Sun International

AUDITED SUMMARY GROUP FINANCIAL RESULTS

for the year ended 31 December 2019

Introduction

The 2019 financial year marked a period of critical inflection in terms of delivering against our strategy to drive sustainable growth and profitability and unlocking value in the business. The board has remained focused on our key strategic priorities which continue to be:

- investing in quality assets for growth;
- protecting and leveraging the existing portfolio;
- accelerating balance sheet de-gearing;
- driving efficiencies, optimisation and quality of earnings; and
- dealing with loss making units.

We achieved significant progress against all of these objectives during the 2019 financial year.

Total income for the year under review increased by 4% from R16.6 billion to R17.2 billion, primarily driven by above-market organic growth from key operations in South Africa and the impact of acquisitions made in Latin America (Latam) during the prior year. Adjusted EBITDAR, was marginally up on the prior year at R4.6 billion, with pleasing margin expansion achieved in South Africa, offset by the impact of unexpected social unrest and instability in Chile. Given the increase in adjusted EBITDAR, lower interest and depreciation and a significantly lower effective tax rate, we have achieved strong growth in adjusted headline earnings which increased 109% to R763 million with adjusted headline earnings per share increasing 91% to 605 cents per share.

Due to the continued under performance of The Maslow, which is defined as a cash-generating unit (CGU) that falls under our South African operations, an impairment indicator was identified. A pre-tax discount rate of 9.8% was used for the value-in-use calculation that resulted in an impairment of R163 million.

During the second half of the 2019 financial year, a simplified head office and group operational structure was implemented in South Africa, with a renewed focus on our different customer-end markets in gaming and hospitality. The revised structure will result in enhanced focus on the guest experience, improved operational efficiencies, as well as support continued margin improvement at our casino and hotel properties.

We completed the restructure of the Carousel at the end of May 2019 and will shortly complete the restructure of the Boardwalk. Our Wild Coast land claim was finally settled and we submitted our bid for renewal of the licence. The Eastern Cape Gambling Board has extended the existing Wild Coast Casino licence to 31 March 2020.

Our Latam operations showed tremendous resilience despite the significant impact of unexpected and widespread social unrest which erupted in Chile during the last quarter of the year, resulting in curtailment of operations, some damage to our properties and significant deterioration in trading conditions during October and November.

We continue to reduce our debt levels, with South African debt (excluding lease liabilities) down from R9.2 billion at 31 December 2018 to R8.8 billion at year end. Organic cash flow supported an improvement in the Debt to Adjusted EBITDA (after lease payments) ratio, to 2.8x as at 31 December 2019, down from 3.0x a year earlier and considerably lower than the current bank covenant of 3.5x. Excluding the debt raised for the Sibaya minority stake acquisition of R593 million, Debt to Adjusted EBITDA would have been 2.6x. During the year, the refinancing of the South African debt facilities was also successfully completed in a transaction that was 50% oversubscribed, with all existing lenders renewing their commitment to the group. The restructure has extended maturities, increased covenant headroom and reduced overall net finance costs through a more efficient facilities package. The weighted average cost of interest fell from 9.6% in the prior year to 8.6% for 2019.

Notwithstanding the various challenges faced in Latam, Sun Dreams' operations continued to demonstrate pleasing de-gearing and balance sheet strength. After minority dividends of R113 million, net financial net debt in Latam (excluding lease liabilities), reduced to R3.9 billion from R4.9 billion in the prior year. Sun Dreams' Net Debt to EBITDA (excluding the effect of IFRS 16) reduced from 3.0x to 2.6x at 31 December 2019.

Acquisitions:

- We increased our interest in Sibaya (Afrisun KZN) to 87.2% with the effective acquisition of a further 23.9% equity interest from minorities; and
- We concluded agreements that will result in the acquisition of a 30% minority equity interest in Sun Slots for a purchase consideration of R504 million, resulting in Sun Slots becoming a wholly-owned subsidiary. This transaction is awaiting certain regulatory approvals which we anticipate will be received in the short term.

Both Sibaya and Sun Slots have been trading above expectations, with the above transactions being concluded at attractive valuations and at levels which will be earnings and cash flow enhancing.

Reference is made to the SENS announcement of 1 November 2019 when shareholders were informed that Sun International's announced disposal of a 14.94% interest in Sun Dreams to Pacifico Sur Limitada ("Pacifico"), which would result in each party holding a 50% equity interest in Sun Dreams, was not concluded.

Financial overview

FOR THE YEAR ENDED 31 DECEMBER 2019

	South Africa			Latam			Nigeria			eSwatini*			Total		
R million	**2019**	%	2018	**2019**	%	2018	**2019**	%	2018	**2019**	%	2018	**2019**	%	2018
Income	**11 481**	2	11 254	**5 396**	8	5 018	**162**	9	148	**193**	(1)	194	**17 232**	4	16 614
Adjusted EBITDAR	**3 303**	5	3 143	**1 294**	(8)	1 406	**12**	33	9	**1**	(50)	2	**4 610**	1	4 560
Rental	**(65)**	59	(159)	**–**	100	(43)	**(1)**	–	–	**–**	–	–	**(66)**	67	(202)
Depreciation and amortisation	**(1 016)**	4	(1 058)	**(517)**	(13)	(457)	**(25)**	–	(25)	**(7)**	13	(8)	**(1 565)**	(1)	(1 548)
Adjusted operating profit	**2 222**	15	1 926	**777**	(14)	906	**(14)**	13	(16)	**(6)**	–	(6)	**2 979**	6	2 810
Foreign exchange profit	**(13)**	<(100)	2	**17**	>100	(11)	**–**	–	–	**–**	–	–	**4**	>100	(9)
Net interest	**(861)**	10	(954)	**(251)**	(39)	(181)	**(45)**	(13)	(40)	**(1)**	50	(2)	**(1 158)**	2	(1 177)
Net external interest	**(785)**	18	(954)	**(232)**	(28)	(181)	**(45)**	(13)	(40)	**(1)**	50	(2)	**(1 063)**	10	(1 177)
IFRS 16 interest	**(76)**	(100)	–	**(19)**	(100)	–	**–**	–	–	**–**	–	–	**(95)**	(100)	–
Profit before tax	**1 348**	38	974	**543**	(24)	714	**(59)**	(5)	(56)	**(7)**	13	(8)	**1 825**	12	1 624
Tax	**(376)**	14	(436)	**(221)**	4	(230)	**(2)**	<(100)	1	**1**	–	1	**(598)**	10	(664)
Profit after tax	**972**	81	538	**322**	(33)	484	**(61)**	(11)	(55)	**(6)**	14	(7)	**1 227**	28	960
Minorities	**(350)**	(10)	(317)	**(132)**	39	(215)	**30**	3	29	**3**	–	3	**(449)**	10	(500)
Attributable profit	**622**	>100	221	**190**	(29)	269	**(31)**	(19)	(26)	**(3)**	25	(4)	**778**	69	460
Share of associates	**2**	(75)	8	**1**	100	–	**–**	–	–	**–**	–	–	**3**	(63)	8
Continued adjusted headline earnings	**624**	>100	229	**191**	(29)	269	**(31)**	(19)	(26)	**(3)**	25	(4)	**781**	67	468
Discontinued operations	**–**	–	–	**(18)**	83	(103)	**–**	–	–	**–**	–	–	**(18)**	83	(103)
Group adjusted headline earnings	**624**	>100	229	**173**	4	166	**(31)**	(19)	(26)	**(3)**	25	(4)	**763**	>100	365

* *The prior year comparable financial information was restated to reflect the eSwatini operations as continued operations, the published prior year results included eSwatini as discontinued operations as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations.*

Financial overview continued

FOR THE YEAR ENDED 31 DECEMBER 2019

South Africa

Despite a tough trading environment, which includes low GDP growth, high unemployment and an uncertain political landscape, the group's South African operations delivered a pleasing result. With income up 2% and adjusted EBITDAR up 5%, the EBITDAR margin improved from 28% in 2018 to 29%. The improved margins were driven by the better results of the flagship Time Square property, above-market growth at Sibaya, SunSlots and SunBet and cost containment. This was partially offset by weaker performances at GrandWest and Sun City, the latter of which is in the early stages of a full operational turnaround plan.

Excluding the depreciation of R57 million relating to the right of use assets from capitalised leases, depreciation and amortisation was down 4%, due primarily to the reassessment of the useful life of certain assets. Property and equipment rentals for the year of R108 million were capitalised in terms of IFRS 16: Leases.

Interest charges (excluding IFRS 16) were down R169 million due primarily to lower interest rates, the prior year's R1.6 billion rights offer and cash generated from operations. The net impact of the capitalisation of the leased assets was a charge of R25 million before tax.

The effective tax rate reduced with a deferred tax credit on the Time Square losses raised due to the improved trading and outlook.

Latam

Income from the Latam operations was up by 8% from the prior year to R5.4 billion with adjusted EBITDAR declining by 8% to R1 294 million. These results are not directly comparable to the prior year due to the acquisitions of Thunderbird Resorts in Peru in April 2018 and the Park Hyatt Hotel and Casino in Mendoza, Argentina in July 2018.

On a comparable basis, income was up 1% from the prior year at R4.6 billion and adjusted EBITDA decreased by 11% to R1.2 billion.

Depreciation and amortisation increased by 13%, with R48 million attributable to the capitalisation of leases in terms of IFRS 16: Leases, and R46 million relates to current year depreciation from acquisitions made in the prior year. The net impact of the adoption of IFRS 16: Leases, on profit before tax for our Latam operations was a charge of R38 million. The minorities' share of income was down due to the lower profits and the acquisition of the 10% equity stake of minorities, concluded in June 2018.

The Latam effective tax rate (ETR) was affected by the appreciation of the Chilean inflation index adjustment. The hyper-inflation adjustment relating to our Argentinian operation, further increased the current year's ETR by 1%.

Nigeria and eSwatini

The Federal Palace in Nigeria continues to underperform, achieving R12 million adjusted EBITDAR and an operating loss attributable to the group of R14 million.

Due to having not yet concluded the disposal of our interest in the Royal Swazi Resorts in eSwatini, it is no longer been accounted for as a discontinued operation and is again consolidated in our financial results.

We are actively pursuing the disposal of our equity interest in both of these assets.

Headline and adjusted headline earnings adjustments

The group has incurred a number of once-off or unusual items that have been adjusted for in headline and adjusted headline earnings, the most significant of which are described below.

Headline earnings adjustments include the following:

- net loss on disposal of property, plant and equipment of R21 million;
- profit on sale of the Lesotho and Botswana management contract of R18 million;
- reversal of prior year impairment relating to Panama of R34 million; and
- impairment of the Maslow Sandton and other assets of R163 million and R9 million respectively.

Adjusted headline earnings adjustments include the following:

- restructuring and related cost of R55 million relating to various properties within the group and the South African central office;
- amortisation of R104 million of the Sun Dreams intangible asset raised as part of a purchase price allocation adjustment;
- a decrease in the value of the Tsogo Sun put option of R44 million;
- insurance proceeds received relating to the Sun City storm damage claim of R89 million;
- additional Latam income tax of R155 million provided for relating to an ongoing dispute with the Chilean revenue authorities;
- Latam withholding tax of R22 million;
- Time Square deferred tax asset recognised relating to the prior year's assessed losses of R193 million.

Summary group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2019

Independent Audit

The summary group financial statements have been derived from the audited group financial statements. The directors of the company take full responsibility for the preparation of the summary group financial statements and that the financial information has been correctly derived and is consistent in all material respects with the underlying group financial statements. The summary group financial statements for the year ended 31 December 2019 have been audited by our auditor PricewaterhouseCoopers Inc., which has expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the group financial statements from which the summary group financial statements were derived. The individual auditor assigned to perform the audit is Johan Potgieter. The auditor's report does not necessarily cover all the information contained in the summarised financial results. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's work, they should obtain a copy of that report, together with the group financial statements from the registered office of the company. These documents will be available from the company's registered office from 16 March 2020. The group financial statements will be available on the company's website, suninternational.com, on or about 16 March 2020.

The company's external auditor has not reviewed or reported on the forecasts included in these summary group financial statements.

Accounting policies

The summary group financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for preliminary financial statements and the requirements of the South African Companies Act, 71 of 2008, as amended, applicable to summary financial statements. The JSE Listings Requirements include preliminary reports which have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Financial Pronouncements as issued by the Financial Reporting Standard Council (FRSC), and as a minimum, contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the group financial statements from which the summary group financial statements have been derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous group financial statements, unless otherwise stated. The summary group financial statements should be read in conjunction with the group financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS.

The operations in eSwatini were disclosed as discontinued operations in the prior year. As we have not yet disposed of our interest in this asset, the Royal Swazi Resort is no longer being accounted for as a discontinued operation and has again been consolidated in our financial results The prior year comparative financial information was restated as required by IFRS 5: Non-Current Assets and Liabilities Held for Sale from Discontinued Operations.

Except as described below, the accounting policies applied in these audited summary group financial statements are the same as those applied in the last audited group financial statements for the year ended 31 December 2018.

HYPERINFLATION

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

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

A detailed table of indices is published monthly by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences and the extract below was used in our assessment.

Date	Base year	General Index Price	Inflation rate %
31 December 2019	31 December 2018	2 462.05	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 set out 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.

Summary group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

ADJUSTMENT TO PROVISIONAL PPA

Mendoza

Subsequent to the audited 31 December 2018 financial statements, a final PPA was obtained that was indicative of conditions that were in existence at the acquisition date of Mendoza. As a result the 2018 figures were restated as follows:

R42 million relating to goodwill was reallocated to intangibles assets (R33 million), deferred tax assets (R2 million) and current liabilities (R7 million).

Standards implemented

The group has adopted IFRS 16: Leases, from 1 January 2019.

A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the group's financial statements.

IFRS 16: LEASES

Definition of a lease

Previously, the group determined at contract inception whether an arrangement contained a lease under IFRIC 4: Determining Whether an Arrangement contains a Lease. The group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee

The group leases various assets, including properties, gaming equipment and IT equipment.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases.

However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Post the IFRS 16 implementation, the group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease. If the rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is re-measured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the group is reasonably certain to exercise such options, impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the group classified property leases as operating leases under IAS 17. These include property, building and gaming leases. The leases typically run for a period of between 5 to 10 years. Some leases include an option to renew the lease after the end of the non-cancellable period. Some leases provide additional rent payments that are based on changes in local price indices.

The group has adopted IFRS 16 Leases and applied the simplified transition approach, the group will not restate comparative amounts for the year prior. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the rate implicit to the lease or the lessee's incremental borrowing rate (IBR) as at 1 January 2019. An average IBR of 9.5% was noted after the IFRS 16 implementation across the group.

Summary group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 has been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application being 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In applying IFRS 16 for the first time, the group has used critical estimates and judgments in determining 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;
- to elect not to separate non-lease components from lease components and instead account for each lease component and;
- any associated non-lease components as a single lease component;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- accounting for leases defined as a low value asset.

As a lessor

The accounting policies as a lessor are not different from those under IAS 17. However, when the group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The group did apply IFRS 15: Revenue from Contracts with Customers, in the 2018 financial year to allocate consideration in the contract to each lease and non-lease component.

IMPACT ON TRANSITION AND FOR THE YEAR ENDED 31 DECEMBER 2019

R million	South Africa	Latam	Total Group
INITIAL RECOGNITION			
Lease liability	**812**	**333**	**1 145**
Reversal of straight-line	**(241)**	**–**	**(241)**
Lease incentives	**(81)**	**–**	**(81)**
Right-of-use asset	**490**	**333**	**823**
YEAR ENDING 31 DECEMBER 2019			
Additional right-of-use asset depreciation	**(57)**	**(48)**	**(105)**
Additional lease liability interest expense	**(76)**	**(19)**	**(95)**
Operating lease expense not accounted for in profit and loss	**108**	**54**	**162**
Foreign exchange	**–**	**(25)**	**(25)**
IMPACT ON PROFIT BEFORE TAX	**(25)**	**(38)**	**(63)**
Right-of-use asset impairment	**(163)**	**–**	**(163)**
Right-of-use asset additions during the year	**2**	**–**	**2**
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019			
Lease liability	**779**	**300**	**1 078**
Right-of-use asset	**272**	**260**	**532**
IFRS 16 EFFECT ON EBITDA	**108**	**54**	**162**

THE FUTURE AGGREGATED MINIMUM RENTAL PAYMENTS (OUTSIDE THE SCOPE OF IFRS 16: LEASES) ARE AS FOLLOWS:

R million	31 December 2019	31 December 2018
No later than 1 year	**(61)**	(153)
Later than 1 year no later than 5 years	**–**	(725)
Later than 5 years	**–**	(519)
	(61)	(1 397)

Summary group financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2019

AMOUNTS RECOGNISED IN THE BALANCE SHEET

R million	31 December 2019	1 January 2019
RIGHT-OF-USE ASSET		
Land	**47**	47
Buildings	**459**	726
Equipment	**20**	41
Vehicles	**–**	2
Other	**6**	7
	532	823
LEASE LIABILITIES		
Opening balance	**1 145**	–
Acquisition of leases	**–**	1 145
Add: lease interest	**95**	–
Less: lease payments	**(162)**	–
	1 078	1 145

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

R million	31 December 2019	31 December 2018
DEPRECIATION CHARGE OF RIGHT-OF-USE ASSET		
Buildings	**(80)**	–
Equipment	**(21)**	–
Vehicles	**(2)**	–
Other	**(2)**	–
	(105)	–
INTEREST ON LEASE LIABILITY		
Buildings	**(87)**	–
Land	**(3)**	–
Equipment	**(4)**	–
Other	**(1)**	–
	(95)	–

Summary group statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Audited 12 months ended	
R million	31 December 2019	Restated 31 December 2018
CONTINUING OPERATIONS		
Net gaming wins	**13 777**	13 263
Revenue	**3 455**	3 351
INCOME	**17 232**	16 614
Consumables and services	**(1 673)**	(1 701)
Depreciation and amortisation	**(1 669)**	(1 650)
Employee costs	**(3 601)**	(3 240)
Impairment of assets	**(172)**	(306)
Levies and VAT on net gaming wins	**(3 537)**	(3 396)
LPM site owners commission^	**(377)**	(327)
Promotional and marketing costs	**(977)**	(1 027)
Property and equipment rentals	**(66)**	(215)
Property costs	**(891)**	(835)
Net gains on financial assets*	**28**	58
Other operational costs	**(1 597)**	(1 715)
OPERATING PROFIT	**2 700**	2 260
Foreign exchange (losses)/gains	**(19)**	22
Net monitory gain (hyperinflation)	**14**	15
Finance income	**17**	77
Finance expense	**(1 176)**	(1 255)
Fair value adjustment to put option liability	**44**	(27)
Share of profit of investments accounted for using the equity method	**3**	8
PROFIT BEFORE TAX	**1 583**	1 100
Tax	**(526)**	(546)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**1 057**	554
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	**(3)**	(203)
PROFIT FOR THE YEAR	**1 054**	351

^ *LPM:Limited pay-out machines.*
* *The prior year information has been restated to reflect the net gains in financial assets as a separate disclosed item, which was previously included in other operational costs.*

Summary group statement of comprehensive income continued

FOR THE YEAR ENDED 31 DECEMBER 2019

R million	Audited 12 months ended 31 December 2019	Restated 31 December 2018
OTHER COMPREHENSIVE INCOME:		
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	**282**	(20)
Tax on remeasurements of post employment benefit obligations	**(79)**	6
Items that may be reclassified to profit or loss		
Net (loss)/profit on cash flow hedges	**(18)**	26
Foreign currency translation reserve	**(351)**	195
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**888**	558
PROFIT FOR THE YEAR ATTRIBUTABLE TO:	**1 054**	351
Minorities	**401**	358
Ordinary shareholders	**653**	(7)
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR ATTRIBUTABLE TO:	**888**	558
Minorities	**258**	434
Ordinary shareholders	**630**	124
TOTAL COMPREHENSIVE PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS ARISES FROM:	**630**	124
Continuing operations	**632**	255
Discontinued operations	**(2)**	(131)

Headline earnings and adjusted headline earnings reconciliation

FOR THE YEAR ENDED 31 DECEMBER 2019

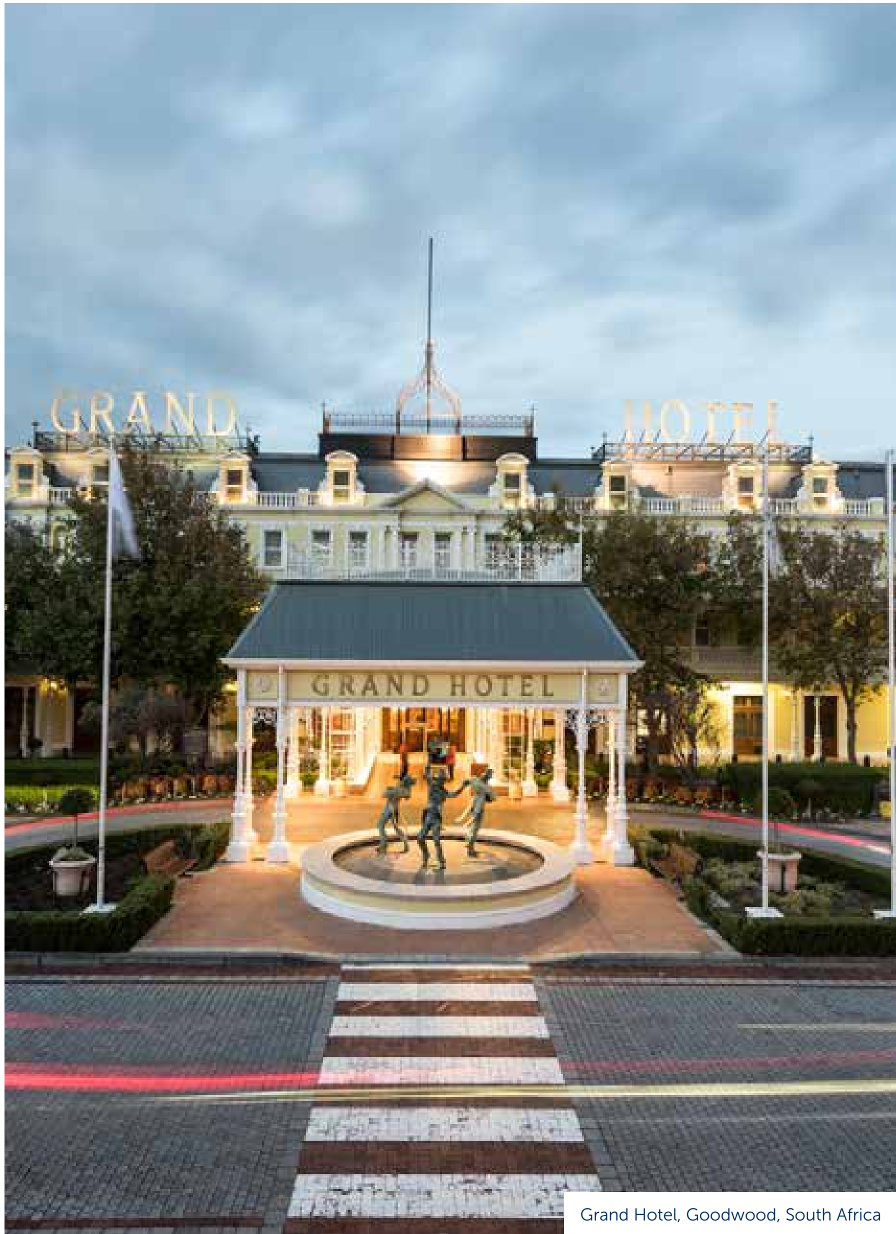
R million	Audited 12 months ended 31 December 2019	Restated 31 December 2018
PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**653**	(7)
Net loss on disposal of property, plant and equipment	**21**	29
Profit on sale of management contract (Lesotho and Botswana)	**(18)**	–
Profit on sale of disposal of subsidiaries (Colombia)	**(1)**	–
Reversal of impairment of assets (Panama)	**(34)**	–
Impairment of assets	**172**	337
Tax relief on above items	**(43)**	(89)
Minorities' interests on the above items	**11**	(24)
HEADLINE EARNINGS	**761**	246
Straight-line adjustment for rentals	**–**	13
Pre-opening expenses	**–**	3
Insurance claim received – Sun City	**(89)**	–
Onerous lease provision reversal	**–**	(31)
Restructure and related costs	**55**	–
Amortisation of Dreams intangibles assets raised as part of PPA	**104**	102
Foreign exchange losses/(profit) on inter-company loan	**4**	(44)
Forward exchange contract losses	**4**	75
Fair value adjustment on put option liabilities	**(44)**	27
Additional Latam income tax	**155**	–
Latam withholding tax	**22**	–
Recognition of Time Square deferred tax	**(193)**	–
Other	**22**	46
Tax relief on above items	**(12)**	(29)
Minorities' interests in the above items	**(26)**	(43)
ADJUSTED HEADLINE EARNINGS	**763**	365

	Cents per share	Cents per share
Earnings/(loss) per share		
Basic	**518**	(6)
Diluted	**518**	(6)
Diluted adjusted headline earnings per share	**605**	316

Summary group statement of financial position

FOR THE YEAR ENDED 31 DECEMBER 2019

R million	Audited 12 months ended 31 December 2019	Restated 31 December 2018
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	**16 884**	17 155
Intangible assets	**2 698**	3 133
Equity accounted investments	**51**	27
Derivative financial instruments	**4**	–
Pension fund asset	**303**	33
Deferred tax	**530**	250
Trade and other receivables	**289**	278
	20 759	20 876
CURRENT ASSETS		
Inventory	**166**	171
Trade and other receivables	**1 113**	1 438
Cash and cash equivalents	**775**	952
	2 054	2 561
NON CURRENT ASSETS HELD FOR SALE	**811**	859
TOTAL ASSETS	**23 624**	24 296
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Ordinary shareholders' equity before put option reserve	**3 907**	3 764
Put option reserve	**(1 286)**	(1 286)
Ordinary shareholders' equity	**2 621**	2 478
Minorities' interests	**1 614**	1 808
	4 235	4 286
NON CURRENT LIABILITIES		
Deferred tax	**367**	445
Borrowings	**11 620**	10 551
Put option liability	**1 288**	1 330
Contract liabilities and other liabilities	**697**	1 049
	13 972	13 375
CURRENT LIABILITIES		
Borrowings	**2 786**	4 132
Trade payables and accruals	**2 437**	2 334
Derivative financial instruments	**–**	8
Contract liabilities and other liabilities	**172**	120
	5 395	6 594
NON CURRENT LIABILITIES HELD FOR SALE	**22**	41
TOTAL LIABILITIES	**19 389**	20 010
TOTAL EQUITY AND LIABILITIES	**23 624**	24 296



Grand Hotel, Goodwood, South Africa

Summary group statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2019

R million	Share capital and premium	Treasury shares and share options	Foreign currency translation reserve	Share based payment reserve	Reserve for non-controlling interests	Hedging and other reserve	Retained earnings	Ordinary share-holders' equity before put option reserve	Put option reserves	Ordinary share-holders' equity	Minorities' interests	Total equity
AUDITED												
FOR THE YEAR ENDED 31 DECEMBER 2019												
BALANCE AT 31 DECEMBER 2018	**1 893**	**(394)**	**111**	**85**	**(2 503)**	**17**	**4 555**	**3 764**	**(1 286)**	**2 478**	**1 808**	**4 286**
Total comprehensive income for the year	**–**	**–**	**(200)**	**–**	**–**	**177**	**653**	**630**	**–**	**630**	**258**	**888**
Disposal of interest in Wild Coast Sun	**–**	**–**	**–**	**–**	**(15)**	**–**	**–**	**(15)**	**–**	**(15)**	**26**	**11**
Acquisition of Sibaya (Afrisun KZN) and related entities	**–**	**–**	**–**	**–**	**(489)**	**–**	**–**	**(489)**	**–**	**(489)**	**(104)**	**(593)**
Treasury share options purchased	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Reclassification of share options	**–**	**43**	**–**	**(43)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Employee share schemes	**–**	**–**	**–**	**18**	**–**	**–**	**–**	**18**	**–**	**18**	**–**	**18**
Dividends paid to minorities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(374)**	**(374)**
BALANCE AT 31 DECEMBER 2019	**1 893**	**(352)**	**(89)**	**60**	**(3 007)**	**194**	**5 208**	**3 907**	**(1 286)**	**2 621**	**1 614**	**4 235**
AUDITED												
FOR THE YEAR ENDED 31 DECEMBER 2018												
BALANCE AT 31 DECEMBER 2017	295	(424)	126	89	(2 386)	5	4 353	2 058	(4 651)	(2 593)	2 899	306
IFRS 9 adjustment	–	–	–	–	–	–	25	25	–	25	–	25
RESTATED BALANCE AT 1 JANUARY 2018	295	(424)	126	89	(2 386)	5	4 378	2 083	(4 651)	(2 568)	2 899	331
Total comprehensive income for the year	–	–	119	–	–	12	(7)	124	–	124	434	558
Treasury share options purchased	–	(7)	–	–	–	–	–	(7)	–	(7)	–	(7)
Reclassification of share options	–	37	–	(38)	–	–	1	–	–	–	–	–
Employee share schemes	–	–	–	34	–	–	–	34	–	34	–	34
Rights issue	1 598	–	–	–	–	–	–	1 598	–	1 598	–	1 598
Acquisition of minorities' interests	–	–	(134)	–	(117)	–	183	(68)	3 365	3 297	(575)	2 722
Capitalisation of loan to minorities interest	–	–	–	–	–	–	–	–	–	–	(533)	(533)
Dividends paid to minorities	–	–	–	–	–	–	–	–	–	–	(417)	(417)
BALANCE AT 31 DECEMBER 2018	1 893	(394)	111	85	(2 503)	17	4 555	3 764	(1 286)	2 478	1 808	4 286

Summary group statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Audited 12 months ended	
R million	31 December 2019	Restated 31 December 2018
CASH GENERATED BY OPERATIONS BEFORE:	**4 379**	4 278
Vacation Club timeshare sales	**112**	145
CASH GENERATED BY OPERATIONS	**4 491**	4 423
Tax paid	**(625)**	(711)
CASH GENERATED BY OPERATING ACTIVITIES	**3 866**	3 712
Purchase of property, plant and equipment	**(1 105)**	(880)
Disposal of property, plant and equipment	**15**	123
Purchase of intangible assets	**(75)**	(171)
Disposal of intangibles	**–**	–
Acquisition of subsidiaries, net of cash acquired	**–**	(586)
Investment income received	**17**	77
Disposal of shareholding in subsidiary	**12**	–
CASH FLOWS FROM INVESTING ACTIVITIES	**(1 136)**	(1 437)
Cash paid for purchase of treasury shares	**(1)**	(7)
Increase in loan to non-controlling interest	**272**	(673)
Purchase of additional non-controlling shareholding in subsidiaries	**(593)**	(678)
Movement in other non-current liabilities	**–**	47
Repayment of lease liabilities	**(162)**	–
Capital raised through a rights issue	**–**	1 598
Additional borrowings	**593**	2 428
Mendoza PPA contingency payment	**(42)**	–
Repayment of borrowings	**(1 552)**	(3 028)
Interest paid	**(1 055)**	(1 258)
Dividends paid	**(373)**	(417)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(2 913)**	(1 988)
Effect of exchange rates upon cash and cash equivalents	**(10)**	(14)
(Decrease)/increase in cash and cash equivalents	**(193)**	273
Cash and cash equivalents at beginning of the year	**982**	709
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**789**	982
Cash held by discontinued operations	**(14)**	(30)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR EXCLUDING NON CURRENT ASSETS HELD FOR SALE	**775**	952
CASH FLOWS FROM DISCONTINUED OPERATIONS	**(11)**	(12)

Supplementary information

FOR THE YEAR ENDED 31 DECEMBER 2019

	Audited	
R million	31 December 2019	Restated 31 December 2018
ADJUSTED EBITDAR RECONCILIATION		
OPERATING PROFIT	**2 700**	2 260
Depreciation and amortisation	**1 669**	1 650
Rental expense	**66**	215
Net loss on disposal of property, plant and equipment	**21**	29
Impairment of non-current assets	**172**	306
Pre-opening expenses	**–**	3
Insurance claim Sun City	**(89)**	–
Straight-line adjustment for rentals	**–**	13
Restructuring costs	**55**	–
Profit on sale of management contract	**(18)**	–
Profit on disposal of subsidiaries/associates	**(1)**	–
Forward exchange contract losses	**4**	75
Other*	**31**	9
ADJUSTED EBITDAR	**4 610**	4 560
ADJUSTED EBITDAR MARGIN (%)	**27**	27

* *The consolidation of the Employee Share Trusts are reversed for the adjusted EBITDA reconciliation as the group did not receive the economic benefits of these trusts.*

Supplementary information continued

FOR THE YEAR ENDED 31 DECEMBER 2019

	Audited 31 December 2019	Restated 31 December 2018
NUMBER OF SHARES ('000)		
– for basic EPS/HEPS/adjusted HEPS	**126 145**	115 360
– for diluted EPS/HEPS/adjusted HEPS	**126 145**	115 377
EARNINGS/(LOSS) PER SHARE (CENTS)		
– basic earnings/(loss)	**518**	(6)
– headline earnings	**603**	213
– adjusted headline earnings	**605**	316
– diluted basic earnings/(loss)	**518**	(6)
– diluted headline earnings	**603**	213
– diluted adjusted headline earnings	**605**	316
CONTINUING – EARNINGS PER SHARE (CENTS)		
– basic earnings	**520**	104
– headline earnings	**619**	281
– adjusted headline earnings	**618**	405
– diluted basic earnings	**520**	104
– diluted headline earnings	**619**	282
– diluted adjusted headline earnings	**518**	409
DISCONTINUED – LOSS PER SHARE (CENTS)		
– basic loss	**(2)**	(110)
– headline loss	**(16)**	(68)
– adjusted loss	**(13)**	(89)
– diluted basic loss	**(2)**	(110)
– diluted headline loss	**(16)**	(68)
– diluted adjusted headline loss	**(13)**	(93)

Supplementary information continued

FOR THE YEAR ENDED 31 DECEMBER 2019

	Audited 31 December 2019	Restated 31 December 2018
TAX RATE RECONCILIATION (R million)		
Profit before tax	**1 580**	1 101
Share of associates' profit/(losses)	**3**	(1)
ADJUSTED PROFIT BEFORE TAX	**1 583**	1 100
	%	%
EFFECTIVE TAX RATE	**33**	61
Preference share funding	**(2)**	(3)
Depreciation on non-qualifying buildings	**(1)**	(2)
Other non-deductible expenditure	**(1)**	(5)
Movement in put options	**1**	(1)
Exempt income – other (lessor contribution, associated income and disposal of income earning structure)	**2**	–
Exempt income – dividend income	**(1)**	–
Tax incentives	**–**	1
Deductible foreign withholding taxes	**–**	–
Utilisation of tax losses not previously recognised	**15**	2
Chilean capital indexed to inflation adjustment	**(1)**	(8)
Foreign inflation adjustment	**(1)**	–
Tax losses not meeting recognition criteria	**(4)**	(16)
Discontinued operations – tax losses not meeting recognition criteria	**(2)**	(7)
Withholding and other taxes	**(11)**	–
Adjustment for current tax of prior years	**1**	7
Effects of tax rates in various jurisdictions	**–**	(1)
South African corporate tax rate	**28**	28
OTHER METRICS		
EBITDA to interest (times)	**3.9**	3.2
South African borrowings to EBITDA (times) excluding lease liabilities	**2.8**	3.0
Net asset value per share (Rand)	**33.6**	31.3
Capital expenditure (R million)	**1 180**	1 050
Capital commitments (R million)	**1 289**	1 496

Segmental review

FOR THE YEAR ENDED 31 DECEMBER 2019

SOUTH AFRICAN SEGMENT

	Income			Adjusted EBITDAR			Depreciation and amortisation			Adjusted operating profit		
R million	**2019**	%	2018	**2019**		2018	**2019**	%	2018	**2019**	%	2018
GrandWest	**2 144**	(3)	2 214	**831**	(5)	874	**(117)**	17	(141)	**710**	(2)	727
Sun City	**1 604**	(4)	1 672	**152**	(32)	222	**(203)**	5	(213)	**(57)**	<(100)	(8)
Sibaya	**1 368**	6	1 289	**496**	14	435	**(63)**	10	(70)	**430**	19	360
Time Square	**1 432**	15	1 247	**452**	42	318	**(219)**	7	(236)	**227**	>100	69
Carnival City	**958**	–	961	**236**	1	234	**(65)**	4	(68)	**167**	2	163
Boardwalk	**527**	(1)	532	**85**	(14)	99	**(58)**	19	(72)	**24**	4	23
Wild Coast Sun	**474**	(5)	498	**84**	(14)	98	**(48)**	–	(48)	**35**	(26)	47
Meropa	**310**	1	308	**102**	7	95	**(20)**	–	(20)	**81**	9	74
Windmill	**250**	(8)	273	**85**	(13)	98	**(21)**	(5)	(20)	**61**	(19)	75
Flamingo	**154**	(7)	165	**35**	(17)	42	**(17)**	(21)	(14)	**17**	(35)	26
Golden Valley	**170**	–	170	**33**	–	33	**(13)**	13	(15)	**18**	6	17
Carousel	**95**	(42)	163	**(19)**	(27)	(15)	**(12)**	33	(18)	**(31)**	6	(33)
Table Bay	**353**	4	341	**115**	5	110	**(17)**	11	(19)	**63**	7	59
The Maslow	**133**	(6)	142	**(9)**	<(100)	8	**(27)**	<(100)	(12)	**(36)**	23	(47)
Other	**20**	–	20	**(2)**	(100)	(1)	**(1)**	–	(1)	**(3)**	(25)	(4)
SOUTH AFRICAN OPERATIONS	**9 992**	–	9 996	**2 676**	1	2 650	**(901)**	7	(967)	**1 706**	10	1 548
Sun Slots	**1 310**	13	1 162	**336**	14	296	**(82)**	(26)	(65)	**252**	14	222
SunBet	**140**	82	77	**44**	>100	8	**(3)**	(50)	(2)	**40**	>100	6
SOUTH AFRICAN OPERATIONS INCLUDING ALTERNATIVE GAMING	**11 442**	2	11 235	**3 056**	3	2 954	**(986)**	5	(1 034)	**1 998**	12	1 776
Management companies	**578**	2	568	**247**	31	189	**(30)**	(25)	(24)	**224**	49	150
Intercompany management fees	**(539)**	2	(549)	**–**	–	–	**–**	–	–	**–**	–	–
	11 481	2	11 254	**3 303**	5	3 143	**(1 016)**	4	(1 058)	**2 222**	15	1 926

Segmental review continued

FOR THE YEAR ENDED 31 DECEMBER 2019

GrandWest's income and adjusted EBITDAR were down 3% and 5% to R2.1 billion and R831 million respectively. Although slots handle remained in line with the prior year, the win percentage decreased, resulting in slots gross income decreasing by 3%. Tables' performance was impacted by a challenging environment.

Sun City experienced difficult trading conditions, with income down 4%. Trading for the year was volatile with a difficult start to the year following the December hail storm which resulted in us being unable to capitalise on the peak season. Occupancy for the year at 63% was down 6% on the prior year, with the average room rate remaining in line with the prior year at R1 825. The Sun City resort is in the early stages of a full operational turnaround plan with a new leadership team.

Gaming income at R505 million was down 1% from the prior year. As a result of the difficult trading conditions and the high fixed cost base, adjusted EBITDAR was down by 32% compared to the prior year.

Sibaya's income increased by 6% with adjusted EBITDAR up 14%. The refurbished Prive and food and beverage offering has been well received by guests and a continuous focus on the guest experience as well as tactical marketing interventions, have ensured that Sibaya has maintained its market share following the opening of EBTs in KZN and the Sun Coast expansion, which was completed in August 2018.

Time Square continues to show steady improvement with income increasing by 15% to R1.4 billion and adjusted EBITDAR increasing by 42% to R452 million. Its casino market share for the year was 15.7%, up from 14.2% in 2018. The hotel continues to improve occupancy and room rate, with the aim to increase our market share of the transient and group government business into the Menlyn node. As a result of a focus on costs and efficiencies the adjusted EBITDAR margin of 32% improved throughout the year from the 26% achieved in 2018.

Carnival City's income was in line with the prior year and adjusted EBITDAR was up 1%. The Prive refurbishment was completed in September 2019 to coincide with Carnival's 20th birthday celebrations. It has been well received by our guests and has shown a marked improvement in income generated since its opening. Refurbishment of the first 15 hotel rooms was completed, with another 40 rooms earmarked to be refurbished during the first half of 2020.

Boardwalk's income decreased by 1% with adjusted EBITDAR down by 14%. The operational restructure was finally approved by the gaming board in February 2020 and is in the process of being implemented. The shopping mall development is progressing well with leasing commitments received from major retailers. We anticipate that construction on the mall will commence during the second quarter of 2020.

Wild Coast Sun's income decreased by 5% to R474 million, with adjusted EBITDAR down from R98 million to R84 million. The current casino licence, which expired in August 2019, has been extended to 31 March 2020 while the gaming board finalises its adjudication of our bid.

The Table Bay's income increased by 4% with adjusted EBITDAR up by 5%. Occupancy at 70% improved from the prior year and the average room rate increased by 2% to R3 247. The property is slowly recovering from the drop in foreign tourists as a result of the drought in the Western Cape in 2018. We have submitted our proposal in response to a RFP issued for the renewal of the Table Bay lease, which expires in May 2022, and remain in ongoing discussions with the lessor. We anticipate a final decision will be made by the end of March 2020.

The **small urban casinos,** which include Meropa (Limpopo), Windmill (Free State), Flamingo (Northern Cape) and Golden Valley (Western Cape) collectively showed a decrease in income of 3% and adjusted EBITDAR of 5% compared to the prior year.

The Carousel, which has been severely impacted by the opening of Time Square, was restructured at the end of May 2019 following receipt of gaming board approval. The restructure has resulted in the closure of the hotel and the tables department, a reduction in slots to 400 and a significant reduction in headcount.

Sun Slots has delivered consistent double digit EBITDA growth over the last three years and has now reached critical scale as a core contributor to the group's profitability. Our operations in the Western Cape and Mpumalanga posted pleasing results while KZN and Gauteng were adversely impacted by delays in the roll out of sites. Income increased by 13% and EBITDAR by 14%. In the Western Cape, we were granted a further 500 machine licences by the WCGRB during the latter part of 2019.

SunBet, our South African online sports betting business, continues to trade extremely well. Having invested in a new platform in August 2018, income increased by 82% from R77 million to R140 million, while adjusted EBITDAR increased from R8 million in the prior year to R44 million at 31 December 2019.

Management fees and related income of R578 million increased by 2% and adjusted EBITDAR by 31% to R247 million. The group's management company and head office underwent a substantial restructure which was concluded in November 2019. A simplified head office and group operational structure was implemented, with a focus on our different customer-end markets in gambling and hospitality.

Segmental review continued

FOR THE YEAR ENDED 31 DECEMBER 2019

LATAM SEGMENT

	Income		Adjusted EBITDAR		Depreciation and amortisation		Adjusted operating profit	
R million	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Monticello	**1 976**	1 904	**539**	573	**(171)**	(168)	**368**	405
Sun Dreams SCJ licences	**1 560**	1 581	**573**	612	**(43)**	(38)	**530**	574
Sun Dreams municipal licences	**794**	823	**266**	287	**(38)**	(37)	**228**	250
Sun Chile office	**–**	–	**(9)**	(8)	**–**	–	**(9)**	(8)
Central office	**–**	–	**(257)**	(194)	**(119)**	(154)	**(376)**	(348)
Chile operations	**4 330**	4 308	**1 112**	1 270	**(371)**	(397)	**741**	873
Peru excluding Thunderbird Resorts	**302**	288	**74**	68	**(101)**	(39)	**(27)**	(7)
Comparable operations	**4 632**	4 596	**1 186**	1 338	**(472)**	(436)	**714**	866
Thunderbird	**299**	194	**31**	32	**(20)**	(11)	**11**	14
Mendoza Park Hyatt	**465**	228	**77**	36	**(25)**	(10)	**52**	26
CONTINUED OPERATIONS	**5 396**	5 018	**1 294**	1 406	**(517)**	(457)	**777**	906
PPA adjustment	**–**	–	**–**	–	**(104)**	(102)	**–**	–
	5 396	5 018	**1 294**	1 406	**(621)**	(559)	**777**	906
Average Rand:CLP exchange rate	**48.84**	48.69						

Our **Latam operations** performed below expectation, with comparable income up 1% to R4.6 billion and adjusted EBITDAR decreasing by 8% to R1.3 billion. On 18 October 2019, civil protest action erupted across Chile, and had a materially negative impact on all of our operations. The demonstrations, which initially started over a rise in the fare of the metro in Santiago, quickly spread across Chile and widened into more general protest action against high levels of inequality, the high cost of health care, poor pensions and education. The Chilean government reacted by implementing a raft of reforms to appease the populace. However, these may ultimately have the effect of increasing the cost of doing business in Chile. The government has also set a date in April 2020 to hold a referendum regarding the adoption of a new Constitution.

Monticello's income was up by 4% while adjusted EBITDAR decreased by 6%. The decrease in adjusted EBITDAR was due to the impact of the civil protests and increased marketing and promotional activity.

The income and EBITDAR from the remaining **SCJ licences** declined by 1% and 6% respectively. Iquique, which is located in a copper mining region, was negatively impacted by a stagnant local economy as well as a flood in February, damaging approximately 200 slot machines that were out of service for a prolonged period.

The **Peruvian operations'** (excluding Thunderbird Resorts) income increased by 5% while adjusted EBITDAR was up from R68 million to R74 million. The adjusted EBITDAR was impacted

by the introduction of a new gaming tax equal to approximately 4.8% of revenue. The gaming industry is challenging the imposition of this new tax on the basis that it is unconstitutional and illegal. An additional R14 million was incurred relating to this tax. The adoption of IFRS 16: Leases, has resulted in a R48 million increase in depreciation.

Thunderbird Resorts, which was acquired effective April 2018, generated income of R299 million and adjusted EBITDAR of R31 million. The new Peruvian tax has also negatively impacted adjusted EBITDAR by R13 million.

The Park Hyatt Hotel, Casino & Spa in Mendoza, Argentina, acquired in July 2018, generated R466 million in income and R77 million in adjusted EBITDAR. Despite the weak Argentinian economy and depreciating currency, the property has benefited from dollar-based income in the hotel operation.

Panama and Colombian losses have reduced significantly with a combined EBITDA loss of R5 million. We continue to pursue opportunities to exit Panama. In October 2019 the Colombia operations were merged with a local operator who manages the operations. Sun Dreams holds 60% of the combined operation which are accounted for as an associate.

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Borrowings by subsidiary

FOR THE YEAR ENDED 31 DECEMBER 2019

R million	Debt	IFRS 16 lease liability	Total Debt	Minority share	Attributable to Sun International
SOUTH AFRICA	**8 790**	779	**9 569**	1 218	**8 351**
SunWest	**649**	9	**658**	231	**427**
Afrisun Gauteng	**532**	6	**538**	29	**509**
Sibaya	**213**	2	**215**	20	**195**
Emfuleni	**492**	3	**495**	74	**421**
Wild Coast Sun	**185**	45	**230**	115	**115**
The Maslow	**42**	474	**516**	–	**516**
Meropa	**35**	1	**36**	10	**26**
Teemane	**65**	7	**72**	18	**54**
Windmill	**75**	1	**76**	20	**56**
Golden Valley	**(21)**	2	**(19)**	(7)	**(12)**
Sun Slots	**(48)**	42	**(6)**	(2)	**(4)**
Time square	**4 972**	5	**4 977**	710	**4 267**
Management and corporate	**1 599**	182	**1 781**	–	**1 781**
NIGERIA	**617**	–	**617**	313	**304**
Shareholder loans	**951**	–	**951**	482	**469**
Sun International intercompany debt	**(334)**	–	**(334)**	(169)	**(165)**
ESWATINI	**19**	–	**19**	9	**10**
LATAM	**3 901**	300	**4 201**	1 188	**3 013**
Sun Dreams	**3 339**	300	**3 639**	1 188	**2 451**
Sun Chile	**562**	–	**562**	–	**562**
31 DECEMBER 2019	**13 327**	1 079	**14 406**	2 728	**11 678**
31 December 2018	**14 683**	–	**14 683**	3 085	**11 598**

	South Africa		Chile	
Times	Covenant	**Actual**	Covenant	**Actual**
Debt to EBITDA	3.5x	**2.8x**	4.5x	**2.6x**
Interest cover	3.0x	**3.9x**		

* *The above covenant calculations excludes the impact of IFRS 16, that's in accordance with our facilities agreement.*

Borrowings

Sun International's borrowings (excluding IFRS 16 adjustments relating to the capitalisation of lease hold liabilities) as at 31 December 2019 were R13.3 billion, a decline from R14.7 billion as at 31 December 2018.

South African debt reduced from R9.2 billion at 31 December 2018 to R8.8 billion due to strong cash generation. The Debt (excluding lease liabilities) to Adjusted EBITDA (after lease payments), reduced to 2.8x as at 31 December 2019, down from 3.0x a year earlier and significantly lower than the current bank covenant threshold of 3.5x.

Net debt in Latam (excluding lease liabilities), reduced to R3.9 billion from R4.9 billion. Sun Dreams' Net Debt to EBITDA (excluding the effect of IFRS 16) reduced from 3.0x to 2.6x at 31 December 2019.

Capital expenditure

FOR THE YEAR ENDED 31 DECEMBER 2019

R million	December 12 months Actual
SOUTH AFRICAN OPERATIONS	
Refurbishment and ongoing	
Sun City	**267**
GrandWest	**119**
SunSlots	**93**
Sibaya	**87**
Carnaval City	**63**
Other	**184**
TOTAL SOUTH AFRICAN CAPITAL EXPENDITURE	**813**
LATAM OPERATIONS	
Expansionary	**65**
Refurbishment and ongoing	**285**
TOTAL LATAM CAPITAL EXPENDITURE	**350**
NIGERIA AND ESWATINI OPERATIONS	**17**
Refurbishment and ongoing	**17**
TOTAL GROUP CAPITAL EXPENDITURE	**1 180**

Acquisition/disposal of interest in subsidiaries

FOR THE YEAR ENDED 31 DECEMBER 2019

SOUTH AFRICA

Reference is made to the SENS announcements released on 29 July 2019 and 30 August 2019 respectively, when shareholders were informed that Sun International would:

- Increase its shareholding in Sibaya (Afrisun KZN) to 87.2% by effectively acquiring the minorities equity interests in the company as well as in Afrisun KZN Manco (Pty) Ltd and National Casino Resort Manco (Pty) Ltd, at a 5.6x EBITDA multiple. The acquisition has now been implemented; and
- Increase its equity interest in Sun Slots to 100% by effectively acquiring GPI's 30% interest in the company for an amount of R504 million, at a 5x 2019 EBITDA multiple. While this acquisition has received GPI's shareholders approval, it is still awaiting approval from certain of the gambling boards in South Africa.

These transactions, which were concluded at attractive historical multiples, have the effect of simplifying Sun International's shareholding in these assets. Furthermore, these transactions will: reduce the cash leakage through reducing minority dividends, be cash accretive and will over time assist in further deleveraging Sun International's debt.

LATAM

Reference is made to the SENS announcement released by Sun International on 30 April 2019 when shareholders were informed that Nueva Inversiones Pacifico Sur Limitada, which owns 35.06% of the issued share capital of Sun Dreams, had made an offer to acquire 14.94% of Sun International's shareholding in Sun Dreams, which would result in each party holding a 50% equity interest in Sun Dreams. On 1 November 2019, Sun International advised its shareholders that the aforesaid transaction was not concluded. Furthermore, and following certain SENS announcements released by Sun International between May 2019 and August 2019 regarding a proposed merger between Sun Dreams and certain gaming assets of Clairvest Chile and Inversiones San Andres on 1 November 2019, shareholders were advised that the parties had failed to conclude the proposed merger as envisaged in the Memorandum of Understanding (MOU) by close of business on 31 October 2019 and consequently the MOU had lapsed.

Additional information

FOR THE YEAR ENDED 31 DECEMBER 2019

Dividends

Given the need to reduce the debt levels and to fund the Sun Slots and Sibaya acquisitions, the board has decided not to declare and pay a dividend for the year ended 31 December 2019.

Update on strategic initiatives

TOURIST COMPANY OF NIGERIA (TCN)

The Deloitte forensic investigation commissioned by the Nigerian Securities and Exchange Commission (SEC) regarding certain share transactions when Sun International invested In TCN has been completed and the findings report delivered to the SEC offices in Nigeria. In addition, we have received a number of unsolicited expressions of interest from third parties looking to potentially acquire our shareholding and outstanding loan amount in TCN. We are evaluating these expressions of interest which could lead to a transaction being implemented following resolution of the SEC investigation.

CHILE 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.

SUNWEST EXCLUSIVITY

There has been no further developments regarding the draft legislation to establish three zones for casinos in the Cape Metropole and to allow for the relocation of a casino licence. We submitted comments on the draft legislation in August 2018.

SMOKING LEGISLATION

In 2018, the Department of Health published the Draft Control of Tobacco Products and Electronic Delivery Systems Bill 2018 (the Draft Bill) for public comment. The Draft Bill, *inter alia*, proposes prohibiting any person from smoking in an enclosed public place or an enclosed workplace. The operation of casinos falls within the scope of this provision. The effect of the Draft Bill is that casinos may no longer be permitted to designate separate, indoor smoking areas/rooms. We have engaged with the gaming regulators on the matter and the Casino Association of South Africa (CASA) and have made submissions on the Draft Bill. There have been no further developments regarding the Draft Bill since 2018.

GAMING TAXES

Gauteng:

On 14 January 2019, the MEC responsible for Economic Development, Environment, Agriculture and Rural Development for the Gauteng Province amended Regulation 85 of the Gauteng Gambling Regulations, 1997 in an effort to increase gaming taxes in the Province.

The taxes were due to be implemented with effect from 1 April 2019. However, CASA, on behalf of its members, vigorously opposed the implementation of the amendment resulting in the MEC's office agreeing to withdraw the proposed amendment and recommence the process, including conducting an updated assessment to determine the effect such a proposed tax would have on the Gauteng casino industry.

North West Province:

In January 2020, the MEC of the North West Province responsible for gambling, gazetted an increase in gaming levies which equates to an approximate 17% increase in gaming taxes (approximately R9 million) per year. The matter is being opposed by CASA.

Peru gaming taxes:

In terms of a decree published in September 2018, from 1 January 2019, casinos in Peru have to pay a monthly consumption tax levied against its machine and gaming tables they offer on premises. The specific amounts will vary according to the level of gaming income reported by each machine or table. This represents an estimated additional tax of 4.8% to the current 12% tax on casino income. The gaming industry is challenging the imposition of this tax.

Changes to the board of directors, appointments to committees and changes to important functions of directors

APPOINTMENT

On 16 September 2019, Mr TR Ngara was appointed as an alternate director to Mr S Sithole on the Sun International board.

RESIGNATIONS

There were no resignations of Sun International directors during the year under review.

RETIREMENT

On 14 May 2019, Mr MV Moosa retired as a non-executive director from the board of Sun International and was succeeded by Mr JA Mabuza as the new Chairman of Sun International.

Acquisition/disposal of interest in subsidiaries continued

FOR THE YEAR ENDED 31 DECEMBER 2019

Annual general meeting

Sun International's 36th annual general meeting will be held at The Maslow Hotel, corner of Grayston Drive and Rivonia Road, Sandton, Johannesburg on Tuesday, 12 May 2020 at 09h00 (South African time). Further details regarding the company's annual general meeting will be contained in Sun International's annual statutory report to be posted to shareholders on or about Tuesday 31 March 2020.

Outlook

Given the current uncertainty in global markets linked to a depressed local economy and subdued consumer confidence, we do not anticipate an improvement in trading conditions in the short term. In spite of the subdued trading conditions, management will continue to focus on its key strategic objectives, including creating ongoing efficiencies and optimising business opportunities. We will place emphasis on improving our operations and guest experience and will continue to take the necessary action on loss-making entities. Time Square is expected to gain further market share as well as grow income and adjusted EBITDA and we will focus on growing our alternative gaming business.

Notwithstanding the various challenges faced in Latin American, we are focusing on our current operations to improve their performance and will leverage off Chile and Peru's positive GDP growth forecast. We continue exploring further growth opportunities in Latam, including in the online space, where a number of countries are going through the process of regulating this industry.

While it is still too early forecast what impact the corona virus might have, we are taking all necessary precautions to ensure a safe and healthy environment for our guests and staff and preparing operations for any possible disruption to trading.

Independent auditor's report on the summary consolidated financial statements

TO THE SHAREHOLDERS OF SUN INTERNATIONAL LIMITED

Opinion

The summary consolidated financial statements of Sun International Limited, contained in the accompanying Sun International Limited audited summary group financial statements, which comprise the summary consolidated statement of comprehensive income, the summary consolidated statement of financial position as at 31 December 2019, cash flows and changes in equity for the year then ended, and related notes, are derived from the audited consolidated financial statements of Sun International Limited for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by IFRS and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 16 March 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Other matter

We have not audited future financial performance and expectations expressed by the directors included in the commentary in the accompanying summary consolidated financial statements and accordingly do not express an opinion thereon.

PricewaterhouseCoopers Inc.
Director: Johan Potgieter
Registered Auditor
Johannesburg
16 March 2020

Registered office

6 Sandown Valley Crescent, Sandown, Sandton 2196

Sponsor

Investec Bank Limited

Transfer secretaries

Link Market Services South Africa (Pty) Ltd
13th Floor, 19 Ameshoff Street, Braamfontein, 2000

Directors

JA Mabuza (chairman), PL Campher (lead independent director), AM Leeming*, PD Bacon (British), N Basthdaw*, EAMMG Cibie (Chilean), GW Dempster, Dr NN Gwagwa, CM Henry, VP Khanyile, BLM Makgabo-Fiskerstrand, S Sithole (Alt: TR Ngara), ZP Zatu.

* Executive

The report was prepared under the supervision of the chief financial officer, N Basthdaw; BCompt (Hons), CTA, CA(SA), MCom, HDip Company Law.

Group company secretary

AG Johnston
16 March 2020

Supplementary segmental income analysis

FOR THE YEAR ENDED 31 DECEMBER 2019

SOUTH AFRICAN OPERATIONS

	NET GAMING WINS								REVENUE FROM CONTRACTS WITH CUSTOMERS											
	Net gaming wins		Slots		Tables		Alternate Gaming		Total Revenue		Rooms		Food and Beverage		Other		TOTAL INCOME			
R million	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018		
CONTINUED OPERATIONS																				
GrandWest	**2 047**	2 121	**1 714**	1 774	**333**	347	**–**	–	**97**	93	**3**	2	**60**	62	**34**	29	**2 144**	2 214		
Sun City	**505**	512	**396**	399	**109**	113	**–**	–	**1 099**	1 160	**463**	495	**363**	363	**273**	302	**1 604**	1 672		
Sibaya	**1 290**	1 199	**962**	907	**328**	292	**–**	–	**78**	90	**15**	18	**56**	65	**7**	7	**1 368**	1 289		
Time Square	**1 247**	1 096	**893**	782	**354**	314	**–**	–	**185**	151	**37**	25	**103**	96	**45**	30	**1 432**	1 247		
Carnival City	**865**	891	**718**	728	**147**	163	**–**	–	**93**	70	**11**	5	**55**	46	**27**	19	**958**	961		
Boardwalk	**435**	439	**385**	387	**50**	52	**–**	–	**92**	93	**34**	38	**46**	41	**12**	14	**527**	532		
Wild Coast Sun	**379**	387	**324**	319	**55**	68	**–**	–	**95**	111	**38**	39	**40**	40	**17**	32	**474**	498		
Meropa	**274**	271	**241**	239	**33**	32	**–**	–	**36**	37	**9**	10	**26**	26	**1**	1	**310**	308		
Windmill	**236**	260	**201**	215	**35**	45	**–**	–	**14**	13	**–**	–	**13**	13	**1**	–	**250**	273		
Flamingo	**141**	150	**129**	138	**12**	12	**–**	–	**13**	15	**–**	–	**13**	13	**–**	2	**154**	165		
Golden Valley	**150**	152	**141**	144	**9**	8	**–**	–	**20**	18	**7**	5	**12**	11	**1**	2	**170**	170		
Carousel	**79**	144	**77**	133	**2**	11	**–**	–	**16**	19	**1**	5	**–**	–	**15**	14	**95**	163		
Table Bay	**–**	–	**–**	–	**–**	–	**–**	–	**353**	341	**274**	263	**71**	70	**8**	8	**353**	341		
The Maslow	**–**	–	**–**	–	**–**	–	**–**	–	**133**	142	**77**	84	**55**	54	**1**	4	**133**	142		
Naledi	**17**	17	**17**	17	**–**	–	**–**	–	**3**	4	**2**	1	**2**	3	**(1)**	–	**20**	21		
TOTAL OPERATIONS EXCLUDING ALTERNATE GAMING	**7 665**	7 639	**6 198**	6 182	**1 467**	1 457	**–**	–	**2 327**	2 357	**971**	990	**915**	903	**441**	464	**9 992**	9 996		
Sun Slots	**1 310**	1 162	**–**	–	**–**	–	**1 310**	1 162	**–**	–	**–**	–	**–**	–	**–**	–	**1 310**	1 162		
Sunbet	**140**	77	**–**	–	**–**	–	**140**	77	**–**	–	**–**	–	**–**	–	**–**	–	**140**	77		
OPERATIONS INCLUDING ALTERNATE GAMING	**9 115**	8 878	**6 198**	6 182	**1 467**	1 457	**1 450**	1 239	**2 327**	2 357	**971**	990	**915**	903	**441**	464	**11 442**	11 235		
Management companies	**–**	–	**–**	–	**–**	–	**–**	–	**578**	568	**–**	–	**–**	–	**578**	568	**578**	568		
Intercompany management fees	**–**	–	**–**	–	**–**	–	**–**	–	**(539)**	(549)	**–**	–	**–**	–	**(539)**	(549)	**(539)**	(549)		

Supplementary segmental income analysis
continued

FOR THE YEAR ENDED 31 DECEMBER 2019

	NET GAMING WINS								REVENUE FROM CONTRACTS WITH CUSTOMERS									
	Net gaming wins		Slots		Tables		Alternate Gaming		Total Revenue		Rooms		Food and Beverage		Other		TOTAL INCOME	
R million	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
TOTAL SOUTH AFRICA	**9 115**	8 878	**6 198**	6 182	**1 467**	1 457	**1 450**	1 239	**2 366**	2 376	**971**	990	**915**	903	**480**	483	**11 481**	11 254
ESWATINI	**71**	64	**53**	48	**18**	16	**–**	–	**122**	130	**52**	59	**62**	64	**8**	7	**193**	194
NIGERIA OPERATIONS	**59**	60	**47**	49	**12**	11	**–**	–	**103**	88	**53**	47	**51**	41	**(1)**	–	**162**	148
LATAM OPERATIONS	**4 532**	4 261	**3 649**	3 463	**883**	798	**–**	–	**864**	757	**392**	292	**447**	450	**25**	15	**5 396**	5 018
Monticello	**1 736**	1 692	**1 231**	1 203	**505**	489	**–**	–	**240**	212	**20**	8	**210**	199	**10**	5	**1 976**	1 904
Dreams SCJ licences	**1 229**	1 227	**1 145**	1 143	**84**	84	**–**	–	**331**	354	**147**	159	**182**	193	**2**	2	**1 560**	1 581
Dreams Municipal licences	**716**	739	**643**	665	**73**	74	**–**	–	**78**	84	**24**	27	**50**	53	**4**	4	**794**	823
LATAM OPERATIONS	**3 681**	3 658	**3 019**	3 011	**662**	647	**–**	–	**649**	650	**191**	194	**442**	445	**16**	11	**4 330**	4 308
Peru	**301**	287	**206**	202	**95**	85	**–**	–	**1**	1	**–**	–	**–**	–	**1**	1	**302**	288
COMPARABLE OPERATIONS	**3 982**	3 945	**3 225**	3 213	**757**	732	**–**	–	**650**	651	**191**	194	**442**	445	**17**	12	**4 632**	4 596
Thunderbird	**293**	189	**200**	133	**93**	56	**–**	–	**6**	5	**–**	–	**5**	5	**1**	–	**299**	194
Mendoza	**257**	127	**224**	117	**33**	10	**–**	–	**208**	101	**201**	98	**–**	–	**7**	3	**465**	228
TOTAL CONTINUED OPERATIONS	**13 777**	13 263	**9 947**	9 742	**2 380**	2 282	**1 450**	1 239	**3 455**	3 351	**1 468**	1 388	**1 475**	1 458	**512**	505	**17 232**	16 614

Supplementary segmental income analysis continued

FOR THE YEAR ENDED 31 DECEMBER 2019

Income by nature and geographic segment

	South Africa			Latam			Nigeria			eSwatini			Group		
R million	**2019**	%	2018	**2019**	%	2018	**2019**	%	2018	**2019**	%	2018	**2019**	%	2018
Casinos	**7 665**	0	7 639	**4 532**	6	4 261	**59**	(2)	60	**71**	11	64	**12 327**	3	12 024
Sun Slots	**1 310**	13	1 162	**–**	–	–	**–**	–	–	**–**	–	–	**1 310**	13	1 162
SunBet	**140**	82	77	**–**	–	–	**–**	–	–	**–**	–	–	**140**	82	77
Rooms	**971**	(2)	990	**392**	34	292	**53**	13	47	**52**	(12)	59	**1 468**	6	1 388
Food and Beverage	**915**	1	903	**447**	(1)	450	**51**	24	41	**62**	(3)	64	**1 475**	1	1 458
Other	**480**	(1)	483	**25**	67	15	**(1)**	–	–	**8**	14	7	**512**	1	505
	11 481	(2)	11 254	**5 396**	8	5 018	**162**	9	148	**193**	(1)	194	**17 232**	4	16 614

South Africa continues to contribute the majority of the group's income at 67%, with Latam contributing 31%, Nigeria 1% and eSwatini 1%. Gaming is the primary contributor to group income at 72%, Alternate Gaming contributes 8%, Food and Beverage 9%, Rooms 8% and other income 3%.