COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 Rm	31 December 2017 Rm
Dividend income	1	**8**	518
Other income		**–**	13
Operational costs	1	**(77)**	(1)
Operating (loss)/profit	1	**(69)**	530
Impairment of inter-company investment		**(448)**	–
Foreign exchange gain/(loss)		**45**	(26)
Interest income	2	**109**	49
Interest expense	3	**(96)**	(90)
(Loss)/profit before tax		**(459)**	463
Tax	4	**(27)**	(4)
(Loss)/profit for the year		**(486)**	459
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the year		**(486)**	459
Earnings per share (cents)			
Basic	14	**(423)**	459
Basic diluted	14	**(423)**	459

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31 December 2018 Rm	31 December 2017 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	6	**6 523**	5 876
Loans and receivables	7	**113**	176
Deferred tax	8	**8**	11
		6 644	6 063
Current assets			
Loans and receivables	7	**844**	815
Cash and cash equivalents		**4**	18
		848	833
Total assets		**7 492**	6 896
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity		**7 056**	5 946
		7 056	5 946
Non-current liabilities			
Borrowings	10	**161**	191
		161	191
Current liabilities			
Accounts payable, accruals and other	11	**275**	758
Tax		**–**	1
		275	759
Total liabilities		**436**	950
Total equity and liabilities		**7 492**	6 896

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 Rm	31 December 2017 Rm
Cash flows from operating activities			
Cash (utilised)/generated by operations	12.1	**(30)**	525
Tax paid	12.2	**(25)**	(4)
Net cash (outflow)/inflow from operating activities		**(55)**	521
Cash flows from investing activities			
Purchase of additional investment in Sun Treasury	6	**(1 095)**	(9)
Investment income	12.3	**79**	97
Other non-current and current investments and loans	12.4	**(42)**	29
Decrease in non-current loans to subsidiaries		**5**	29
Increase in current loans to subsidiaries		**(47)**	–
Net cash (outflow)/inflow from investing activities		**(1 058)**	117
Cash flows from financing activities			
Repayment of borrowings	12.5	**–**	(25)
Repayment of loan from related party	13	**(521)**	(455)
Related party loans received	13	**43**	–
Rights issue proceeds		**1 598**	–
Interest paid	12.6	**(66)**	(138)
Net cash inflow/(outflow) from financing activities		**1 054**	(618)
Effects of exchange rate changes on cash and cash equivalents		**45**	(26)
Net cash and cash equivalents movement for the year		**(14)**	(6)
Cash and cash equivalents at beginning of year		**18**	24
Cash and cash equivalents at end of year		**4**	18

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share[1] capital Rm	Share[1] premium Rm	Share-based payment reserve Rm	Retained earnings Rm	Total equity Rm
Balance at 31 December 2016		8	287	242	4 950	5 487
Total comprehensive income for the year		–	–	–	459	459
Balance at 31 December 2017		8	287	242	5 409	5 946
IFRS 9 adjustment	7	–	–	–	(2)	(2)
Balance as at 1 January 2018^		8	287	242	5 407	5 944
Total comprehensive loss for the year		–	–	–	(486)	(486)
Release of share option reserve*		–	(178)	(242)	420	–
Issue of shares – rights issue		–	1 598	–	–	1 598
Balance at 31 December 2018		**8**	**1 707**	**–**	**5 341**	**7 056**

[1] *Note 9.*

^ *Opening retained earnings as at 1 January 2018 has been adjusted due to the effect of the implementation of IFRS 9: Financial Instruments. Refer to note 7.*

* *This represents the release of the historic share option reserve, which was previously kept open until all options were exercised. The last options were exercised in the current financial year and therefore the reserve has been released through retained earnings as at 31 December 2018.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL ACCOUNTING POLICIES

The annual financial statements of the company are presented in accordance with, and comply with, International Financial Reporting Standards (IFRS) and interpretations of those standards as issued by the International Accounting Standards Board (IASB) and effective at the of time preparing these financial statements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act 71 of 2008. The accounting policies of the company are the same as those of the group, where applicable.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the company's separate annual financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements and includes the directly attributable costs of acquiring investments.

Dividend income is not from contracts with customers and the scope of IFRS 15 specifically excludes contracts that are not with customers. The result is that the adoption of IFRS 15 did not have a material impact on the company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

1. OPERATING PROFIT IS STATED AFTER THE FOLLOWING:

	31 December 2018 Rm	31 December 2017 Rm
Dividend income:		
Dividends received from subsidiaries	**8**	518
Other income:		
Panama insurance claim settlement	**–**	13
Operational costs:		
Professional fees	**(2)**	(1)
Underwriting professional fees for rights issue	**(9)**	–
Impairment – loans to subsidiaries	**(66)**	–
Operating (loss)/profit	**(69)**	530

2. INTEREST INCOME

	31 December 2018 Rm	31 December 2017 Rm
Interest earned on loans and receivables	**79**	73
Imputed interest on loans receivable	**30**	(24)
	109	49

3. INTEREST EXPENSE

	31 December 2018 Rm	31 December 2017 Rm
Interest paid on borrowings	**(66)**	(114)
Imputed interest on V&A loan	**(30)**	24
	(96)	(90)

4. TAX

	31 December 2018 Rm	31 December 2017 Rm
Current tax – current year	**(23)**	–
– prior year	**–**	–
Deferred tax – current year	**(3)**	(3)
Withholding tax	**(1)**	(1)
	(27)	(4)
Standard rate of tax	**28.0%**	28.0%
Tax at standard rate	**3**	(130)
Adjusted for:		
Exempt income^	**2**	148
Disallowable expenses*	**(31)**	(21)
Withholding tax	**(1)**	(1)
Tax per statement of comprehensive income	**(27)**	(4)

^ *Exempt income relates to dividend income.*

* *Disallowable expenses include,* inter alia, *security transfer tax, non-deductible professional and legal fees, fines and penalties, and expenses incurred to produce exempt income.*

5. DIVIDENDS PAID

	31 December 2018 Rm	31 December 2017 Rm
No dividends were paid during the current and prior year	**–**	–

Given the difficult trading conditions and the need to complete strategic group initiatives, particularly Time Square, and the need to reduce debt levels, the board has decided not to declare a dividend for the period.

	31 December 2018 Rm	31 December 2017 Rm
6. INVESTMENTS IN SUBSIDIARIES		
Shares at cost		
Balance at beginning of year	**5 876**	5 867
Additional investment in Sun Treasury#	**1 095**	–
Additional investment in Sun Chile	**–**	9
Impairment of inter-company investment	**(448)**	–
Balance at end of year	**6 523**	5 876

The company subscribed to a rights issue in Sun Treasury RF (Pty) Limited to the value of R1.1 billion. No change in shareholding was noted and the entity remains a wholly owned subsidiary as at 31 December 2018.

The interests of the company in the aggregate pre tax net profits and losses of its subsidiaries amounted to R1 450 million (31 December 2017: R1 145 million) and R1 101 million (31 December 2017: R423 million) respectively and post-tax net profits and losses of its subsidiaries amounted to R1 012 million (31 December 2017: R834 million) and R966 million (31 December 2017: R414 million) respectively.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

7. LOANS AND RECEIVABLES

	31 December 2018 Rm	31 December 2017 Rm
Loans		^
Share option schemes	**66**	178
Preference shares in Dinokana Investments (Pty) Ltd^	**113**	105
Loans to subsidiaries^	**844**	820
	1 023	1 103
Less: write off of loan receivable	**(66)**	(112)
	957	991
Current portion	**(844)**	(815)
	113	176
Loans are due over the following periods:		
Less than 1 year	**844**	815
1 year to 4 years	**–**	–
2 – 3 years	**–**	–
3 – 4 years	**113**	–
4 years and onwards	**–**	176
	957	991
The weighted average interest and dividend rates were as follows:		
Share incentive schemes	**NIB**	NIB
Preference share investments	**6.0%**	5.0%
Loans to subsidiaries	**(9.4%)**	7.6%
Weighted average	**(1.7%)**	6.3%
NIB – Non-interest bearing		
The carrying amounts of the loans to subsidiaries are denominated in the following currencies:		
US dollar	**326**	267
Chilean pesos	**358**	358
South African rand	**161**	191
	845	816

^ *Applying the ECL model (as described in the group accounting policies – Annexure: Accounting Policies); resulted in the recognition of a loss allowance for the company of R2 371 199 on 1 January 2018 (previous loss allowance was Rnil) for debt investments at amortised cost. There is a further increase in the allowance of R312 992 in the current reporting period, now totalling R2 684 190 as at 31 December 2018.*

7. LOANS AND RECEIVABLES CONTINUED

The impact on the company's retained earnings due to classification and measurement of financial assets as at 1 January 2018 is as follows:

	31 December 2017 as previously reported Rm	IFRS 9 adjustment Rm	1 January 2018 Under IFRS 9 Rm
Dinokana preference shares	105	(1)	**104**
Table Bay loan receivable	191	(1)	**190**

The adjustment noted above has been determined as follows:

Adjustments were calculated using the IFRS 9, Financial Instruments general approach, using inputs obtained directly from a third-party actuarial consultant. This approach remains consistent with the approach applied as part of the group's accounting policies as 31 December 2018. In applying the selected approach, the following was noted:

	Instrument value Rm	Probability of default (PD)	Loss given default (LGD)	^Exposure at default (EAD) Rm	ECL R'000
ECL as at 1 January 2018 (opening retained earnings adjustment)					
Instrument					
Dinokana preference shares and cumulative dividends	105	3.86%	35.55%	105	**1 436**
Table Bay loan	191	1.40%	34.95%	191	**935**
Total					**2 371**
ECL as at 31 December 2018					
Instrument					
Dinokana preference shares and cumulative dividends	115	3.86%	37.93%	115	**1 685**
Table Bay loan	191	1.40%	37.33%	191	**999**
Total					**2 684**
Movement during the financial year					**313**

^ *Use of IFRS 9 practical expedient applied.*

The remainder of the receivable loan balances have been assessed as fully recoverable both at 1 January 2018 and 31 December 2018, with only a negligible IFRS 9 impact noted. Given this, these loans have not been included in the table presented above.

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

8. DEFERRED TAX

	31 December 2018 Rm	31 December 2017 Rm
Balance at beginning of year	**(11)**	(14)
Statement of comprehensive income charge for the year	**3**	3
Balance at end of year	**(8)**	(11)
Deferred tax arises from the following temporary differences:		
Deferred tax assets		
Fair value adjustments	**(8)**	(12)
Balance at beginning of year	**(12)**	(12)
Prior year adjustments	**2**	–
Charged to statement of comprehensive income	**2**	–
Assessed losses		–
Balance at beginning of year	**–**	–
Prior year adjustments	**(2)**	–
Charged to statement of comprehensive income	**2**	–
Deferred tax liabilities		
Doubtful debts and prepayments	**–**	1
Balance at beginning of year	**1**	(2)
Charged to statement of comprehensive income	**(1)**	3
Net deferred tax asset	**(8)**	(11)

Included in the company's recognised deferred tax assets is an amount of R8 million (31 December 2017: R11 million). The deferred tax asset arises from various taxable temporary differences, all of which are expected to be realised in future periods.

	31 December 2018 Rm	31 December 2017 Rm
9. SHARE CAPITAL AND PREMIUM		
Authorised		
200 000 000 (31 December 2017: 200 000 000) ordinary shares of 8 cents each	**16**	16
100 000 000 (31 December 2017: 100 000 000) variable rate cumulative redeemable preference shares of 1 cent each	**1**	1
Issued		
Share capital	**8**	8
Share premium	**1 707**	287
	1 715	295

During the current financial year a total of 27 643 976 additional shares were issued as part of a rights issue, resulting in additional equity of R1.6 billion.

9. SHARE CAPITAL AND PREMIUM CONTINUED

	31 December 2018 Number of shares	31 December 2018 Rm	31 December 2017 Number of shares	31 December 2017 Rm
Movement during the year				
Balance at beginning of year	**109 086 988**	**295**	109 086 988	295
Reversal of the share option reserve	**–**	**(178)**	–	–
Rights issue	**27 643 976**	**1 598**	–	–
Statutory shares in issue at end of year	**136 730 964**	**1 715**	109 086 988	295

	31 December 2018 Rm	31 December 2017 Rm
10. BORROWINGS		
Non-current		
V&A loan	**161**	191

All borrowings are unsecured.

The V&A loan has a fair value of R161 million (31 December 2017: R191 million), which approximates the fair value thereof. The loan had an initial interest rate of 4% per annum with an escalation of 9% per annum and the fair value was determined using a discounted cash flow rate of 8.3%. The loan is classified as a level 3 borrowing. Refer to Annexure: Accounting policies in the group annual financial statements.

The carrying amount of the borrowings are denominated in Rand.

The borrowings are repayable over the following periods:

	31 December 2018 Rm	31 December 2017 Rm
Less than 6 months	**17**	14
6 months – 1 year	**20**	16
1 – 2 years	**45**	37
2 – 3 years	**54**	45
3 – 4 years	**25**	54
4 years and onwards	**–**	25
	161	191

10. BORROWINGS CONTINUED

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

	On demand or not exceeding 6 months Rm	More than 6 months but not exceeding 1 year Rm	More than 1 year but not exceeding 2 years Rm	More than 2 years but not exceeding 5 years Rm	More than 5 years Rm	Total Rm
31 December 2018						
Borrowings	**24**	**25**	**54**	**58**	**25**	**186**
Accounts payable and accruals	**8**	**–**	**–**	**–**	**–**	**8**
	32	**25**	**54**	**58**	**25**	**194**
31 December 2017						
Borrowings	22	23	49	112	25	231
Accounts payable and accruals	259	–	–	–	–	259
	281	23	49	112	25	490

	31 December 2018	31 December 2017
Interest rates		
Year end interest and dividend rates as follows:		
V&A loan	**8.3%**	8.3%
Weighted average	**8.3%**	8.3%

As at 31 December 2018, interest rates on all external company borrowings were fixed.

A change of 1% in interest rates at the reporting date would have (decreased)/increased profit after tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 31 December 2017.

	31 December 2018 Rm	31 December 2017 Rm
Increase of 1%	**(2)**	(7)
Decrease of 1%	**2**	7

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

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

11. ACCOUNTS PAYABLE, ACCRUALS AND OTHER

	31 December 2018 Rm	31 December 2017 Rm
Accrued expenses	**6**	33
Other payables	**2**	2
	8	35
The fair value of accounts payable and accruals approximate their carrying value.		
Amount owing to related parties		
Sun Treasury	**23**	499
Sun International Trust	**20**	–
Sun International Incorporated	**221**	221
Sun International Management Limited	**3**	3
	267	723
Total accounts payable, accruals and other	**275**	758

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

12. CASH FLOW INFORMATION

		31 December 2018 Rm	31 December 2017 Rm
12.1	**Cash (utilised)/generated by operations**		
	Operating (loss)/profit	**(69)**	530
	Non-cash items and items dealt with separately:		
	Impairment to share option scheme loan	**66**	–
	Cash generated by operations before working capital changes	**(3)**	530
	Working capital changes		
	Accounts payable and accruals	**(27)**	(5)
		(30)	525
12.2	**Tax paid**		
	Liability at beginning of year	**(1)**	(4)
	Current year tax charged to statement of comprehensive income (refer to note 4)	**(23)**	–
	Withholding tax	**(1)**	(1)
	(Asset)/liability at end of year	**–**	1
		(25)	(4)
12.3	**Investment income**		
	Interest income	**109**	73
	Imputed interest on loans receivable	**(30)**	24
		79	97
12.4	**Other non-current investments and loans made**		
	Repayment of non-current loans by subsidiaries	**5**	33
	(Increase)/decrease in current loans granted to subsidiaries	**(39)**	5
	Increase in preference share investments	**(8)**	(9)
		(42)	29
12.5	**Repayment of borrowings**		
	Decrease in non-current borrowings	**(30)**	(24)
	Imputed interest on V&A loan	**30**	24
	Decrease in current borrowings	**–**	(25)
		–	(25)
12.6	**Interest paid**		
	Interest expense	**(96)**	(114)
	Imputed interest on V&A loan	**30**	(24)
		(66)	(138)

13. RELATED PARTY

The following transactions were carried out with related parties:

		31 December 2018 Rm	31 December 2017 Rm
(i)	**Loans to related parties**		
	Loan to Sun Chile:		
	Balance at beginning of the year	**342**	342
	Balance at end of the year	**342**	342
	Loan to SunWest:		
	Balance at beginning of the year	**192**	216
	Fair value adjustment	**(31)**	(24)
	Balance at end of the year	**161**	192
	The loan carries an initial interest rate of 4.8% per annum. with an escalation of 9% per annum and the fair value was determined using a discounted cash flow rate of 13.4%. This loan is repayable in May 2022.		
	Loan to TCN:		
	Balance at beginning of the year	**267**	284
	Interest for the year	**15**	11
	Withholding taxes	**(1)**	(2)
	Foreign exchange loss	**45**	(26)
	Balance at end of the year	**326**	267
	The loan is denominated in US dollars and bears interest at 5% and has no fixed repayment terms.		
	Loan to Sun Nao Casino:		
	Balance at beginning of the year	**16**	16
	Balance at end of the year	**16**	16
(ii)	**Loans from related party**		
	Loan from Sun Treasury:		
	Balance at beginning of the year	**499**	954
	Interest for the year	**21**	72
	Repayments made during the year	**(521)**	(527)
	Loans received during the year	**23**	–
	Balance at end of the year	**22**	499
	The loan bears interest at 9% and has no fixed repayment terms.		
	Loan from Sun International Incorporated:		
	Balance at beginning of the year	**221**	221
	Balance at end of the year	**221**	221
	Loan from Sun International Management Limited:		
	Balance at beginning of the year	**3**	3
	Balance at end of the year	**3**	3
	Loan from Sun International Trust:		
	Loans received during the year	**20**	–
	Balance at end of the year	**20**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

14. RETURN TO SHAREHOLDERS

	31 December 2018 Rm	31 December 2017 Rm
(a) Earnings per share (EPS)		
(Loss)/profit/for the year	**(486)**	459
Number of shares for EPS calculation		
Weighted average number of shares in issue	**115**	100
Diluted weighted average number of shares in issue	**115**	100
EPS/(LPS) (cents)		
Basic*	**(423)**	459
Diluted EPS/(LPS) (cents)		
Basic*	**(423)**	459

** The company has restated the comparative year weighted average number of shares in issue to reflect the effect of the rights issue as required by IAS 33: Earnings per share. The effect of the above was insignificant.*

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

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

15. SUBSEQUENT EVENTS

No material events having an effect on the financial position and results of the company have occurred between 31 December 2018 and the date of this report.