Independent auditor's report

TO THE SHAREHOLDERS OF SUN INTERNATIONAL LIMITED

Report on the audit of the consolidated and separate financial statements

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sun International Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Sun International Limited's consolidated and separate financial statements set out on pages 17 to 121 comprise:

- the group and company statements of financial position as at 31 December 2019;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended;
- the notes to the financial statements;
- the accounting policies and accounting policy developments.

BASIS FOR OPINION

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

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

Independence

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

OUR AUDIT APPROACH

Overview

OVERALL GROUP MATERIALITY

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

Group audit scope

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

KEY AUDIT MATTERS

- Impairment of non-financial assets.

Independent auditor's report continued

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

Materiality

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

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

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

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. This scoping included consideration of financially significant components, risk characteristics as well as taking into consideration sufficiency of work performed over material line items in the financial statements.

To ensure that the audit teams both at Group and at component levels included the appropriate skills and competencies, experts in valuations, IT, actuarial, and specialists in tax were included in the team structures.

The Group operates across two different geographical locations - Latin America and Africa. The Group financial statements are a consolidation of 62 components. An analysis was performed, taking into account total income and total assets of individual components, in order to determine the group audit scope. Out of the 26 reporting components identified, which comprise the Group's significant operating businesses and centralised functions, 23 were subject to a full scope audit, with an audit of account balances being performed on the 3 remaining reporting components. In addition, analytical procedures were performed on the remaining components not identified as reporting components. The Group engagement team also performed audit and analytical procedures over the remaining balances and the consolidation process.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report continued

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

Key audit matter	How our audit addressed the key audit matter
IMPAIRMENT OF NON-FINANCIAL ASSETS The Group owns casinos and hotels within individual cash generating units ("CGUs") across various territories. The attributable property, plant and equipment and intangible assets amount to R16.9 billion and R2.7 billion, respectively. Due to the business combinations that the Group has entered into in the prior year, included in intangible assets are goodwill and indefinite useful life intangible assets amounting to R1 billion and R233 million, respectively, which are allocated to the CGUs as indicated in note 12 to the consolidated financial statements. An impairment assessment of a CGU is performed when there is an indication that these may be impaired. CGUs that include goodwill and indefinite useful life intangible assets are however tested annually for impairment, or whenever there is an indicator of impairment. The Group determines the recoverable amount of CGUs by calculating the respective CGU's value in use. The value-in-use is determined by using the discounted cash flow valuation model. Refer to the critical accounting estimates and assumptions section and note 11 to the consolidated financial statements where the impairment of non-financial assets has been discussed. The impairment of non-financial assets was a matter of most significance to our current year audit due to: ■ The significant judgments made by management regarding the discount rates, the terminal growth rates and forecast cash flows included in the analysis used to perform the impairment assessment; ■ The magnitude of these balances to the Group; ■ The sensitivity in the headroom remaining between the value-in-use and the carrying value for Sun City in the North West; and ■ The magnitude of the impairment recognised during the year ended 31 December 2019, which included an impairment charge of R163 million recognised against property, plant and equipment relating to the investment in The Maslow in Sandton. Refer to note 11 to the consolidated financial statements where the sensitivity and impairment losses have been discussed.	We assessed whether there were any impairment indicators for all non-financial assets by considering the following: ■ Actual to budgeted performance; ■ Return on assets ratio; ■ Entities that are in a loss-making position; and ■ Other factors that are expected to negatively impact the future operations of the entity e.g. difficult trading conditions, closure of operations or significant increases in competition in the territory. Where impairment assessments were performed, we utilised our valuation expertise to test the reasonableness of management's assumptions by performing the following: ■ Independently calculating the discount rates, taking into account independent data such as the cost of debt, risk-free rates in the market, market risk premiums, the beta of comparable companies, debt/equity ratios, as well as the impact of economies and industry factors within the different countries in which each of the CGUs are located (i.e. country risk premiums). We accepted the discount rates used by management as falling within reasonable ranges; ■ Comparing the terminal growth rates to long-term growth rates obtained from independent sources. The year-on-year growth rates were compared to various industry outlooks. The growth rates used by management were accepted as falling within reasonable ranges. We agreed the forecast cash flows included in the valuation to underlying documentation such as approved budgets for the individual CGUs. We also held discussions with management to understand the basis for the assumptions used. In respect of the budgeting process, we compared the current year actual financial results to the budgeted financial results for the year ended 31 December 2019. We obtained evidence where variances were noted. We accepted the budgeting inputs (such as revenue, EBITDA, capital expenditure, working capital movements) used by management. We tested the mathematical accuracy of the discounted cash flow model and its compliance with market practice and the applicable requirements of International Accounting Standard (IAS) 36: Impairment of Assets. We did not note any aspect which required further consideration. We performed sensitivity analyses to assess the maximum decline that would result in no headroom remaining between the value-in-use and the carrying value. We compared our results to management's sensitivity analyses for purposes of identifying CGUs that are considered to be sensitive or for which the recording of an impairment charge was required. We accepted the impairment charge recorded by management for The Maslow, and noted that Sun City's impairment determination is sensitive to changes in the key assumptions. For The Maslow, we assessed the fair value less costs to sell ("FVLCTS") assumptions applied by management as required by IAS 36 and recalculated the value of the impairment based on the higher of the FVLCTS and the value-in-use. No material differences were noted.

Independent auditor's report continued

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Sun International Limited for 36 years.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
DIRECTOR: JOHAN POTGIETER
Registered Auditor
Johannesburg
16 March 2020