Notes to the company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Operating profit is stated after the following:

	31 December 2019 Rm	31 December 2018 Rm
DIVIDEND INCOME		
Dividends received from subsidiaries	**130**	8
OPERATIONAL COSTS		
Professional fees	**(5)**	(2)
Write-off of SME investment	**(2)**	–
Underwriting professional fees for rights issue	**–**	(9)
Impairment – loans to subsidiaries	**–**	(66)
	123	(69)

2. Interest income

	31 December 2019 Rm	31 December 2018 Rm
Interest earned on loans and receivables	**87**	79
Imputed interest on loans receivable	**37**	30
	124	109

3. Interest expense

	31 December 2019 Rm	31 December 2018 Rm
Interest paid on borrowings	**(50)**	(66)
Imputed interest on V&A loan	**(37)**	(30)
	(87)	(96)

4. Tax

	31 December 2019 Rm	31 December 2018 Rm
Current tax – current year	**(3)**	(23)
– prior year	**4**	–
Deferred tax – current year	**(1)**	(3)
– prior year	**(1)**	–
Withholding tax	**(1)**	(1)
	(2)	(27)
Standard rate of tax	**28.0%**	28.0%
Tax at standard rate	**41**	3
Adjusted for:	**–**	–
Exempt income^	**(40)**	2
Prior year – current tax	**(4)**	–
Prior year – deferred tax	**(1)**	–
Disallowable expenses*	**1**	(31)
Withholding tax	**1**	(1)
TAX PER STATEMENT OF COMPREHENSIVE INCOME	**(2)**	(27)

^ *Exempt income relates to dividend income.*

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

5. Dividends paid

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

The need to complete strategic group initiatives, particularly Time Square, and the need to reduce debt levels, the board has decided not to declare a dividend for the period under review.

6. Investments in subsidiaries

	31 December 2019 Rm	31 December 2018 Rm
SHARES AT COST		
Balance at beginning of year	**6 523**	5 876
Additional investment in Sun Treasury#	**–**	1 095
Additional investment in Sun International (South Africa) Limited*	**2 344**	–
Additional investment in Sun International Chile SpA~	**177**	–
Disposal of Stardust Enterprises Inc^	**(1 754)**	–
Return on Investment from Sun International Incorporated+	**(662)**	–
Impairment of intercompany investment	**–**	(448)
BALANCE AT END OF YEAR	**6 628**	6 523

^ *Stardust Enterprises Incorporated Investment was disposed of during the year as part of the restructure and is currently deregistered. See additional disclosure of restructure information below.*
\# *The company subscribed to a rights issue in Sun Treasury RF (Pty) Limited to the value of R1.1 billion. No change in shareholding was noted and the entity remains a wholly owned subsidiary as at 31 December 2018.*
* *Additional investment acquired in Sun International (South Africa) Limited as part of the restructure. See additional disclosure of restructure information below.*
~ *In the current year Sun International Limited advanced R177 million to Sun International Chile SpA to settle its tax expense within Chile. This advance is deemed as a capital contribution with no obligation to repay the amounts.*
\+ *See additional disclosure of restructure information below.*

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

Restructure information

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

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

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

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

7. Loans and receivables

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

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

^ Use of IFRS 9 practical expedient applied.

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

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

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

8. Deferred tax

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

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

9. Share capital and premium

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

9. Share capital and premium continued

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

10. Borrowings

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

All borrowings are unsecured.

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

The carrying amount of the borrowings are denominated in ZAR.

The borrowings are repayable over the following periods:

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

10. Borrowings continued

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

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

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

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

A change of 1% in interest rates at the reporting date would have (decreased)/increased profit after tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 31 December 2018.

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

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

The company's borrowings are not restricted by its memorandum of incorporation.

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

11. Accounts payable, accruals and other

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

12. Cash flow information

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

13. Related party

The following transactions were carried out with related parties:

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

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

13. Related party continued

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

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

Notes to the company financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

14. Return to shareholders

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

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

For the diluted EPS calculation the weighted average number of ordinary shares in issue is adjusted to take account of potential dilutive share awards granted to employees. The number of shares taken into account is determined by taking the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share awards. This calculation is done to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.

15. Subsequent events

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