator").

As of 31 December 2019, 2018 and 2017 the company has not carried out any type of diluted potential-effect transaction that implies a diluted earnings per share other than the basic earnings per share.

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
Basic earnings per share information			
Profit attributable to holders of equity instruments			
Result available to common shareholders, basic	**248**	*254*	*45*
Net loss on disposal of property, plant and equipment	**6**	–	*4*
Reversal of prior year impairments	**(34)**	*(54)*	*(72)*
Impairment	–	–	*61*
Tax relief on the above items	–	–	*(17)*
Headline earnings	**220**	*200*	*21*

Basic earnings per share (cents)	**1 860**	*1 901*	*339*
Headline earnings per share (cents)	**1 648**	*1 498*	*157*

(b) Dividends declared and paid

	31 December 2019	31 December 2018	31 December 2017
Dividends paid by the company	*316*	*364*	*114*
Total dividends paid by the group	*316*	*364*	*114*

10. ACQUISITION/DISPOSAL OF SUBSIDIARIES

(a) Park Hyatt Hotel and Casino in Mendoza Argentina

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

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

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

The agreed purchase price was R333 million (USD 24 804 415) plus an additional amount calculated as 5.4 times the EBITDA of Nuevo Plaza Hotel Mendoza S.A. of 2018 minus USD 24 million, provided that said amount was neither negative nor exceeds R40 million (USD 3,000,000). This additional amount represented a contingent consideration in terms of IFRS 3, management estimated that 90% of this amount would be payable in the future. The fair value of the contingent consideration was calculated as the present value of the estimated value to be paid R35 million (USD 2,626,000). The contingent consideration was classified as a liability for the PPA analysis. The determined purchase price was R368 million (USD 27,430,415).

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

Based on the estimates and projections provided by Management at that point in time, Goodwill was determined to be R84 million (USD 6,237) which represents 22.7% of the total purchase price.

(b) 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 Luxor 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.

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

Subsequent to the audited 31 December 2018 comparable balance sheet, a final PPA was obtained during the current financial period that was indicative of conditions that was in existence at the acquisition date. As per IFRS 3 Business Combinations, states: "If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the business combination is accounted for by using provisional amounts. Adjustments to the provisional amounts, and the recognition of newly identified assets and liabilities, must be made within the measurement period where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date [IFRS 3.45]. The measurement period cannot exceed one year from the acquisition date and no adjustments are permitted after one year except to correct an error in accordance with IAS 8. [IFRS 3.50]"

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

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

	Thunderbird	Mendoza
Assets and liabilities acquired		
*Property, plant and equipment**	*256 398*	*118 710*
*Intangible assets^*	*118 221*	*306 380*
*Current assets**	*32 412*	*45 687*
*Other assets**	*999*	–
Deferred tax asset/(liability)	*1 529*	–
*Current liabilities**	*(38 914)*	*(49 282)*
Deferred tax asset adjustment	*(60 899)*	*(95 062)*
Goodwill recognised	*6 914*	*41 502*
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 totaling to R1 million.
The goodwill is attributable to the high profitability of the acquired business. It will not be deductible for tax purposes.

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

(c) Purchase of shares in subsidiaries

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

	31 December 2019		**31 December 2018**		**31 December 2017**	
	Share-holding acquired %	**Purchase price Rm**	**Share-holding acquired %**	**Purchase price Rm**	**Share-holding acquired %**	**Purchase price Rm**
Thunderbird	–	–	*100.00*	*317*	–	–
Mendoza	–	–	*100.00*	*368*	–	–
		–		*685*		–

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	**Right of use assets**	**Infra-structure**	**Plant, equipment and machinery**	**Furniture and fittings**	**Operating equipment**	**Capital work in progress**	**Total**
Closing balance as at 31 December 2016	5 008	–	758	548	102	141	201	6 758
Cost	5 947		1 011	1 485	385	805	201	9 834
Accumulated depreciation	(939)		(253)	(937)	(283)	(664)	–	(3 076)
Reclassifications	**4**		**32**	**87**	**3**	**(130)**	**(51)**	**(55)**
Exchange rate adjustments	**(75)**		**(28)**	**(16)**	**(3)**	**1**	**(5)**	**(126)**
Additions	**–**		**126**	**133**	**27**	**10**	**57**	**353**
Disposals	**(1)**		**–**	**(1)**	**–**	**–**	**(1)**	**(3)**
Depreciation	**(156)**		**(43)**	**(222)**	**(28)**	**(12)**	**–**	**(461)**
Impairments reversal*	**50**		**–**	**19**	**3**	**–**	**–**	**72**
Closing balance as at 31 December 2017	**4 830**		**845**	**548**	**104**	**10**	**201**	**6 538**
Cost	5 875		1 141	1 688	412	686	201	10 003
Accumulated depreciation	(1 045)		(296)	(1 140)	(308)	(676)	–	(3 465)
Reclassified to non-current assets held for sale (refer to note 20)	**(471)**		**(173)**	**66**	**(22)**	**(6)**	**(167)**	**(773)**
Hyperinflation Argentina	**–**		**9**	**14**	**–**	**–**	**–**	**23**
Exchange rate adjustments	**204**		**45**	**27**	**5**	**(1)**	**7**	**287**
Additions	**–**		**27**	**142**	**30**	**6**	**45**	**250**
Disposals	**–**		**(39)**	**(11)**	**(1)**	**–**	**–**	**(51)**
Depreciation	**(156)**		**(53)**	**(211)**	**(75)**	**(3)**	**–**	**(498)**
Acquisition of subsidiary	**227**		**54**	**96**	**10**	**–**	**–**	**387**
Closing balance as at 31 December 2018	**4 634**		**715**	**671**	**51**	**6**	**86**	**6 163**
Cost	5 835		1 064	2 022	434	685	86	10 126
Accumulated depreciation	(1 201)		(349)	(1 351)	(383)	(679)	–	(3 963)
Reclassifications	2		29	(29)	13	–	(19)	(4)
Hyperinflation Argentina	–		18	40	2	–	–	60
Exchange rate adjustments	(373)	2	(75)	(67)	(18)	–	(11)	(542)
Additions	–	–	38	157	63	4	88	350
Disposals	–	–	–	(4)	–	–	(16)	(20)
Depreciation	(141)	(48)	(56)	(180)	(48)	(4)	–	(477)
Capitalisation of right-of-use asset as at 1 January 2019	–	333	–	–	–	–	–	333

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings	Right of use assets	Infra-structure	Plant, equip-ment and machinery	Furn-iture and fittings	Operating equipment	Capital work in progress	Total
Closing balance as at 31 December 2019	**4 122**	**287**	**669**	**588**	**63**	**6**	**128**	**5 863**
Cost	5 410	335	1 074	2 119	494	689	128	10 249
Accumulated depreciation	(1 288)	(48)	(405)	(1 531)	(431)	(683)	–	(4 386)

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

***Reversal of prior year Impairments**	**31 December 2017**
	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	*72 million*

Over the past 3 years there have been changes in the Panama City real estate market that has involved a valuation of real estate. This has had an effect on the fair value valuations of Panama's net assets generating a reversal of impairment as shown above.

Right-of-use asset

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

Amounts recognised in the balance sheet

This note provides information for leases where the group is a lessee.

	31 December 2019 Rm	1 January 2019 Rm
Right-of-use assets		
Buildings	*287*	*333*
	287	**333**

Amounts recognised in the statement of profit or loss

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
Depreciation charge of right-of-use assets			
Buildings	*48*	–	–
	48	–	–

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

Notes to the group financial statements for the years ended 31 December 2019, 2018 and 2017

12. INTANGIBLE ASSETS

	Casino Conces-sions and Operating Licenses	Software	Other Intangibles	Trade-marks	Customer Relation-ship	Goodwill	Total
Closing balance as at							
31 December 2016	**904**	**14**	**55**	**97**	**31**	**557**	**1 658**
Cost	**2 074**	**52**	**76**	**97**	**35**	**557**	**2 891**
Accumulated amortisation and impairments	**(1 170)**	**(38)**	**(21)**	**–**	**(4)**	**–**	**(1 233)**
Additions	–	*5*	–	–	–	–	*5*
Disposals	*(38)*	–	*(5)*	–	–	-	*(43)*
*Other***	–	–	–	–	–	*(218)*	*(218)*
Exchange rate adjustments	*(12)*	*17*	*(24)*	–	–	*(1)*	*(20)*
Amortisation	*(148)*	*(10)*	*(15)*	–	*(6)*	–	*(179)*
Impairments	*(41)*	–	–	–	–	*(20)*	*(61)*
Closing balance as at 31 December 2017	**665**	**26**	**11**	**97**	**25**	**318**	**1 142**
Cost	**2 024**	**74**	**47**	**97**	**35**	**338**	**2 615**
Accumulated amortisation and impairments	**(1 359)**	**(48)**	**(36)**	–	**(10)**	**(20)**	**(1 473)**
Additions	*38*	*27*	*75*	–	–	–	*140*
Disposals	–	*(18)*	–	–	–	–	*(18)*
Hyperinflation Argentina	*26*	–	–	–	–	–	*26*
Exchange rate adjustments	*32*	*1*	*2*	*3*	*1*	*10*	*50*
Amortisation	*(99)*	*(9)*	*(49)*	–	*(9)*	–	*(167)*
Acquisition of subsidiary	*296*	–	–	*20*	*42*	*50*	*408*
Closing balance as at 31 December 2018	**958**	**27**	**39**	**120**	**59**	**378**	**1 581**
Cost	**2 416**	**84**	**124**	**120**	**78**	**398**	**3 220**
Accumulated amortisation and impairments	**(1 458)**	**(57)**	**(85)**	–	**(19)**	**(20)**	**(1 639)**
Additions	–	*2*	*13*	–	–	–	*16*
Disposals	–	–	*(7)*	–	–		*(7)*
Hyperinflation Argentina	*43*	–	–	–	–	–	*43*
Exchange rate adjustments	*(108)*	*(1)*	*(1)*	*(8)*	*(2)*	*(32)*	*(152)*
Amortisation	*(105)*	*(15)*	*(2)*	–	*(26)*	–	*(149)*

12. INTANGIBLE ASSETS (continued)

	Casino Conces-sions and Operating Licenses	Software	Other Intangibles	Trade-marks	Customer Relation-ship	Goodwill	Total
Closing balance as at 31 December 2019	**788**	**12**	**42**	**112**	**31**	**346**	**1 332**
Cost	**2 351**	**86**	**129**	**112**	**76**	**366**	**2 885**
Accumulated amortisation and impairments	**(1 563)**	**(74)**	**(87)**	**–**	**(45)**	**(20)**	**(1 553)**

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

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

** Mendoza PPA: Subsequent to the audited 31 December 2018 comparable balance sheet, new information was obtained during the current financial period that was indicative of conditions that was in existence at the acquisition date. As per IFRS 3 Business Combinations, states: If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the business combination is accounted for by using provisional amounts. Adjustments to the provisional amounts, and the recognition of newly identified assets and liabilities, must be made within the measurement period where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date [IFRS 3.45]. Refer to note 10.*

*** Relates to a purchase price allocation adjustment.*

Impairments

For the purpose of assessing impairment, asset 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.

Goodwill consideration for Sun Dreams	**31 December 2019**	**31 December 2018**	**31 December 2017**
Method of testing	*Value in use (discounted cash flow)*	*Value in use (discounted cash flow)*	*Value in use (discounted cash flow)*
Impairment indicator	*Indefinite useful life*	*Indefinite useful life*	*Indefinite useful life*
Key assumptions:			
- discount rate (pre tax)	*9.98%*	*9.11%*	*12.00%*
- 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 used	*3.10%*	*4.50%*	*3.00%*
Impairment charge	–	–	–
- debt/equity ratio	*43%/57%*	*35%/65%*	*30%/70%*
Impairment charge	*No impairment charge*	*No impairment charge*	*No impairment charge other than noted below*

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

12. INTANGIBLE ASSETS

Due to continued underperformance, Sun Peru licences were impaired in 2017 – R41 million.

Impairment of Sun Peru (31 December 2017)	**License – Sun Peru**	**Goodwill – Sun Peru**
Method of testing	*Value in use (discounted cash flow)*	*Value in use (discounted cash flow)*
Impairment indicator	*Continued underperformance*	*Continued underperformance*
Key assumptions:		
- discount rate (pre tax)	*12.00%*	*12.00%*
- growth considerations	*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 used	*3.00%*	*3.00%*
- period of cash flow forecast	*5 years*	*5 years*
Impairment charge	*R41 million*	*R20 million*
- debt/equity ratio	*30%/70%*	*30%/70%*
Impairment charge	*Impairment charge*	*Impairment charge*

Classes	**Lifespan**
Extension Municipal Concession Iquique (1)	*2 years*
Extension Municipal Concession Puerto Varas (2)	*2 years*
Licenses and software	*4 – 10 years*
Trademarks	*Indefinite*
Customer Relationship	*Turnover rate between 15% and 65% per year*
Casinos Licenses in Peru (3)	*Initial 5 years, renewable for 4*
Casino Licenses in Colombia (4)	*5 years renewable*
Casinos Panama License (5)	*20 years*
Mendoza Hotel & Casino License (6)	*15 years, renewable for 5 more years*
Goodwill	*Indefinite*
SCJ Casinos License under Law No. 19.995 (7)	*15 years old*

(1) *The Superintendence of Gambling Casinos by The Exempt Resolution 024 dated 14 January 2020 granted an additional extension of 12 months for the execution of gambling casino works and 18 months for supplementary works. Therefore, extending the deadlines until 29 June 2021 in respect of casino and until 29 December 2021 for supplementary works. The new concession will not be a municipal casino. (see note No. 30)*

(2) *The estimated end date of the extension granted to you by law is 29 June,2021, or until the new operator starts its operation.*

(3) *Renewable licenses for 4 years.*

(4) *Renewable licenses for 5 years.*

(5) *The end date is 8 January 2034.*

(6) *The end date is 26 October 2033 plus renewal option held by the Argentine subsidiary of Sun Dreams for an additional 5 years. The date of origin of the concession is 27 October 1998.*

(7) *Casino licenses regulated by the SCJ have the following expirations:*

Casino	**Term Date**
Temuco	*1 January 2024*
Valdivia	*1 February 2024*
Coyhaique	*1 May 2027*
Punta Arenas	*1 March 2024*
Mostazal	*1 October 2023*

13. EQUITY-ACCOUNTED INVESTMENTS

Colombian Investments

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

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

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
Non-current assets	**26**	–	–	**26**	–	–
Current assets	**8**	–	–	**8**	–	–
Total assets	**34**	–	–	**34**	–	–
	–					
Non-current liabilities	**–**	–	–	**–**	–	–
Current liabilities	**11**	–	–	**11**	–	–
Equity	**23**	–	–	**23**	–	–
	34	–	–	**34**	–	–
	–					
Group proportionate share of the equity	**14**	–	–	**14**	–	–
Group carrying amount of investment	**22**	–	–	**22**	–	–
Summarised statement of profit and loss:						
Revenue	**10**	–	–	**10**	–	–
Expenses	**(8)**	–	–	**(8)**	–	–
Profit before tax	**2**	–	–	**2**	–	–
Tax	**–**	–	–	**–**	–	–
Profit after tax	**2**	–	–	**2**	–	–
Other comprehensive income	**–**			**–**	–	–
Total comprehensive income	**2**	–	–	**2**	–	–
Group proportionate share of comprehensive income (P&L)	**1**	–	–	**1**	–	–

Group proportionate share of other comprehensive income (OCI).

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

dividends have been received from equity-accounted investments.

	Notes	31 December 2019 Rm	*Restated 31 December 2018 Rm	31 December 2017 Rm
17. TRADE AND OTHER RECEIVABLES				
Financial instruments				
Loans		**41**	*39*	*9*
Net trade receivables	*17.1*	**36**	*60*	*52*
Trade receivables		**53**	*68*	*60*
Less: loss allowance	*17.2*	**(17)**	*(8)*	*(8)*
Net casino debtors		**71**	*35*	*41*
Casino debtors		**84**	*41*	*122*
Less: loss allowance	*17.3*	**(13)**	*(6)*	*(81)*
Other receivables~		**34**	*20*	*47*
		182	*154*	*149*
Non-financial instruments				
Prepayments[1]		**84**	*376*	*265*
VAT		**1**	–	*6*
Current tax #		**129**	*147*	*158*
		396	*677*	*578*
Non-current portion of loans		**41**	*39*	*9*
Non-current receiver of revenue#		**129**	*147*	*158*
		226	*491*	*411*

[1] *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 all of the amount in the short term, hence this portion that is disclosed as non-current.*

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

17.1 Net trade receivables

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

- *Different categories of trade receivables with similar loss patterns were separated.*
- *The group's categories of trade receivables were separated in two classes being trade receivables from food and beverage, rooms revenue and other and casino debtors.*
- *The two classes of trade receivables were based on the historical risk profile of the classes receivables.*
- *Management assessed the risks of the individual trade receivables as falling into the above two group's risk profile.*
- *Calculating default rates within specific time frames over a specific year using historical credit loss experience.*
- *Management determined the historical credit loss, by assessing the previous 24 months trade receivables payment trends as well as receivables written of as unrecoverable.*
- *Default rates were calculated based on the above assessment for each time bucket as indicated below:*
  - *Fully performing*
  - *Past due by 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*

17. TRADE AND OTHER RECEIVABLES

17.1 Net trade receivables

- *An assessment of forward-looking macroeconomic forecasts was done to determine a possible adjustment on the historical default rates.*
- *To determine a correlation between macroeconomic factors and the group's bad debt written off, the following macroeconomic factor changes were compared over the same period of time as the group's bad debt written off:*
  - *Disposal Income rate*
  - *Unemployment rate*
  - *Lending rates*
  - *Gross domestic product growth rat;*
  - *Inflation rate*
  - *Number of company liquidations*

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

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

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

17.2 Net casino debtors

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

Trade receivables and casino debtors IFRS 9: Financial instruments impact

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

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
Balance at the beginning of the year	**(15)**	*(89)*	*(89)*
Charge for the year	**(15)**	74	–
Balance at end of year	**(30)**	*(15)*	*(89)*

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

Notes to the group financial statements for the year ended 31 December 2019

17. TRADE AND OTHER RECEIVABLES

17.2 Net casino debtors

	31 December 2019			31 December 2018			31 December 2017		
	Gross	**Provision for doubtful debts**	***IFRS 9 provision matrix**	**Gross**	**Provision for doubtful debts**	***IFRS 9 provision matrix**	**Gross**	**Provision for doubtful debts**	**Provision matrix**
	Rm	**Rm**		**Rm**	**Rm**		**Rm**	**Rm**	
Net trade receivables									
Fully performing	**33**	**–**	**0%**	32	–	0%	31	–	0%
Past due by 1 to 30 days	**2**	**–**	**0%**	17	–	0%	20	(1)	(5%)
Past due by 31 to 60 days	**–**	**–**	**0%**	6	–	0%	8	–	(2%)
Past due by 61 to 90 days	**–**	**–**	**0%**	5	–	0%	2	–	(1%)
Past due by more than 90 days	**18**	**(16)**	**(88.11%)**	8	(8)	(100.00%)	(1)	(7)	1 400%
	53	**(16)**		68	(8)		60	(8)	
	Gross	**Provision for doubtful debts**	***IFRS 9 provision matrix**	**Gross**	**Provision for doubtful debts**	***IFRS 9 provision matrix**	**Gross**	**Provision for doubtful debts**	**Provision matrix**
	Rm	**Rm**		**Rm**	**Rm**		**Rm**	**Rm**	
Casino debtors									
Fully performing	**57**	**–**	**0%**	35	–	0%	47	–	0%
Past due by 1 to 30 days	**13**	**–**	**0%**	–	–	0%	1	–	0%
Past due by 31 to 60 days	**1**	**–**	**0%**	–	–	0%	5	(2)	(39%)
Past due by 61 to 90 days	**–**	**–**	**0%**	–	–	0%	1	(4)	(647%)
Past due by more than 90 days	**13**	**(13)**	**(100.00%)**	6	(6)	(100.00%)	68	(75)	(111%)

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

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
18. INVENTORY			
Merchandise	**24**	*28*	*31*
Consumables and hotel stocks	**27**	*30*	*25*
	51	*58*	*56*

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

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
19. CASH AND CASH EQUIVALENTS			
Cash in the bank	**305**	*481*	*302*
Cash floats	**122**	*136*	*71*
	427	*617*	*373*
Cash at the bank is held in the following currencies:			
Chilean Pesos (CLP)	**327**	*529*	*240*
Peruvian Nuevo Sol (PEN)	**29**	*35*	*13*
Dollars (USD)	**57**	*46*	*80*
Colombian Pesos (COP)	**4**	*–*	*3*
Argentine Peso	**9**	*7*	*–*
Other	**1**	*–*	*37*
	427	*617*	*373*

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 immaterial ECL. Refer to note 29 which includes the credit ratings of the institutions that holds the group's cash and cash equivalents.

20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

(a) Nao Casino Colombia SA

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

(b) 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.

(c) 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.

20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

	31 December 2019				31 December 2018				31 December 2017		
	Total	Nao Casino Colombia	SA Panama	Chile Land	Total	Nao Casino Colombia SA	Panama	Chile Land	Total	Nao Casino Colombia SA	Panama
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Assets of the disposal group classified as held for sale:											
Property, plant and equipment	**753**	–	*663*	*90*	*776*	*22*	*655*	*99*			
Other assets	**17**	–	*17*	–	*53*	*11*	*42*				
Cash and cash equivalents	**14**	–	*14*	–	*30*	*8*	*22*				
Total assets held for sale	**784**	–	*694*	*90*	*859*	*41*	*719*	*99*			
Liabilities of disposal group classified as held for sale:											
Borrowings	**–**	–	–	–	–	–	–	–			
Other non-current liabilities	**–**	–	–	–	–	–	–	–			
Accounts payable and accruals	**(22)**	–	*(22)*	–	*(41)*	*(3)*	*(38)*	–			
Total liabilities held for sale	**(22)**	–	*(22)*	–	*(41)*	*(3)*	*(38)*				
Net assets held for sale	**762**	–	*672*	*90*	*818*	*38*	*681*	*99*			
An analysis of the results of the discontinued operations is as follows:											
Revenue	**126**	*12*	*114*	–	*111*	*10*	*101*	–	*258*	*35*	*223*
Expenses	**(163)**	*(33)*	*(130)*	–	*(367)*	*(69)*	*(298)*	–	*(569)*	*(160)*	*(409)*
**Impairment Reversal*	**34**	–	*34*	–	*54*	–	*54*	–	*72*	–	*72*
Loss before tax	**(3)**	*(21)*	*18*	–	*(202)*	*(59)*	*(143)*	–	*(239)*	*(125)*	*(114)*
Tax	**–**	–			*(2)*	*(2)*			*(2)*	*(2)*	
Loss for the year from discontinued operations	**(3)**	*(21)*	*18*	–	*(204)*	*(61)*	*(143)*	–	*(241)*	*(127)*	*(114)*
Cash flows of the discontinued operation:											
Operating cash flows	**(27)**	*(18)*	*(9)*	–	*(153)*	*(54)*	*(99)*	–	*(132)*	*(44)*	*(88)*
Investing cash flows	**16**	*13*	*3*	–	–	–	–	–	*(8)*	*(8)*	-
Financing cash flows	**–**	–	–	–	*141*	*58*	*83*	–	*139*	*42*	*97*
Total cash flows	**(11)**	*(5)*	*(6)*	–	*(12)*	*4*	*(16)*	–	*(1)*	*(10)*	*9*

20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

*** Reversal of prior year impairments**

	31 December 2019	31 December 2018	31 December 2017
	Panama Property		
Level of testing	*Fair value less cost to sell*	*Fair value less cost to sell*	*Fair value less cost to sell*
Operating segment	*Latam: Panama*	*Latam: Panama*	*Latam: Panama*
Method of testing	*Fair value/Market value*	*Fair value/Market value*	*Fair value/Market value*
Key assumptions:			
– discount rate	*N/A*	*N/A*	*N/A*
Impairment charge reversed	*34 million*	*54 million*	*72 million*

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
21. SHARE CAPITAL AND PREMIUM			
Authorised			
13 349 464 (2018: 13 349 464/2017: 13 348 464) ordinary shares of no par value			
Issued			
Share capital and premium	**5 091**	*5 091*	*4 881*
	5 091	*5 091*	*4 881*

All issued shares are fully paid.

13 349 464 shares (2018: 13 349 464/2017: 13 348 464) were placed under the specific control of the directors to allot and issue in accordance with the share plans.

Dividends

The Group has adopted the dividend distribution policy approved by the Ordinary Shareholders' Meeting, taking into account their needs and the fulfillment of ratios to be met by the company before contractual commitments with external entities, therefore, in that instance will proceed to the registration of the final or provisional dividends as less Net Equity. Dividends will be reduced from accrued income and reserves for future dividends.

Dated 23 April 2019, at the Ordinary Shareholders' Meeting of Sun Dreams S.A., it was agreed that a final dividend from the Company's accumulated income account was awarded, up to the total amount of R316 million, which was paid in full on 3 May 2019.

Dated 9 November 2018, at the Ordinary Shareholders' Meeting of Sun Dreams S.A., it was agreed that a final dividend from the Company's accumulated income account was awarded, up to the total amount of R364 million, which was paid in full on 22 November 2018.

Dated 5 June 2018, at the Extraordinary Shareholders' Meeting of Sun Dreams S.A., it was agreed that a capital payment from the Company's accumulated income and other reserves accounts were awarded (which is in terms of Chilean Regulations), up to the total amount of R1,521 million, which was fully paid on 20 August 2018 (to shareholders as part of the increased issued number of shares transaction).

Dated 28 April 2017, at the Ordinary Shareholders' Meeting of Sun Dreams S.A., it was agreed that a final dividend from the Company's accumulated income account was awarded, up to the total amount of R114 million, which was paid in full in April 2017.

22. BORROWINGS

All borrowings are classified as level 3.

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

	Chilean Peso (Clp52.73:R1) Interest rate	31 December 2019 Rm	Chilean Peso (Clp48.21:R1) Interest rate	31 December 2018 Rm	Chilean Peso (Clp49.68:R1) Interest rate	31 December 2017 Rm
Non-current borrowings		**3 331**		**3 614**		**1 968**
Term facilities	4,86%	**3 085**	4, 87%	**3 614**	*3,36%*	1 968
^Lease liabilities (IFRS 16)	8.90%	**246**		**–**		–
Current borrowings		**307**		**489**		**299**
Term facilities	4,86%	**253**	4,87%	**489**	*3,36%*	299
^Lease liabilities (IFRS 16)	8.90%	**54**		**–**		–
Total borrowings		**3 638**		**4 103**		**2 267**

22. BORROWINGS

	31 December 2019 Rm	Total 31 December 2018 Rm	31 December 2017 Rm
6 months or less	**51**	256	129
6 months – 1 year	**256**	233	170
1 – 2 years	**259**	246	231
2 – 3 years	**259**	247	232
3 – 4 years	**259**	249	233
4 years and onwards	**2 554**	2 872	1 272
	3 638	4 103	2 267
Secured	**3 338**	**3 757**	**1 916**
Unsecured	**300**	346	**351**
	3 638	**4 103**	**2 267**
Net book value of property, plant and equipment encumbered by secured loans:	**2 264**	**2 959**	**2 912**

^Lease liabilities

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

	31 December 2019 Rm	1 January 2 019 Rm
Lease liabilities		
Opening balance	**333**	–
Acquisition of lease		333
Add lease interest	**19**	–
Less lease payments	**(52)**	–
Closing balance	**300**	333
Of which are: Current	**54**	19
Non-current	**246**	314

Debt covenants at a Sun Dreams Group are based on the Sun Dreams debt and EBITDA.

22. BORROWINGS

Cash flow interest rate risk

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

Interest rate sensitivity

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

	31 December 2019 Rm	**31 December 2018 Rm**	**31 December 2017 Rm**
Profit after tax	**(24)**	*(30)*	*(16)*

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

Capital risk management

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

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

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

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

– Loan Covenant (Debt/EBITDA) may not exceed 4.50x (2018: 4.5x/2017:4.75x) for Sun Dreams Group

	2019		**2018**		**2017**	
Current gearing ratios:	**Covenant**	**Actual**	**Covenant**	**Actual**	**Covenant**	**Actual**
Debt to EBITDA	**4.5x**	**2.5x**	*4.5x*	*3.0x*	*4.75x*	*2.8x*

The group complied with the above Loan Covenants through out the year.

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

group is not subject to externally imposed capital requirements.

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

- *Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.*
- *Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).*
- *the fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2; or*
- *if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.*

	31 December 2019 Rm	*Restated 31 December 2018 Rm	31 December 2017 Rm
23. CONTRACT LIABILITIES AND OTHER LIABILITIES			
Non-financial instruments			
Other deferred liabilities	**9**	*15*	*65*
Discounted slot machines	**6**	*15*	*19*
Lease restoration provision	**3**	*–*	*46*
Progressive jackpots provision[1]	**70**	*84*	*120*
Municipal concessions[2]	**26**	*36*	*32*
Other liabilities	**–**	*–*	*21*
Total contract liabilities and other liabilities	**105**	*135*	*238*
Current portion relating to the deferred payment	**26**	*36*	*32*
Current portion relating to the progressive jackpot provision	**70**	*84*	*120*
Total current portion	**96**	*120*	*152*

[1] This is the provision for wide area progressive jackpots.
[2] 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.

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
24. TRADE PAYABLES AND ACCRUALS			
Financial instruments Trade payables	**332**	*585*	*289*
Other payables	**76**	*8*	*23*
	408	*593*	*312*
Non-financial instruments			
VAT	**–**	*9*	*12*
Employee related accruals	**64**	*63*	*52*
Casino levies	**69**	*4*	*6*
		7	*5*
Gaming points	**–**	*–*	*10*
	541	*712*	*451*

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.

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
25. CASH FLOW INFORMATION			
25.1 Cash flows from (used in) operating activities			
Collections from sales of goods and services	**5 339**	*4 902*	*4 347*
*Collections from premiums and other policy benefits**	**–**	*52*	*9*
Other income	**4**	*1*	*18*
Payment types:	**–**	–	–
Payments to suppliers for the supply of goods and services	**(3 117)**	*(2 639)*	*(2 516)*
Payments to and from employees	**(1 130)**	*(934)*	*(856)*
Other expenses paid	**–**	–	–
Interest received	**17**	*25*	*7*
	1 113	*1 407*	*1 009*
25.2 Reconciliation of changes in liabilities arising from financing activities			
Opening debt balance	**4 103**	*2 267*	*2 478*
Cash flows			
Additional borrowings	**–**	**2 560**	**–**
Repayment of borrowings	**(569)**	*(987)*	*(222)*
Net cash flows	**(569)**	*1 573*	*(222)*
Forex movements	**(196)**	*263*	*11*
Closing debt balance	**3 338**	*4 103*	*2 267*

**Collections from insurance for business interruption claims due to the shooting incident in 2018 and the smoking ban that occurred in 2017*

27. RELATED PARTY TRANSACTIONS

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

Key personnel are those who have authority and responsibility to plan, direct and control the group's activities, directly or indirectly.

As of 31 December 2019, 2018 and 2017 there are no outstanding balances receivable and payable between the Group and key personnel.

In the financial years covered by these financial statements, no other transactions were made between the group and its directors.

Notes to the group financial statements for the years ended 31 December 2019, 2018 and 2017

27. RELATED PARTY TRANSACTIONS (continued)

Executive directors and key management remuneration

The composition of the item as of 31 December 2019, 2018 and 2017 is as follow:

Executive directors and key management remuneration

	Basic remuneration	Bonuses/ performance related payments	Retirement contributions	Other benefits	Fair value of share awards expensed	Total remuneration
	R'000	R'000	R'000	R'000	R'000	R'000
December 2019						
Full Time Directors						
AM Leeming	7 021	5 849	961	584	5 464	19 879
N Basthdaw	3 618	2 264	613	417	2 396	9 308
J Wilhelm	6 016	4 393	–	390	–	10 799
Total	16 655	12 506	1 574	1 391	7 860	39 986

	Basic remuneration	Bonuses/ performance related payments	Retirement contributions	Other benefits	Fair value of share awards expensed	Total remuneration
	R'000	R'000	R'000	R'000	R'000	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
J Wilhelm	5 876	4 372	–	1 658	–	11 906
Total	15 918	10 599	1 484	2 547	6 546	37 093

	Basic remuneration	Bonuses/ performance related payments	Retirement contributions	Other benefits	Fair value of share awards expensed	Total remuneration
	R'000	R'000	R'000	R'000	R'000	R'000
December 2017						
Full Time Directors						
AM Leeming	6 213	2 832	851	210	2 895	13 001
Norman Basthdaw	2 894	1 254	496	22	1 270	5 936
J Wilhelm	5 739	1 443	–	1 645	–	8 827
Total	14 846	5 529	1 347	1 877	4 165	27 764

27. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions

The composition of the item as of 31 December 2019, 2018 and 2017 is as follow:

				Receivables			Payables		
Company	**Country**	**Relationship**	**Currency**	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
R'000									
Current									
Sun International Chile SpA.	Chile	Indirect	CLP	**27 761**	30 364	29 462	**–**	–	–
Sun International Limited*	South Africa	Indirect	USD	**157 327**	–	–	**13 935**	13 941	14 145
Sun Latam SpA	Chile	Shareholder	CLP	**751**	3 062	210 886	**–**	–	–
New Investments Pacific South Ltda.	Chile	Shareholder	CLP	**–**	271 773	175 461	**–**	–	–
Sun Dreams Colombia S.A.S.	Colombia	Associate	COP	**3 706**	–	–	**–**	–	–
Lucky Gaming S.A.S.	Colombia	Indirect	COP	**1 972**	–	–	**–**	–	–
Sun International Management Limited	South Africa	Indirect	USD	**–**	–	–	**–**	6 662	4 566
Non-Current									
Lucky Gaming S.A.S.	Colombia	Indirect	COL	**6 419**	–	–	**–**	–	–
Entretenimientos del Sur Ltda	Chile	Indirect	CLP	**–**	–	–	**–**	–	3 227
Sun International Management Limited	South Africa	Indirect	USD	**–**	–	–	**2 288**	1 599	1 548
Total				**197 935**	305 199	415 809	**16 223**	22 202	23 486

*Relates to Latam Gaming Tax

28. CONTINGENT LIABILITIES

The group is subject to commitments and contingencies, which occur in the normal course of business, including legal proceedings and claims that cover a wide range of matters. The group has no material exposures.

29. FINANCIAL RISK MANAGEMENT

Credit risk management

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Trade and other receivables – refer to note 17

Cash and cash equivalents – refer to note 19

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

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

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

Impairment of financial assets

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

– trade receivables – net receivables and casino debtors

– financial instruments carried at amortised cost.

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

Trade receivables and Casino Debtors

The group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

	Current %	Past due by 1 to 30 days %	Past due by 31 to 60 days %	Past due by 61 to 90 days %	Past due by more than 90 days %	Total
31 December 2019						
Expected loss rate	–	–	–	–	93,09%	21,37%
Gross carrying amount – trade receivables	90	15	–	–	31	136
Loss allowance	–	–	–	–	(29)	(29)

	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	–	–	–	–	*100,00%*	*13,34%*
Gross carrying amount – trade receivables	*67*	*17*	*6*	*5*	*15*	*110*
Loss allowance	–	–	–	–	*(15)*	*(15)*

	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%*	*4,70%*	*16,79%*	*161,86%*	*121,49%*	*48,97%*
Gross carrying amount – trade receivables	*78*	*21*	*13*	*2*	*67*	*181*
Loss allowance	–	*(1)*	*(2)*	*(4)*	*(82)*	*(89)*

29. FINANCIAL RISK MANAGEMENT

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

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

Liquidity risk management and capital risk management

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

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

	31 December 2019 Rm	**31 December 2018 Rm**	**31 December 2017 Rm**
Banking facilities: Total banking facilities	**3 338**	*4 103*	*2 267*
Less: Drawn down portion	**(3 338)**	*(4 103)*	*(2 267)*
Total undrawn banking facilities	**–**	–	–
Cash and cash equivalents	**427**	*617*	*373*
Available cash balances	**427**	*617*	*373*

29. FINANCIAL RISK MANAGEMENT

The following tables compare the contractual cash flows of debt owed at 31 December 2019 and 31 December 2018, with the carrying amount in the consolidated statement of financial position, in Rands. The contractual amounts reflect the differences from carrying amounts due to the effects of discounting and premiums. Interest is estimated assuming interest rates applicable to variable rate debt remain constant.

	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 2019						
Term facilities	**118**	**322**	**378**	**721**	**2 610**	**810**
Lease liabilities	*35*	*34*	*67*	*104*	*87*	*26*
Contract and other liabilities	*105*	–	–	–	–	–
Trade payables	*332*	–	–	–	–	–
Accrued expenses	*133*	–	–	–	–	–
Other payables	*76*	–	–	–	–	–
	799	**356**	**445**	**825**	**2 697**	**836**
December 2018						
Term facilities	*372*	*340*	*449*	*861*	*3 032*	*950*
Contract and other liabilities	*135*	–	–	–	–	–
Trade payables	*585*	–	–	–	–	–
Accrued expenses	*119*	–	–	–	–	–
Other payables	*8*	–	–	–	–	–
	1 219	*340*	*449*	*861*	*3 032*	*950*
December 2017						
Term facilities	*89*	*280*	*400*	*647*	*1 345*	*493*
Contract and other liabilities	*238*	–	–	–	–	–
Trade payables	*289*	–	–	–	–	–
Accrued expenses	*139*	–	–	–	–	–
Other payables	*23*	–	–	–	–	–
	778	*280*	*400*	*647*	*1 345*	*493*

29. FINANCIAL RISK MANAGEMENT

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.

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

	31 December 2019 Rm	31 December 2018 Rm	31 December 2 017 Rm
Profit after tax	**(24)**	*(30)*	*(16)*

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

	31 December 2019 Rm	31 December 2018 Rm	31 December 2017 Rm
US Dollar	**(1)**	*(5)*	*(3)*
Chilean Peso	**45**	*7*	*(42)*
Colombian Peso	**–**		*1*
Peruvian Nuevo Sol	**(1)**	*(3)*	*(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 doesn't have significant price risk exposure.

Fair value measurement

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

Credit quality of lenders

Table below depicting the credit rating of our various lenders.

Institution	Credit Rating
BCI	**A**
Banco Consorcio	**BBB**
BancoEstado	**A+**
Banco de Chile	**A**
Interbank	**BBB**
Banco de la Nacion	**A-**
BBVA Continental	**BBB+**

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

30. SUBSEQUENT EVENTS

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

On 24 February 2020, the company informs that after a reasonable period of time, there was no agreement with Clairvest Chile Limitada and Inversiones Lomas de San Andrés Limitada ("Marina"), to merge the group with the casinos of Calama, Chillán, Talcahuano and Osorno, so negotiations have been terminated, ending the memorandum of understanding (the "MOU") signed on 24 May 2019.

On 30 January 2020, the World Health Organization designated the coronavirus disease 2019 outbreak ("COVID-19") as a public health emergency of international concern. In Chile, dated 16 March 2020, the Ministry of Health declared COVID-19 a stage 4. That implies a series of measures to contain its spread, and on 18 March 2020 the State of Constitutional Exception of Catastrophe has been decreed throughout the national territory. As part of the health measures that have been taken to address this situation, both locally and internationally, these include, inter alia, restriction of movement of people and the closure of borders, which is expected to significantly affect economic activity and markets in general.

Following the situation described above, the Superintendent of Gambling Casinos in Circular Office No. 5/2020, has decreed the closure of all gambling casinos in the country, starting at 00:01 on Wednesday, 18 March, in order to ensure containment in the spread of contagion, safeguarding the health of workers and customers. The measure, which would initially apply until Sunday, March 29 at 24:00 hours, was extended for an indefinite period in consideration of the Ministry of Health's Exempt Resolution No. 200.

The Sun Dreams Group has proceeded to close all its casinos in the country, as well as its hospitality and food & beverage operations, from 00:01 on Tuesday, 17 March 2020, up to the date indicated by the regulator. The same measure likewise applies to the rest of the company's operations in the other jurisdictions where it has presence in Latin America, always in line with the instructions from the respective local authorities and in coordination with them. The above shall translate into a period in which the company will not receive operational income.

At the date of issuance of these financial statements, given the uncertainty as to the final duration of the measures reported, it is not possible at the moment to determine the effect of the measures in the future.

31. GOING CONCERN

Management concluded that Sun Dreams Group is a going concern, that its assets fairly valued exceeds its liabilities and that it will remain profitable and cash generative in the foreseeable future even when facing severe lockdown scenarios.

Notes 14, 15, 16 and 26 have deliberately been left blank as it is not relevant and not included.

Accounting policies for the years ended 2019, 2018 and 2017

OVERALL ACCOUNTING BASIS

All policies stated in the consolidated financial statements relate to the group and the companies within the group. The consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements (FRP) as issued by the Financial Reporting Standards Council (FRSC) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), effective at the time of preparing these financial statements and in compliance with the JSE Listings Requirements and the Companies Act of South Africa.

The financial statements have been prepared under the historical cost convention except as disclosed in the annexure to these financial statements. The financial statements were adjusted for the effects of inflation where entities operate in hyperinflationary economies. As the Argentinian economies have been considered to be hyperinflationary the results, cash flows and financial position of the group's subsidiaries in Argentina have been expressed in terms of the measuring unit current at the reporting date. The methods used to measure fair value and the adjustments made to account for the group's entities that operate in hyperinflationary economies are discussed further in the accounting policies and in the respective notes. The policies used in preparing the financial statements are consistent with those of the previous year except in instances where new accounting standards or amendments have been adopted.

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

These financial statements were prepared under the supervision of the group chief financial officer – Mr. Claudio Tessada.

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:

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

CRITICAL ACCOUNTING ESTIMATES:

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.

a) Critical accounting estimates and assumptions

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

Asset useful lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of non-financial assets

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

Future cash flows expected to be generated by the CGUs to which the assets have been allocated are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. If the information to project future cash flows is not available or could not be reliably established, management uses the best alternative information available to estimate a possible impairment. Impairments recognised are allocated first to goodwill and on a pro rata basis to intangible assets and property, plant and equipment.

Refer to note 11 and 12.

Accounting policies for the years ended 2019, 2018 and 2017

Estimated impairment of goodwill

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

CRITICAL ACCOUNTING JUDGEMENTS:

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

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

Management has applied judgement to conclude that the group does not control the newly incorporated Sun Dreams Colombia S.A.S. Entity, although the group currently holds a 60% equity stake the 40% equity holder has broad attributions in the decision- making of the company as well as manages the day-to-day operations.This resulted in a loss of control after applying the Application Guidance of IFRS 10 and therefore the Colombian entity is accounted in terms of equity accounting as per IAS:28 from 1 September 2019.

EXCHANGE RATES

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

	12 months 31 December 2019		12 months 31 December 2018		12 months 31 December 2017	
	Average rate	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**	**Closing rate**
Chilian Peso (CLP)	*48.84*	*52.73*	*48.69*	*48.21*	*48.71*	*49.68*

Accounting policies for the years ended 2019, 2018 and 2017

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

GROUP ACCOUNTING

Subsidiaries

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

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

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

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. 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.

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.

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.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is assessed for impairment on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The calculation of gains and losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

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

Other intangible assets

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

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

	Lease period
Casino licenses	*Period of the license and/or up to a maximum of 25 years*
Customer Relationship	*Turnover rate between 15% and 65% per year*
License and software	*4 to 10 years*
Trademarks	*Indefinite life*
Goodwill	*Indefinite life*

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

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 25 years. Intangible assets are not revalued.

INVENTORY

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

FOREIGN CURRENCY TRANSLATION

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

Transactions and balances

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

Foreign entities

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Freehold land is included at cost and not depreciated.

All other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less the residual values over their useful life, using the straight-line method. The principal useful lives over which the assets are depreciated are as follows:

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

PRE-OPENING EXPENDITURE

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

IFRS 9 FINANCIAL INSTRUMENTS

(i) Classification and measurement

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

	Measurement category	Notes
Non-current financial assets		
Loan receivables	*Amortised cost*	*17, a*
Current financial assets		
Loan receivables	*Amortised cost*	*17, a*
Other receivables	*Amortised cost*	*17, b*
Trade receivables	*Amortised cost*	*17, c*
Casino receivables	*Amortised cost*	*17, d*
Cash and cash equivalents	*Amortised cost*	*19*
Non-current financial liabilities		
Borrowings	*Amortised cost*	*22*
Current financial liabilities		
Trade and other payables	*Amortised cost*	*24, e*

Notes:

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

I. 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 17. The

IFRS 9 three-stage impairment approach was followed:

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

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

Categories

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

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

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

(i) Trade receivables

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

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

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

provides details about the calculation of the allowance.

(ii) Debt instruments carried at amortised cost

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

Loans with a contractual period

Debt investments held at amortised cost with fixed maturity dates.

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

- *there have been no significant financial difficulties noted with the issuer or the borrower;*
- *there have been no breach of contracts or defaults by the borrower;*
- *it is not probable that any of the borrowers will enter bankruptcy or other financial reorganisation;*

- *there is still an active market for the borrowers; and*
- *no existence of deep discounts on the financial assets concerned.*

Therefore these loans are considered to be stage 1 loans i.t.o. IFRS 9 and the impairment provision is determined as 12 month's expected credit losses using the simplified approach using the:

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

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

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

Loans repayable on demand

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

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

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

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

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

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

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

2. CASH AND CASH EQUIVALENTS:

IAS 7 defines cash equivalents as "short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value".

That is, it should be "held for purpose of meeting short-term cash commitments".

3. FINANCIAL LIABILITIES

(i) Borrowings

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

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

(ii) Trade payables

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

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.

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.

LEASES

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

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied accross the group to the lease liabilities on 1 January 2019 was at a range of between 8% and 10%. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

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

- *accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;*
- *excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;*
- *using hindsight in determining the lease term where the contract contains options to extend or terminate the lease;*
- *accounting for leases defined as a low value asset; and*
- *relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019.*

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

The group leases various land, buildings, hotels, and equipment. Rental contracts are typically made for fixed periods of six months to 20 years, but may have extension options. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. IAS1(117) IFRS16(27).

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

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

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

- *fixed payments (including in-substance fixed payments), less any lease incentives receivable;*
- *variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;*
- *the exercise price of a purchase option if the group is reasonably certain to exercise that option; and*

- *payments of penalties for terminating the lease, if the lease term reflects the group exercising that option. IFRS16(18) IFRS16(26)*

To determine the incremental borrowing rate, the group:

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

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

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

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

- *the amount of the initial measurement of lease liabilit;y*
- *any lease payments made at or before the commencement date less any lease incentives received; and*
- *any initial direct costs.*

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

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

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

Measurement of lease liabilities	**R'000**
Operating lease commitments disclosed as at 31 December 2018	*499*
Discounted using the lessee's incremental borrowing rate of at the date of initial application (Less):	*333*
short-term and low value leases not recognised as a liability	
(Less): variable leases not recognised as a liability	
Lease liability recognised as at 1 January 2019	*333*
Of which are:	
Current lease liabilities	*19*
Non-current lease liabilities	*314*

Measurement of right-of-use assets

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

Adjustments recognised in the balance sheet on 1 January 2019

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

- *right of use asset included in property, plant and equipment – increase by R333 million; and*
- *lease liabilities included in borrowings – increase by R333 million. The*

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

Impact for the 12-month period 31 December 2019

As a result of adopting IFRS 16, in relation to the leases that were previously classified as operating leases, the group's right-of-use assets carrying value as at 31 December 2019 was R287 million after accounting for depreciation (R48 million) during the 2019 period. Refer to note 11.

In relation to the leases under IFRS 16, the group has recognised depreciation and interest costs, instead of operating lease expense. During the 31 December 2019 period, the group recognised R48 million of depreciation charges and R19 million of interest costs from these leases.

The impact of IFRS 16 on segment information and EBITDA was R54 million.

Lessor accounting

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

EMPLOYEE BENEFITS

The group records benefits to staff as salaries, bonuses and vacations on an accrued basis. These obligations are cancelled within a period not exceeding 12 months, only for current provisions.

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.

INCOME RECOGNITION

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

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

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

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

Net Gaming win

Gaming transactions represent an agreement between the customer and Sun Dreams 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 income is disclosed net/excluding of VAT that is levied on the gaming wins.

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 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 programs.

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 programs.

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;*
- *merchandise revenue; and*
- *entrance fee revenue.*

Contract liability

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As the upfront payments exceed the initial services rendered, a contract liability is recognised.

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

- *Net gaming wins (included in total "Income"); and*
- *Rental income (included in "other income").*

DIVIDEND DISTRIBUTIONS

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

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

SEGMENTAL REPORTING

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

The group owns and operates casino, hotel and properties in Chile, Peru, Argentina, Panama and Colombia. The executive management review the operations and allocate resources at a property level.

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

The group uses adjusted EBITDAR as a profit measure.

HYPERINFLATION

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

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

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

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

- *the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;*
- *prices are quoted in a relatively stable foreign currency;*
- *sales or purchase prices take expected losses of purchasing power during a short credit period into account;*
- *interest rates, wages and prices are linked to a price index; and*
- *the cumulative inflation rate over three years is approaching, or exceeds, 100%. Management exercises judgement as to when a restatement of the financial statements 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 2019	*31 December 2018*	*2462,05*	*53.80%*

ADJUSTED EBITDAR

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

- *Loss on disposal of property, plant and equipment;*
- *Straight line adjustment for rentals;*
- *Impairment of non current assets;*
- *Pre-opening expenses;*
- *Foreign exchange cover losses; and*
- *Other non recurring expenses which are of an unusual and infrequent in nature as a result of unforeseen and atypical events.*

For users of this Group Financial Statements for the year 31 December 2019, we refer to EBITDAR for comparable purposes due to the effect of the adoption of IFRS 16: Leases, as EBITDAR excludes leases expenses both prior and current year.

ACCOUNTING POLICY DEVELOPMENTS

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

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

The group are still assessing the effect of all new standards, amendments and interpretations that have been issued but which are not yet effective. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the group's results and disclosures.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF SUN DREAMS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019, 31 DECEMBER 2018 AND 31 DECEMBER 2017

To the directors of Sun International Limited

Our opinion

Sun International Limited is issuing a Circular to its shareholders (the "Circular") pursuant to the disposal of Sun International's remaining 50% shareholding in Sun Dreams Sociedad Anonima ("Sun Dreams") to Nueva Inversiones Pacifico Sur Limitada ("Pacifico") (the Transaction").

In our opinion, the consolidated historical financial information as set out in Annexure 1 of the Circular (the "Consolidated 2019 Historical Financial Information") presents fairly, in all material respects, the consolidated financial position of Sun Dreams (the "Company") and its subsidiaries (together the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of the JSE Limited (JSE) Listings Requirements.

What we have audited

At your request and solely for the purpose of the Circular to be dated on or about 30 September 2020, we have audited Sun Dreams' Consolidated 2019 Historical Financial Information, which comprises:

- the consolidated statements of financial position as at 31 December 2019;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated historical financial information, 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 *Reporting accountant's responsibilities for the audit of the Consolidated 2019 Historical Financial Information* section of our report.

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

Independence

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

Purpose of this report

This report has been prepared for the purpose of the Circular and for no other purpose.

Responsibilities of the directors for the Consolidated 2019 Historical Financial Information

The directors of Sun International are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that Sun International complies with the requirements of the JSE Limited Listings Requirements.

The directors of Sun Dreams are responsible for the preparation and fair presentation of the Consolidated 2019 Historical Financial Information in accordance with International Financial Reporting Standards and the requirements of the JSE Limited Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of Consolidated 2019 Historical Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated 2019 Historical Financial Information, the directors of Sun Dreams are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibilities for the audit of the Consolidated 2019 Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the Consolidated 2019 Historical Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Consolidated 2019 Historical Financial Information.

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 2019 Historical Financial Information, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of Sun Dreams.
- Conclude on the appropriateness of the directors of Sun Dreams' 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountant's report to the related disclosures in the Consolidated 2019 Historical Financial Information 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 reporting accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated 2019 Historical Financial Information, including the disclosures, and whether the Consolidated 2019 Historical Financial Information represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated 2019 Historical Financial Information. 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 of Sun International 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 of Sun International 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, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers Inc.
Director: Johan Potgieter
Registered Auditor
Johannesburg
22 September 2020

Independent reporting accountant's review report on the Consolidated 2018 and 2017 Historical Financial Information of Sun Dreams Sociedad Anonima

To the directors of Sun International Limited

Introduction

Sun International Limited (the "Company" or "Sun International") is issuing a Circular to its Shareholders (the "Circular") pursuant to the disposal of Sun International's remaining 50% shareholding in Sun Dreams Sociedad Anonima ("Sun Dreams") to Nueva Inversiones Pacifico Sur Limitada ("Pacifico") for the financial year ended 31 December 2019 (the "Transaction").

At your request and for the purpose of the Circular to be dated on or about 30 September 2020, we have reviewed the accompanying consolidated statement of financial position of Sun Dreams as at 31 December 2018 and 31 December 2017 and the related statements of comprehensive income, changes in equity and cash flows for the twelve month period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information (the "Consolidated 2018 and 2017 Historical Financial Information"), as presented in Annexure I to the Circular, in compliance with the requirements of the JSE Listings Requirements.

Directors' responsibility

The directors of Sun International are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that Sun Dreams complies with the requirements of the JSE Limited's Listings Requirements.

The directors of Sun Dreams are responsible for the preparation and fair presentation of the Consolidated 2018 and 2017 Historical Financial Information in accordance with International Financial Reporting Standards and the requirements of the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated historical financial information that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Historical Financial information, the directors of Sun Dreams are responsible for assessing Sun Dreams' 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 Sun Dreams or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibility

Our responsibility is to express a conclusion on the Consolidated 2018 and 2017 Historical Financial Information. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Consolidated 2018 and 2017 Historical Financial Information are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Consolidated 2018 and 2017 Historical Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Consolidated 2018 and 2017 Historical Financial Information does not present fairly, in all material respects, the consolidated financial position of Sun Dreams as at 31 December 2018 and 31 December 2017 respectively, and its financial performance and its cash flows for the twelve months then ended in accordance with International Financial Reporting Standards and the requirements of the JSE Limited Listings Requirements.

Purpose of the report

This report has been prepared for the purpose of the Circular and for no other purpose.

PricewaterhouseCoopers Inc.
Director: Johan Potgieter
Registered Auditor
Johannesburg
22 September 2020

PRO FORMA FINANCIAL INFORMATION OF SUN INTERNATIONAL

The definitions and interpretations commencing on page 6 of this Circular apply to this Annexure 3.

The *pro forma* financial information of Sun International is set out below. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income of Sun International have been prepared for illustrative purposes only to show the financial effects of the Transaction. Due to the nature of the *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income, the *pro formas* may not fairly present Sun International's financial position, changes in equity, results of operations or cash flows after the Transaction has been implemented.

The *pro forma* financial information is presented in a manner that is consistent with the accounting policies of Sun International, IFRS and the basis on which the historical financial information has been prepared. The financial information has been prepared in accordance with the Listings Requirements and in compliance with the SAICA Guide on *pro forma* Financial Information. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income set out below should be read in conjunction with the report of the independent reporting accountants which is included as Annexure 4 to this Circular.

For accounting and illustrative purposes, the Initial Transaction and the Transaction are shown as a total disposal of Sun International's 64.94% interest in Sun Dreams.

The directors of Sun International are responsible for the preparation of the *pro forma* financial information.

Pro forma condensed consolidated statement of profit or loss

Rm	Before	Rights Offer	*Pro forma* after the Rights Offer	Derecognition of investment in Sun Dreams Group	Application of Proceeds on the Initial Transaction	Application of Purchase Consideration on the Transaction	Profit on the Initial Transaction and Transaction	Transaction costs	*Pro forma* after disposal of Sun Dreams Group
Notes	1	2	3	4	5	6	7	8	
Continuing operations									
Net gaming wins	1,969		1,969						1,969
Revenue	570		570						570
Income	**2,539**	**–**	**2,539**	**–**	**–**	**–**	**–**	**–**	**2,539**
Consumables and services	(345)		(345)						(345)
Depreciation and amortisation	(515)		(515)						(515)
Employee costs	(781)		(781)						(781)
Impairment of assets	(1,179)		(1,179)						(1,179)
Levies and VAT on casino revenue	(453)		(453)						(453)
LPM site owners commission	(88)		(88)						(88)
Promotional and marketing costs	(151)		(151)						(151)
Property and equipment rentals	(14)		(14)						(14)
Property costs	(312)		(312)						(312)
Other operational costs	(353)		(353)						(353)
Operating (loss)/profit	**(1,652)**	**–**	**(1,652)**	**–**	**–**	**–**		**–**	**(1,652)**
Foreign exchange (losses)	(88)		(88)						(88)
Finance income	1		1						1
Finance expense	(556)	52	(504)	–	34	60	–	–	(410)
External interest	(373)	52	(321)		34	60			(227)
*Hedge interest expense	(145)		(145)						(145)
IFRS 16 interest	(38)		(38)						(38)
Fair value adjustment to put liability	590		590						590
Share of profit of investments accounted for using the equity method	2		2						2
(Loss)/profit before tax	**(1,703)**	**52**	**(1,651)**	**–**	**34**	**60**	**–**	**–**	**(1,557)**
Tax	540	(15)	525		(9)	(17)			499
(Loss)/profit for the period from continuing operations	**(1,163)**	**37**	**(1,126)**	**–**	**25**	**43**	**–**	**–**	**(1,058)**
(Loss)/profit for the period from discontinued operations	(264)		(264)	264			(227)	(104)	(331)
(Loss)/profit for the period	**(1,427)**	**37**	**(1,390)**	**264**	**25**	**43**	**(227)**	**(104)**	**(1,389)**
Other comprehensive income:									
Items that may be reclassified to profit or loss									
Gross (loss)/profit on cash flow hedges	(124)		(124)	–					(124)
Currency translation reserve	592		592	156					748
Total comprehensive income for the year	**(959)**	**37**	**(922)**	**420**	**25**	**43**	**(227)**	**(104)**	**(765)**

Rm	Before	Rights Offer	*Pro forma* after the Rights Offer	Derecognition of investment in Sun Dreams Group	Application of Proceeds on the Initial Transaction	Application of Purchase Consideration on the Transaction	Profit on the Initial Transaction and Transaction	Transaction costs	*Pro forma* after disposal of Sun Dreams Group
(Loss)/profit for the year attributable to:	**(1,427)**	**37**	**(1,390)**	**264**	**25**	**43**	**(227)**	**(104)**	**(1,389)**
Minorities	(299)	–	(299)	95	–	–	–	–	(204)
Continuing operations	(204)	–	(204)		–	–	–	–	(204)
Discontinuing operations	(95)	–	(95)	95	–	–	–	–	(0)
Ordinary shareholders	(1,128)	37	(1,091)	169	25	43	(227)	(104)	(1,185)
Continuing operations	(959)	37	(922)	–	25	43	–	–	(854)
Discontinuing operations	(169)	–	(169)	169	–	–	(227)	(104)	(331)
Total comprehensive profit/(loss) for the year attributable to:	**(959)**	**37**	**(922)**	**420**	**25**	**43**	**(227)**	**(104)**	**(765)**
Minorities	(54)	–	(54)	424	–	–	–	–	370
Ordinary shareholders	(905)	37	(868)	(4)	25	43	(227)	(104)	(1,135)
Total comprehensive profit/(loss) for the year attributable to Ordinary shareholders arises from:	**(905)**	**37**	**(868)**	**(4)**	**25**	**43**	**(227)**	**(104)**	**(1,135)**
Continuing operations	(735)	37	(698)	–	25	43	–	–	(630)
Discontinuing operations	(170)	–	(170)	(4)	–	–	(227)	(104)	(505)
Headline Earnings and Adjusted Headline Earnings Reconciliation									
(Loss)/profit attributable to ordinary shareholders: Continuing operations	(959)	37	**(922)**	–	25	43	–	–	**(854)**
Profit on disposal of shares in subsidiaries	–		–						–
Recycle of FCTR on disposal of subsidiary			–						–
Impairment of assets	1,179		1,179	–					1,179
Tax relief on the above items	(330)		(330)						(330)
Minorities' interests on the above items	(19)		(19)						(19)
Headline (loss)/earnings	**(129)**	**37**	**(92)**	**–**	**25**	**43**	**–**	**–**	**(24)**
IFRS 16 liability reduction of lease (Peru)	–		–						–
Insurance claim (Iquique)	–		–						–
Amortisation of Dreams intangible assets raised as part of the PPA	–		–						–
Foreign exchange loss on inter-company loan	96		96						96
Fair value adjustment on put option liabilities	(590)		(590)						(590)
Other	(3)		(3)						(3)
Tax relief on the above items	(27)		(27)						(27)
Minorities' interests on the above items	(62)		(62)						(62)
Continuing adjusted headline (loss)/earnings	**(715)**	**37**	**(678)**	**–**	**25**	**43**	**–**	**–**	**(610)**

Rm	Before	Rights Offer	*Pro forma* after the Rights Offer	Derecog-nition of invest-ment in Sun Dreams Group	Applica-tion of Proceeds on the Initial Transac-tion	Applica-tion of Purchase Consider-ation on the Transac-tion	Profit on the Initial Transac-tion and Transac-tion	Transac-tion costs	*Pro forma* after disposal of Sun Dreams Group
Profit/(loss) attributable to ordinary shareholders: Discontinued operations	(169)	–	**(169)**	169	–	–	(227)	(104)	**(331)**
Profit on disposal of shares in subsidiaries	–		–	–			401		401
Recycle of FCTR on disposal of subsidiary			–	–			(173)		(173)
Impairment of assets	12		12	(12)					–
Tax relief on the above items	–		–	–					–
Minorities' interests on the above items	(4)		(4)	4					–
Headline (loss)/earnings	**(161)**	**–**	**(161)**	**161**	**–**	**–**	**–**	**(104)**	**(104)**
IFRS 16 liability reduction of lease (Peru)	(23)		(23)	23					–
Insurance claim (Iquique)	(26)		(26)	26					–
Amortisation of Dreams intangible assets raised as part of the PPA	50		50	(50)					–
Foreign exchange loss on inter-company loan	–		–	–					–
Fair value adjustment on put option liabilities	–		–	–					–
Other	–		–	–					–
Tax relief on the above items	(13)		(13)	13					–
Minorities' interests on the above items	5		5	(5)					–
Discontinued adjusted headline (loss)/earnings	**(168)**	**–**	**(168)**	**168**	**–**	**–**	**–**	**(104)**	**(104)**
(Loss)/profit attributable to ordinary shareholders: Total	(1,128)	37	**(1,091)**	169	25	43	(227)	(104)	**(1,185)**
Profit on disposal of shares in subsidiaries	–	–	–	–	–	–	401	–	401
Recycle of FCTR on disposal of subsidiary	–	–	–	–	–	–	(173)	–	(173)
Impairment of assets	1,191	–	1,191	(12)	–	–	–	–	1,179
Tax relief on the above items	(330)	–	(330)	–	–	–	–	–	(330)
Minorities' interests on the above items	(24)	–	(24)	4	–	–	–	–	(20)
Headline (loss)/earnings	**(291)**	**37**	**(254)**	**161**	**25**	**43**	**–**	**(104)**	**(128)**
IFRS 16 liability reduction of lease (Peru)	(23)	–	(23)	23	–	–	–	–	–
Insurance claim (Iquique)	(26)	–	(26)	26	–	–	–	–	–
Amortisation of Dreams intangible assets raised as part of the PPA	50	–	50	(50)	–	–	–	–	–
Foreign exchange loss on inter-company loan	96	–	96	–	–	–	–	–	96
Fair value adjustment on put option liabilities	(590)	–	(590)	–	–	–	–	–	(590)
Other	(3)	–	(3)	–	–	–	–	–	(3)
Tax relief on the above items	(41)	–	(41)	13	–	–	–	–	(27)
Minorities' interests on the above items	(57)	–	(57)	(5)	–	–	–	–	(62)
Adjusted headline (loss)/earnings	**(885)**	**37**	**(848)**	**168**	**25**	**43**	**–**	**(104)**	**(714)**

Rm	Before	Rights Offer	*Pro forma* after the Rights Offer	Derecog-nition of invest-ment in Sun Dreams Group	Applica-tion of Proceeds on the Initial Transac-tion	Applica-tion of Purchase Consider-ation on the Transac-tion	Profit on the Initial Transac-tion and Transac-tion	Transac-tion costs	*Pro forma* after disposal of Sun Dreams Group
Weighted average number of shares (in thousands)	126,145	127,174	253,319						253,319
Diluted weighted average number of shares (in thousands)	126,145	127,174	253,319						253,319
Basic and diluted (loss)/earnings per share (cents):									
EPS: Basic and diluted	(894)		(431)						(467)
Continuing operations	(760)		(364)						(337)
Discontinuing operations	(134)		(67)						(130)
HEPS: Basic and diluted	(231)		(100)						(419)
Continuing operations	(103)		(36)						(10)
Discontinuing operations	(128)		(64)						(410)
Adjusted HEPS: Basic and diluted	(702)		(335)						(281)
Continuing operations	(567)		(268)						(240)
Discontinuing operations	(135)		(67)						(41)

Notes and assumptions to the *pro forma* consolidated statement of profit or loss.

1. The "Before" column has been extracted from the unaudited published condensed interim financial results of Sun International Limited for the six-month period ended 30 June 2020.
2. Represents the Rights Offer detailed in the Circular dated 20 July 2020 whereby Sun International announced a Rights Offer in the ratio of 93.01 Rights Offer Shares for every 100 existing Sun International Shares held at a subscription price of R9.44 per Rights Offer Share. The Right Offer closed on 7 August 2020 with 137,761,660 Rights Offer Shares at a value of R1,200.5 million. The cash proceeds will be used to settle South African debt, resulting in interest savings as follows:

	Rm
Interest savings following Rights Offer at an average interest rate of 8.66% p.a.	52
Tax thereon	(15)
	37

3. Represents the *pro forma* results after adjusting for the subsequent event at 30 June 2020.
4. Represents the derecognition of Sun Dreams Group.
5. The cash received relating to the Initial Transaction, being the disposal of 14.95% interest for USD60 million converted to Rand at 17.30 (exchange rate at 30 June 2020) (net of withholding taxes of R20 million), is assumed to be applied to reduce Sun International Limited's off-shore and South African interest-bearing loans. The resultant interest saving has been calculated using a weighted average interest rate of 5.39% for the off-shore loans and 8.33% for the South African loans for the six-month period ended 30 June 2020 as follows:

	Rm
Interest savings on off-shore and SA term-loans settled	34
Tax thereon	(9)
	25

6. The net cash received relating to the Transaction, being the disposal of the remaining 50% interest for USD100 million converted to Rand at 17.30 (exchange rate at 30 June 2020) (net of the Retention Purchase Price of USD15 million (converted at 17.30) net of withholding taxes of R79 million and transaction costs of R5 million), will be applied to reduce the outstanding South African interest-bearing debt in Sun International. The resultant interest saving has been calculated using a weighted average interest rate of 8.33% for the South African loans for the six-month period ended 30 June 2020 as follows:

	Rm
Interest savings on SA term-loans settled	60
Tax thereon	(17)
	43

7. Represents the once-off profit on disposal of Sun Dreams Group. The profit on disposal has been determined using the proceeds from the Initial Transaction and the Transaction, net of the carrying value of Sun International's 64.94% interest at 30 June 2020 and adjusted for the recycling of the parent's share of FCTR, relating to Sun Dreams Group, to profit and loss.

	Rm
Cash consideration	2,768
Sale of 14.94% (Refer to note 5)	1,038
Sale of 50% (Refer to note 6)	1,730
Contingent consideration (Refer to note 7.1)	582
Purchase Consideration	**3,350**
less: Carrying value of 64.94% interest in Sun Dreams Group	(3,750)
Net loss on disposal before tax and reclassification of foreign currency translation reserve	**(400)**
less: Taxation	
Net loss on disposal before reclassification of foreign currency translation reserve	**(400)**
Recycle of the foreign currency translation reserve attributable to the Sun Dreams Group, which is once-off in nature	173
Net loss	**(227)**

8. The Contingent Consideration of USD53 million is assumed as follows:

	Rm
First Contingent Payment assumed at a 100% probability present valued at a WACC of 5.56% and converted to Rand at 17.30 (exchange rate at 30 June 2020)	170
Second Contingent Payment assumed at a 85% probability present valued at a WACC of 5.56% and converted to Rand at 17.30 (exchange rate at 30 June 2020)	412
	582

9. Represents the estimated once-off transaction costs of R5 million related to the Transaction and R99 million withholding tax on the remittance of the proceeds to South Africa.

10. All adjustments are recurring in nature except where otherwise stated.

Pro forma condensed consolidated statement of financial position as at 30 June 2020

Rm	Before	Rights Offer	*Pro forma* after the Rights Offer	Derecognition of investment in Sun Dreams Group	Application of Proceeds on the Initial Transaction	Application of Purchase Consideration on the Transaction	Transaction costs	*Pro forma* after disposal of Sun Dreams Group
Notes	1	2	3	4	5	6	7	
Non-current assets	**11,524**	**–**	**11,524**	**–**	**–**	**582**	**–**	**12,106**
Property, plant and equipment	9,311		9,311					9,311
Right-of-use asset	325		325					325
Intangible assets	652		652					652
Equity accounted investments	31		31					31
Other investments, loans and assets	390		390			582		972
Deferred tax	815		815					815
Current assets	**845**	**–**	**845**	**–**	**–**	**259**	**(104)**	**1,001**
Inventory	106		106					106
Accounts receivable and other	376		376			259		635
VAT Receivable	68		68					68
Receiver of revenue	138		138					138
Cash & cash equivalents	157		157				(104)	53
Non-current assets held for sale	**10,622**		**10,622**	**(10,622)**				–
Total assets	**22,991**	**–**	**22,991**	**(10,622)**	**–**	**841**	**(104)**	**13,106**
Equity								
Share capital and share premium	1,541	1,201	2,742					2,742
FCTR	259		259	(173)				86
Other reserves	(8,586)		(8,586)					(8,586)
Reserves for Non-controlling	5,708		5,708					5,708
Reserves for Non-controlling	–		–					–
Distributable reserves	5,207		5,207	(3,577)	1,038	2,311	(104)	4,875
Distributable reserves IS	(1,128)		(1,128)					(1,128)
Capital and reserves	3,003	1,201	4,204	(3,750)	1,038	2,311	(104)	3,699
Put option reserve	(1,286)		(1,286)					(1,286)
Minorities	1,442		1,442	(1,722)				(280)
	3,159	**1,201**	**4,360**	**(5,472)**	**1,038**	**2,311**	**(104)**	**2,133**
Non-current liabilities	**10,354**	**(1,201)**	**9,153**	**–**	**(1,038)**	**(1,470)**	**–**	**6,645**
Deferred tax	177		177					177
Borrowings	8,233	(1,201)	7,032		(1,038)	(1,470)		4,524
IFRS 16 lease liability	739		739					739
Other non-current liabilities	508		508					508
Put option liability	697		697					697
Current liabilities	**4,328**	**–**	**4,328**	**–**	**–**	**–**	**–**	**4,328**
Accounts payable and other	1,331		1,331					1,331
Deferred income and other liabilities	2		2					2
Receiver of revenue	123		123					123
Borrowings	2,845		2,845					2,845
IFRS 16 lease liability	27		27					27
Liabilities held for sale	**5,150**		**5,150**	**(5,150)**				–
Total equity and liabilities	**22,991**	**–**	**22,991**	**(10,622)**	**–**	**841**	**(104)**	**13,106**
	–	–	**–**	–	–	–	–	**–**
Shares in issue (in thousands)	136,732	127,174	263,906					263,906
Net asset value per share (cents)	1,256		1,106					915
Tangible net asset value per share (cents)	183		550					359

Notes and assumptions to the *pro forma* consolidated financial statements

1. The "Before" column has been extracted from the unaudited published condensed interim financial results of Sun International for the six-month period ended 30 June 2020.
2. Represents the Rights Offer detailed in the Circular dated 20 July 2020 whereby Sun International announced a Rights Offer in the ratio of 93.01 Rights Offer Shares for every 100 existing Sun International Shares held at a subscription price of R9.44 per Rights Offer Share. The Rights Offer closed on 7 August 2020 with 137,761,660 Rights Offer Shares at a value of R1,200.5 million. The cash proceeds will be used to settle South African debt.
3. Represents the *pro forma* results after adjusting for the subsequent event at 30 June 2020.
4. Represents the derecognition of Sun Dreams Group, disclosed as a discontinued operation with Sun International's published results for the six months ended 30 June 2020.
5. The cash received relating to the Initial Transaction, being the disposal of 14.95% interest for USD60 million converted to Rand at 17.30 (exchange rate at 30 June 2020), is assumed to be applied to reduce Sun International's off-shore and South African interest-bearing loans.
6. The Purchase Consideration is assumed to be applied as follows:

Initial Purchase Consideration (USD85 million converted at 17.30 being the exchange rate at 30 June 2020)	1,470
Retention Purchase Price (USD15 million converted at 17.30 being the exchange rate at 30 June 2020)	259
	1,729
Contingent Consideration (Refer to note 6.1)	582
	2,311

6.1. The Contingent Consideration of USD53 million is assumed as follows:

	Rm
First Contingent Payment assumed at a 100% probability present valued at a WACC of 5.56% and converted to Rand at 17.30 (exchange rate at 30 June 2020)	170
Second Contingent Payment assumed at a 85% probability present valued at a WACC of 5.56% and converted to Rand at 17.30 (exchange rate at 30 June 2020)	412
	582

7. Represents the estimated once-off transaction costs of R5 million related to the Transaction and R99 million withholding tax on the remittance of the proceeds to South Africa.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF SUN INTERNATIONAL

To the Directors of Sun International Limited

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information included in a Circular

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Sun International (the "Company" or "Sun International") by the Directors. The *pro forma* financial information, as set out in Section 4.3 and Annexure 3 of the Circular to Shareholders to be dated on or about 30 September 2020 (the "Circular"), consists of the *pro forma* financial effects, the *pro forma* consolidated statement of financial position as at 30 June 2020, the *pro forma* consolidated statement of comprehensive income for the six months ended 30 June 2020 and related notes (the "*Pro Forma* Financial Information"). The applicable criteria on the basis of which the directors have compiled the *Pro Forma* Financial Information are specified in the Listings Requirements and described in the Circular.

The *Pro Forma* Financial Information has been compiled by the directors to illustrate the impact of the disposal of Sun International's remaining 50% shareholding in Sun Dreams Sociedad Anonima ("Sun Dreams") to Nueva Inversiones Pacifico Sur Limitada ("Pacifico"), (the "Transaction"). As part of this process, information about the Company's consolidated financial position and consolidated financial performance has been extracted by the directors from the Company's interim financial statements for the six-month period ended 30 June 2020, which is unaudited.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for compiling the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the Listings Requirements and described in Annexure 3 of the Circular.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of Sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018) and parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure 3 of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *Pro Forma* Financial Information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the *Pro Forma* Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

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

OPINION

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Annexure 3 of the Circular.

PricewaterhouseCoopers Inc.
Director: Johan Potgieter
Registered Auditor
Johannesburg
22 September 2020

Sun International Limited

(Incorporated in the Republic of South Africa)
(Registration number 1967/007528/06)
Share code: SUI & ISIN code: ZAE000097580
LEI: 378900835F180983C60
("**Sun International**" or "**the Company**")

NOTICE OF GENERAL MEETING

All terms defined in the Circular to which this Notice of General Meeting is attached, shall bear the same meanings where used in this Notice of General Meeting.

NOTICE IS HEREBY GIVEN that a General Meeting of Shareholders will be held at 10:00 on Wednesday, 28 October 2020 at the Sun International Head Office, 6 Sandown Valley Crescent, Sandton, Gauteng, South Africa, or wholly by electronic participation if the Company announces the Virtual Meeting Notice, to consider and, if deemed fit, pass, with or without modification, the Resolutions set out hereunder.

1. ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE TRANSACTION

"**RESOLVED AS AN ORDINARY RESOLUTION** in accordance with the provisions of paragraph 9.20 of the Listings Requirements, that the Transaction, being the disposal by Sun Latam of its remaining 50% equity interest in Sun Dreams to Pacifico as contemplated in the SPA, is hereby approved by Shareholders."

For ordinary Resolution 1 to be passed, votes in favour of the Resolution must represent more than 50% of the voting rights exercised at the General Meeting in person or by proxy and who were entitled to exercise voting rights in respect of ordinary Resolution number 1.

Reason and effect

The reason for ordinary Resolution number 1 is that the Transaction is categorised as a category 1 transaction for Sun International in terms of the paragraphs 9.5, 9.6 and 9.20 of the Listings Requirements. Consequently, Shareholders are required to approve the Transaction by way of an ordinary Resolution in terms of paragraph 9.20 of the Listings Requirements.

The effect of ordinary Resolution number 1, if passed, will be to grant the necessary Shareholder approval for the Transaction in terms of the Listings Requirements.

2. ORDINARY RESOLUTION NUMBER 2 – DIRECTORS AND/OR COMPANY SECRETARY AUTHORITY

"**RESOLVED AS AN ORDINARY RESOLUTION** that any Director and/or the company secretary of Sun International be and is hereby authorised and empowered to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to give effect to ordinary Resolution number 1 set out in this Notice of General Meeting and anything already done in this respect be and is hereby ratified to the fullest extent permissible in law."

For ordinary Resolution 2 to be passed, votes in favour of the Resolution must represent more than 50% of the voting rights exercised at the General Meeting in person or by proxy and who were entitled to exercise voting rights in respect of ordinary Resolution number 2.

Reason and effect

The reason for and effect of ordinary Resolution number 2 is to authorise any Director or the company secretary of Sun International to do all such things and sign all such documents as are deemed necessary or desirable to implement ordinary Resolution number 1 set out in the Notice of General Meeting, which requires the approval of the Shareholders.

VOTING AND PROXIES

The Shareholders will be entitled to attend and/or participate in the General Meeting and to vote on the Resolutions set out above.

The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 25 September 2020.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and/or participate and vote at the General Meeting is Friday, 23 October 2020, with the last day to trade being Tuesday, 20 October 2020.

Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the General Meeting and must accordingly present or bring a copy of their identity document or smart card, passport or driver's license to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact The Meeting Specialist for guidance.

Shareholders entitled to attend and/or participate and vote at the General Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a Shareholder. A Form of Proxy (*grey*), which sets out the relevant instructions for its completion, is enclosed for use by Certificated Shareholders or Own-name Registered Dematerialised Shareholders who wish to be represented at the General Meeting. Completion of a Form of Proxy (*grey*) will not preclude such Shareholder from attending and/or participating and voting (in preference to that Shareholder's proxy) at the General Meeting.

The instrument appointing a proxy and the authority (if any) under which it is signed may be lodged with or posted to The Meeting Specialist or the company secretary, at the addresses given below, to be received by them, for administrative purposes to ensure an orderly arrangement of affairs on the day, by not later than 10:00 on Tuesday, 27 October 2020 or thereafter handed to the chairperson of the General Meeting or The Meeting Specialist at the General Meeting, at any time.

Dematerialised Shareholders, other than Own-name Registered Dematerialised Shareholders, who wish to attend the General Meeting in person or participate in the virtual General Meeting, will need to request their CSDP or Broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such Shareholders and the CSDP or Broker.

Dematerialised Shareholders, other than Own-name Registered Dematerialised Shareholders, who are unable to attend the General Meeting and who wish to be represented thereat, must provide their CSDP or Broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or Broker in the manner and time stipulated therein.

ELECTRONIC PARTICIPATION

Please note that in the event that the General Meeting is held as a physical meeting, the Company intends to make provision for Shareholders of the Company, or their proxies, who are entitled to attend thereat, to participate in the 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 company secretary, Mr AG Johnston, either by e-mail at andrew.johnston@suninternational.com or at the address given below (by way of physical delivery) and such notice must be received by the Company by not later than 48 hours prior to the date of the General Meeting. If no notice is received by the Company at least 48 hours prior to the date of the General Meeting, then the Company shall not make provision for Shareholders to participate in the 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 dial in code and pin number.

In the event that the Company holds the General Meeting solely by way of electronic communication as a virtual General Meeting, Shareholders will be advised of the basis upon which they can participate and vote in the virtual General Meeting in accordance with the Virtual Meeting Notice, to be released on SENS prior to the General Meeting.

By order of the Board

SUN INTERNATIONAL

Anthony Leeming
Chief Executive

Wednesday, 30 September 2020

Registered office
6 Sandown Valley Crescent
Sandown
Sandton
2196

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Sun International Limited

(Incorporated in the Republic of South Africa)
(Registration number 1967/007528/06)
Share code: SUI & ISIN code: ZAE000097580
LEI: 378900835F180983C60
("**Sun International**" or "**the Company**")

FORM OF PROXY (*grey*) – FOR USE BY CERTIFICATED AND OWN-NAME REGISTERED DEMATERIALISED SHAREHOLDERS ONLY

All terms defined in the Circular, to which this Form of Proxy is attached, shall bear the same meanings when used in this Form of Proxy.

For use only by Shareholders holding Certificated Shares, nominee companies of CSDPs, Brokers' nominee companies and Own-name Registered Dematerialised Shareholders at the General Meeting to be held at 10:00 on Wednesday, 28 October 2020 at Sun International's Head Office, 6 Sandown Valley Crescent, Sandown, Gauteng, South Africa, to consider and, if deemed fit, pass, with or without modification, the Resolutions set out hereunder.

Dematerialised Shareholders who are not Own-name Registered Dematerialised Shareholders must not complete this Form of Proxy and must provide their CSDP or Broker with their voting instructions, except for Own-name Registered Dematerialised Shareholders recorded in the sub-register through a CSDP or Broker, which Shareholders must complete this Form of Proxy and lodge it with their CSDP or Broker in terms of the custody agreement entered into between them and their CSDP or Broker. Dematerialised Shareholders who are not Own-name Registered Dematerialised Shareholders wishing to attend and/or participate in the General Meeting must inform their CSDP or Broker of such intention and request their CSDP or Broker to issue them with the necessary letter of representation to attend and/or participate.

I/We (Full name in print)

of (address)

Telephone: (work) area code (   )   Telephone: (home) area code (   )

Cell phone number: Email address:

being the holder of [   ] Shares in Sun International, hereby appoint:

1. or failing him/her

2. or failing him/her

3. the chairperson of the General Meeting,

as my/our proxy to attend, speak and vote for me/us at the General Meeting for purposes 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 instruction (see notes):

	Number of Shares		
	For	Against	Abstain
ORDINARY RESOLUTION NUMBER 1 Disposal by Sun Latam of its remaining 50% equity interest in Sun Dreams to Pacifico in terms of the Listings Requirements			
ORDINARY RESOLUTION NUMBER 2 Directors and/or company secretary authority			

Please indicate your voting instruction by way of inserting the number of Shares or by a cross in the space provided should you wish all your Shares to be voted.

Signed at   on this   day of   2020

Signature(s)

Assisted by *(where applicable) (state capacity and full name)*

Each Shareholder is entitled to appoint one or more proxy(ies) (who need not be Shareholder(s) of Sun International) to attend and/or participate and vote in his/her stead at the General Meeting.

Please read the notes on the reverse side hereof.

Notes:

1. A 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 Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairperson of the 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 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 Chairperson of the 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. A Shareholder is entitled on a poll, to 1 (one) vote per Share held. A Shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the 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 General Meeting in respect of the Shareholder's votes, except in the case where the Chairperson of the General Meeting is the proxy. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the 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 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 Chairperson of the 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 Chairperson of the General Meeting.
7. When there are joint holders of Shares, any one holder may sign the form of proxy.
8. The Chairperson of the 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 Chairperson of the 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 MOI 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 that this form of proxy should be completed and returned to The Meeting Specialist Proprietary Limited, JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 (PO Box 62043, Marshalltown, 2107), so as to reach them, for administrative purposes only, by not later than 10h00 on Tuesday, 27 October 2020, alternatively to be handed to the Chairperson of the General Meeting prior to its commencement at 10h00 on Wednesday, 28 October 2020.