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DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position at 31 December 2010 and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa.

The directors are also responsible for such internal control as directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

The annual financial statements were approved by the board of directors on 29 March 2011 and are signed on its behalf by:

AE Puttergill

Group Chief Executive Officer

WG Robinson

Group Financial Director

DECLARATION BY COMPANY SECRETARY

In our capacity as company secretary, we hereby confirm, in terms of the Companies Act, 1973, as amended, that for the year ended 31 December 2010, the company has lodged with the Registrar of Companies, all such returns as are required in terms of this Act and that all such returns are true, correct and up to date.

DL Petzer

Company Secretary

Introduction

The company is committed to good corporate governance and subscribes to the principals contained in the second King Report on Corporate Governance for South Africa.

The company is compliant with all material aspects of the second King Report. Compliance with relevant governance codes and the evolution of the company's governance and policies and processes are regarded as and continue to be priorities.

Management are assessing the effects of the implementation of King III on the company. As PGH II is a private company, with a limited number of shareholders and a comprehensive shareholders agreement, certain aspects of King III may be difficult to implement. In these circumstances, to achieve compliance with King III, adequate disclosures will be required.

Annual financial statements

The annual financial statements set out in this report have been prepared by management in accordance with IFRS. These annual financial statements are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates.

The directors of the company are responsible for the preparation of the annual financial statements and related financial information that fairly presents the state of affairs and the results of the company. The external auditors are responsible for independently auditing and reporting on these annual financial statements in conformity with statements of International Standards on Auditing.

Audit and risk committee

The Peermont Global Holdings I (Proprietary) Limited ("PGH I") and its subsidiaries ("The group") audit and risk committee, which comprises of three independent non-executive directors, meets periodically with the group's external and internal auditors and executive management to review accounting, auditing and financial reporting matters to ensure that an effective control environment in the company is maintained. The group audit and risk committee obtains information from this company's sub-committees which considers the audit and other risks for those entities. The chairperson of each of the sub-committees provides feedback to the group audit and risk committee at all of its meetings.

The committees also monitor proposed changes in accounting policy, review the internal audit function and discuss the accounting implications of major transactions. The internal and external auditors have unrestricted access to these committees. The committees also evaluate the risk management systems and risk reporting within the company and group. The committees review and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed. The committees regularly consider the independence of the external auditor and are satisfied that the external auditor has remained independent.

Remuneration committee

The group remuneration committee, which comprises two non-executive directors of Peermont Global (Proprietary) Limited ("Peermont"), meets at least twice a year to review executive remuneration, general employee remuneration increase principles and budgeted remuneration for the forthcoming year.

Internal audit

The company's internal audit function is designed to serve management and the board of directors through independent evaluations and examinations of the group's activities and resultant business risks.

The internal audit department is designed to respond to management's needs whilst maintaining an appropriate degree of independence to render impartial and unbiased judgements in performing its services. The scope of the internal audit function includes performing independent evaluations of the adequacy and effectiveness of the group's controls, financial reporting mechanisms and records, information systems and operations, reporting on the adequacy of these controls and providing additional assurance regarding the safeguarding of group assets and financial information.

Internal controls

The board of directors is responsible for the company's and group's systems of internal control. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements and to safeguard, and maintain accountability of its assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the board of directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The controls throughout the group concentrate on critical risk areas. All controls relating to the critical risk areas are closely monitored and subject to internal audit.

The framework of internal control is underscored by a comprehensive internal audit charter enabling directors to evaluate the effectiveness of the systems and procedures implemented.

Going concern

The annual financial statements have been prepared on the going concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.



To the members of Peermont Global Holdings II (Proprietary) Limited

Report on the annual financial statements

We have audited the annual financial statements of Peermont Global Holdings II (Proprietary) Limited, which comprise the statement of financial position at 31 December 2010, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 6 to 31.

Directors' responsibility for the annual financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Peermont Global Holdings II (Proprietary) Limited at 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Per G Aldrighetti

Chartered Accountant (SA)

Registered Auditor

Director

29 March 2011



The directors present their report, which forms part of the audited annual financial statements of the company, for the year ended 31 December 2010.

Nature of business

The company acts as an investment holding company, and is incorporated in South Africa.

Going concern

The company is in a net equity deficit position of R422,2 million (2009: R82,5 million). The PIK Equity Loan is deeply subordinated in favour of third parties, and is sufficient to cover the deficit. Technical insolvency is specifically excluded as an event of default in the various group debt agreements.

In terms of the debt agreements existing in the group, Peermont is permitted to meet the normal ongoing expenditure and taxation payment needs of PGH II. Based on current cash flow forecasts of Peermont, and the redemption dates of the PIK Notes being 30 April 2015 and the PIK Equity Loan being 2106, the directors do not foresee any liquidity shortfalls in the foreseeable future.

The change in estimate of the refinancing date of the PIK Notes results in fairly significant changes to the accounting treatment of the PIK Notes liability in terms of IFRS. From April 2007 to the date of extending the hedges we had been writing up the discount at which the notes were issued, as well as the potential premium on redemption payable as if the notes were to be refinanced in April 2011. In accordance with IAS 39, the decision to extend the refinancing date to April 2014, results in the future liability at April 2014 being discounted back to 30 June 2010 at the same effective rate as which the amounts were originally being written up. Accordingly, following in-depth discussions with the company's auditors, we have reversed R88,4 million against the carrying value of the PIK Notes liability. This amount will be written up in accordance with IAS 39 over the remaining life of the notes to April 2014.

Financial results and dividends

The financial results of the company are set out in the attached annual financial statements. No dividends have been declared during the year and none are recommended (2009: Rnil).

Share capital

Details of the authorised and issued share capital are contained in note 6 to the annual financial statements.

Shareholding

Peermont Global Holdings I (Proprietary) Limited ("PGH I") holds 100% of the share capital in PGH II, making the company a wholly owned subsidiary of PGH I. As a wholly owned subsidiary and in accordance with the provisions of the Companies Act of South Africa, as amended, no separate group financial statements have been prepared.



Directors

The directors in office during the year and at the date of this report are:

Executive

AE Puttergill Chief Executive Officer
ET Mokoena Group Development Director
WG Robinson Group Financial Director

Non-executive

AP Nkuna Chairman

ZA Dlamini

CO Elk

DG Field

P Langeni

HM Madima

K Pillay

MT Tabata

Secretary

The secretary of the company is DL Petzer. The registered business and postal addresses are:

Business addressPostal addressPeermont PlacePO Box 98670152 Bryanston DriveSloane ParkBryanston2152

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Holding company

The company is a wholly owned subsidiary of PGH I. The ultimate holding company is Maxshell 114 Investments (Proprietary) Limited ("Maxshell").

Auditors

KPMG Inc. are the appointed auditors and will continue in office in accordance with section 270(2) of the Companies Act.

Events subsequent to year end

No material events and circumstances have occurred subsequent to year end.



PGH II is a company administered in South Africa. The accounting policies have been applied consistently to all periods presented in these annual financial statements.

Basis of preparation

Statement of compliance

The annual financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board ("IASB") and the Companies Act in South Africa.

Basis of measurement

The annual financial statements are prepared on the historical cost basis, except for investments in derivative financial instruments that are measured at fair value.

Functional and presentation currency

The annual financial statements are presented in rand which is the group's functional currency. All financial information presented in rand has been rounded to the nearest million.

Use of estimates and judgements

The preparation of annual financial statements, in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue

Revenue is measured at the fair value of the consideration received/receivable for goods and services provided in the normal course of business. Revenue derived from hotel and conference activities, food and beverage revenues, rentals, entertainment revenues, the provision of management services and other revenue, is recorded on an accrual basis. Casino winnings are accounted for on a cash received basis. Value Added Taxation ("VAT") and other taxes levied on casino winnings are included in revenue and treated as expenses as these are borne by the company and not its customers. VAT on all other revenue transactions is excluded from revenue.

Expenses

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease terms so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and finance expenses

Finance income comprises interest income on funds invested, dividend income, foreign exchange gains, changes in fair value of financial assets at fair value through profit or loss and gains on hedging instruments recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the company's right to receive payment is established which in the case of quoted securities is usually the ex-dividend date.



Finance income and finance expenses (continued)

Finance expenses comprise interest expenses and transaction costs on borrowings calculated using the effective interest method, dividends on redeemable preference shares classified as liabilities, foreign exchange losses, and losses on hedging instruments that are recognised in profit or loss. Gains and losses on debt waived are included as finance expenses. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method.

Taxation

Income taxation comprises current and deferred taxation. Current taxation and deferred taxation is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income or the statement of changes in equity.

Current taxation is the expected taxation payable or receivable on the taxable income or loss for the year, using taxation rates enacted or substantially enacted at the reporting date, and any adjustment to taxation payable in respect of previous years. Current taxation payable also includes any taxation liability arising from the declaration of dividends. Additional income taxation that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend is recognised.

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries or jointly controlled entities to the extent that it is
 probable that they will not reverse in the foreseeable future; and
- temporary differences arising from the initial recognition of goodwill.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities and assets, and these relate to income taxation levied by the same taxation authority on the same taxable entity, or on different taxable entities, but they intend to settle current taxation liabilities and assets on a net basis.

Taxation is measured at the taxation rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred taxation asset is recognised for unused taxation losses, taxation credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available in the foreseeable future against which the asset can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the company at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to rand at the foreign exchange rate ruling at that date. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to rand at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to rand at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to rand at rates approximating to the foreign exchange rates ruling at the dates of the transactions.



Foreign currency (continued)

Financial statements of foreign operations (continued)

Foreign exchange differences arising on retranslation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Net investment in foreign operations

Exchange differences arising from the retranslation of the net investment in foreign operations, and of related hedges are recognised in other comprehensive income to the extent that the hedging is effective and presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. They are released into profit or loss upon disposal.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of assets will flow to the company and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in profit or loss as incurred.

The carrying value of land and freehold buildings is compared to values determined by professional valuers at least once every three years, using the open market value basis for land and, where appropriate, the depreciated replacement cost method for buildings. When the carrying value of buildings exceeds the value determined by professional valuers, the carrying value is adjusted downwards through a charge to profit or loss. The residual value, if not insignificant, is reassessed annually.

Depreciation is based on cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately. Depreciation is charged to profit or loss on the straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation is not provided on land or capital work in progress. Current depreciation rates for each category of property, plant and equipment are as follows:

Buildings	2,6%
Computer equipment	33,3%
Office equipment	16,7%
Plant and machinery	20,0%
Slot machines	16,7%
Gaming equipment	16,7%
Vehicles	25,0%

Hotel, casino and other pre-opening expenses are written off in full in the year of commencement of trading.



Property, plant and equipment (continued)

Owned assets (continued)

The depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

The gain or loss on the disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/expenses in profit or loss.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised up to the date the asset is substantially complete. Capitalisation is suspended during extended periods in which active development is interrupted.

Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development expenditure is capitalised if development costs can be measured reliably, is technically and commercially feasible, future economic benefits are probable, and the company has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the lease period and estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest method to determine the lease finance expense, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leasehold buildings are depreciated over the remaining leasehold periods.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income and on a straight-line basis over the period of the lease.

Intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. Goodwill is measured at acquisition date as the fair value of the consideration transferred; plus the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less, the net recognised amount of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase price is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.



Intangible assets (continued)

Other intangible assets

Indefinite life intangible assets are carried at cost less any accumulated impairment losses. The carrying value is assessed at each reporting date for impairment.

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense, as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other subsequent expenditure is recognised when incurred.

Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite, from the date these are available for use. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The current estimated useful lives per category of intangible assets are as follows:

Goodwill Indefinite

Casino licences Indefinite/licence period

Right of use of buildings

Licence application costs

Computer software

Franchise costs

Trademarks

Lease period

Lease period

Indefinite

Indefinite

The basis of amortisation, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the company.

The company considers evidence of impairment for loans and receivables at both specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for impairment by grouping together loans and receivables with similar credit risk characteristics.

In assessing for collective impairment, the company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.



Impairment (continued)

Financial assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected as an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred taxation assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or assets that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Non-derivative financial assets

The company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised on the trade date, which is the date that the company becomes party to the contractual provisions of the instrument.



Financial instruments (continued)

Non-derivative financial assets (continued)

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained in the company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity financial assets

If the company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition held-to-maturity assets are measured at amortised cost using the effective interest rate method, less any impairment losses. Held-to-maturity financial assets comprise investment in preference shares.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and amounts due by related parties.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified as profit or loss.



Financial instruments (continued)

Non-derivative financial liabilities

The company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on trade date, which is the date that the company becomes party to the contractual provisions of the instrument.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise interest-bearing long-term borrowings, amounts due by related parties and trade and other payables.

Financial guarantee contracts

Financial guarantee contracts are classified as insurance contracts as defined in IFRS 4 *Insurance Contracts*. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle such contracts and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the reporting date.

Derivative financial instruments

The company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value with any gain or loss on remeasurement to fair value recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts, currency swaps and credit contingent cross currency swaps is their quoted market price at the reporting date, being the present value of the estimated forward price discounted using a South African rand yield curve.

Hedging

Cash flow hedges

Where a derivative is designated as a hedge instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. Where material, the ineffective portion of changes in the fair value of the derivative is recognised directly in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss (i.e. when interest income or expense is recognised).

Hedging (continued)

Cash flow hedges (continued)

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in profit or loss.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit or loss.

Inventories

Inventories, comprising mainly food and beverage, consumable stores and operating equipment, are valued at the lower of cost and net realisable value. The cost of inventories comprises all costs in bringing the inventories to their present location and condition and is determined using the weighted average method. Obsolete, redundant and slow moving inventories are identified and written down to their estimated net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any taxation effects.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary, or is redeemable but only at the company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised as an interest expense in profit or loss as accrued.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any taxation effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends on redeemable preference shares are recognised as a liability and expensed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Provisions

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation that can be estimated reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-taxation rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.



Employee benefits

Short-term employee benefits

The costs of all short-term employee benefits are measured on an undiscounted cost basis and are recognised in profit or loss during the period in which the employee renders the related service. A liability for employee entitlement to wages, salaries and annual leave represent the amount which the company has a present legal or constructive obligation to pay as a result of employees' services provided, and the obligation can be estimated reliably. The liabilities have been calculated based on current wage and salary rates.

Long-term employee benefits

Liabilities for employee benefits which are not expected to be settled within twelve months are discounted using the market yields at the reporting date, on high quality bonds with terms which most closely match the terms of maturity of the related liabilities.

Retirement benefits

Obligations for contributions to defined contribution provident and pension plans are recognised as an expense in profit or loss as incurred. The company does not incur any liability for post employment medical aid benefits.

Broad-based Black Economic Empowerment ("BBBEE") transactions

Where equity instruments are issued in terms of BBBEE transactions, the difference between the fair value of the equity instruments and the fair value of cash and other assets received is recognised in profit and loss and the credit is recognised in other reserves.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the group's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

		2010	2009
	Note	R'm	R'm
Operating expenses		(367,6)	(237,3)
Operating loss before net finance income	1	(367,6)	(237,3)
Net finance income	2	38,1	8,0
Finance income		507,0	495,4
Finance expenses		(468,9)	(487,4)
Loss before taxation		(329,5)	(229,3)
Taxation	3	(10,2)	(3,0)
Total comprehensive income for the year		(339,7)	(232,3)

STATEMENT OF FINANCIAL POSITION

at 31 December 2010

		2010	2009
	Note	R'm	R'm
Assets			
Total non-current assets		2 961,2	2 824,0
Investment in subsidiary	4	_	_
Amounts due by subsidiary	5	2 961,2	2 820,3
Deferred taxation asset	9	_	3,7
Total current assets	_	2,0	*
Taxation asset		2,0	*
Total assets		2 963,2	2 824,0
Equity and liabilities			
Equity			
Capital and reserves		(422,2)	(82,5)
Total non-current liabilities		3 370,8	2 895,4
Interest-bearing long-term borrowings	7	3 364,3	2 895,4
Deferred taxation liability	8	6,5	_
Total current liabilities	_	14,6	11,1
Amount due to subsidiary	9	14,6	11,1
Trade and other payables	10	*	*
Total equity and liabilities		2 963,2	2 824,0

^{*} Less than R50 000

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2010

	Share capital R'm	Share premium R'm	Retained earnings/ (accumulated loss) R'm	Total R'm
Balance at 1 January 2009	0,2	381,0	(231,4)	149,8
Total comprehensive income for the year	<u>—</u>	_	(232,3)	(232,3)
Balance at 31 December 2009	0,2	381,0	(463,7)	(82,5)
Total comprehensive income for the year	_	_	(339,7)	(339,7)
Balance at 31 December 2010	0,2	381,0	(803,4)	(422,2)

STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Note	2010 R'm	2009 R'm
Cash flows used in operating activities	12.1	(1,5)	(1,4)
Finance income received	12.2	_	0,4
Finance expenses paid	12.3	_	(0,4)
Taxation paid	12.4	(2,0)	(6,8)
Net cash flows used in operating activities		(3,5)	(8,2)
Cash flows from investing activities			
Decrease in amount due by subsidiary		_	19,9
Cash flows used in financing activities		3,5	(11,7)
Increase in non-current amount due to subsidiary		3,5	6,7
PIK Notes repurchased		_	(11,3)
Repayment to subsidiary			(7,1)
Net increase in cash and cash equivalents		_	_
Cash and cash equivalents at beginning of the year		_	_
Cash and cash equivalents at end of the year		_	_

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2010

		2010 R'm	2009 R'm
O	perating loss before net finance income		
	perating loss is stated after taking into account:		
	npairment of shares held in subsidiary	_	149,
	npairment of amount due by subsidiary	366,1	86,
	ccounting and consulting fees	1,4	1,
	uditors' remuneration		
<u> </u>	audit fee current period	*	
N	et finance income		
Fir	nance income	507,0	495,
_ i	interest received	507,0	484
	gain on PIK Notes repurchased	307,0	11,
·	·	(460.0)	
FII	nance expenses	(468,9)	(487,
	interest paid	(468,9)	(477)
- \	waiver of debt		(9)
Ne	et finance income	38,1	8,
Ta	exation		
	outh African normal taxation		
	urrent taxation		
	current year charge	_	(6,
	eferred taxation		(-)
	current year (charge)/credit	(10,2)	3
_	otal taxation charge	(10,2)	(3)
_	econciliation of effective taxation rate	%	(3)
	outh African standard taxation rate		
30	outh African Standard taxation rate	28,0	28,
Та	exation effect of reconciling items:		
- 0	capital gains	_	0,
- 1	non-deductible expenses	(31,1)	(30)
Eff	fective taxation rate	(3,1)	(1,
		R'm	R'
Re	econciliation of taxation charge		
Ac	ccounting loss before taxation	(329,5)	(229,
	urrent taxation thereon	92,3	64,
	exation effect of reconciling items		
	capital profits	_	1,
	non-deductible expenses	(102,5)	(68,
- I		(, - ,	

^{*} Less than R50 000

for the year ended 31 December 2010

				2010 R'm	200 R′
Investment in The following Unlisted	n subsidiary g information relates to the con	npany's interest	in subsidiary:		
	n share capital			381,5	381
Less: Impairn	nent of investment			(381,5)	(381
Name	Country of incorporation/ residence	Number of shares held	Proportion owned	Nature of business	
Peermont	South Africa	200 000	100%	Develop and manage casino and convention	
				2010	20
				R'm	R
Peermont PIK Equity PIK Notes I Accrued in	oan			1 086,3 860,4 1 678,1	1 086 860 1 171
PIK Equity PIK Notes I				994,0 684,1	658 512
– Repayment	S			(211,4)	(211
	- capital and interest - waiver of debt			(154,5) (56,9)	(154 (56
Impairment – PIK Notes -	- impairment of loan			(452,2)	(86
				2 961,2	2 820
Carrying valu					, -
PIK Equity PIK Notes I				2 080,3 880,9	1 744
FIN NOTES I	LUdII			· · · · · · · · · · · · · · · · · · ·	1 075
				2 961,2	2 82

On 24 April 2007 PGH I raised R1 086,3 million under a PIK Equity Loan ("PIK Equity Loan") agreement. The full amount was onlent to PGH II, which in turn advanced the full amount to Peermont, which lent proportionate amounts to certain of its subsidiaries. An effective interest rate of 18,4% nominal annual compounded semi annually ("NACS") is charged on the PIK Equity Loan, payable when PGH I is required to make payments on its loan. The PIK Equity Loan will become due and payable by 31 December 2106.

On 24 April 2007 PGH II issued R887,0 million 18% notes due 2015 ("the PIK Notes") and advanced the full amount to Peermont, which advanced proportionate amounts to certain of its subsidiaries. The costs incidental to the issue of PIK Notes were capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 19,84% NACS. Interest on the PIK Notes is payable, at the option of PGH II, on 30 April and 30 October each year. During 2009, PGH II repurchased a cumulative R22,8 million in aggregate of the principal amount of its outstanding PIK Notes at a price of R11,6 million or 51,1% of face value. The PIK Notes will mature on 30 April 2015. These may be redeemed in whole or in part at any time on or after 30 October 2010 subject to certain conditions.

for the year ended 31 December 2010

		2010 R'm	2009 R'm
6.	Share capital and share premium Share capital Authorised		
	204 000 (2009: 204 000) ordinary shares of R1	0,2	0,2
	<i>Issued</i> 200 000 (2009: 200 000) ordinary shares of R1	0,2	0,2
	Share premium Arising on issue of ordinary shares	381,0	381,0
7.	Interest-bearing long-term borrowings South African – unsecured		
	Deeply subordinated shareholder's loan – PIK Equity Loan The total capital amount is payable to PGH I by 31 December 2106. Interest of 18,2% NACS is charged on the PIK Equity Loan, payable when PGH I is required to make payments. This loan is subordinated in favour of creditors.	2 066,3	1 736,0
	PIK Notes Liability On 24 April 2007, the company issued R887,0 million 18% PIK Notes due 2015. This amount was advanced to Peermont – (refer to note 5). The costs incidental to the issue of PIK Notes were capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 19,63% NACS. Interest on the PIK Notes is payable, at the option of PGH II, on 30 April and 30 October each year. The PIK Notes will mature on 30 April 2015. These may be redeemed in whole or in part at any time on or after 30 October 2010 subject to certain conditions. The PIK Notes are listed on the Irish Stock Exchange on its Global Exchange Market.	1 298,0	1 159,4
		3 364,3	2 895,4
3.	Deferred taxation (liability)/asset Balance at beginning of the year Taxation effect of temporary differences	3,7	*
	ranation enest of temperary amereness	(10,2)	3,7
	Balance at end of the year	(6,5)	3,7
	Balance at end of the year Temporary differences are made up as follows:	(6,5)	3,7
	Balance at end of the year Temporary differences are made up as follows: Deferred taxation liability: Estimated taxation loss	(6,5)	3,7
) .	Balance at end of the year Temporary differences are made up as follows: Deferred taxation liability: Estimated taxation loss	(6,5) (4,6) 11,1	3,7
).	Balance at end of the year Temporary differences are made up as follows: Deferred taxation liability: Estimated taxation loss Discount on PIK Notes Amount due to subsidiary	(6,5) (4,6) 11,1 6,5	3,7 - 3,7 3,7
9.	Balance at end of the year Temporary differences are made up as follows: Deferred taxation liability: Estimated taxation loss Discount on PIK Notes Amount due to subsidiary Peermont This amount is an unsecured, interest free loan and has no fixed terms	(6,5) (4,6) 11,1 6,5	3,7 - 3,7 3,7

for the year ended 31 December 2010

11. Related parties

11.1 Identity of related parties with whom material transactions have occurred:

The company's holding company is PGH I. The ultimate holding company is Maxshell.

The following are fellow subsidiaries and related parties to the company:

- Peermont, including Emperors Palace, Mondazur and head office management and investment divisions
- Peermont Global (North West) (Proprietary) Limited, including Rio, Mmabatho Palms and Taung divisions
- ♦ Peermont Global (KZN) (Proprietary) Limited
- ♦ Peermont Global (Limpopo) (Proprietary) Limited
- Peermont Global Management (KZN) (Proprietary) Limited
- ♦ Peermont Global Management (NW&L) (Proprietary) Limited
- ♦ Peermont Global (Botswana) Limited
- ♦ Peermont Global (Eastern Free State) (Proprietary) Limited ("PGEFS")
- Peermont Global (Southern Highveld) (Proprietary) Limited
- ♦ Peermont Global (Tubatse) (Proprietary) Limited

Peermont Global Investments Limited is the holding company of Peermont Global Tusk Holdings (Proprietary) Limited ("PGTH") and Peermont Global Management (Proprietary) Limited.

PGEFS Holdings (Proprietary) Limited is the holding company of PGEFS.

There are various other employee benefit and community trusts and dormant and intermediate holding companies.

Other than with the directors there are no other related parties with whom material transactions have taken place.

11.2 Material related party transactions

Peermont

The company paid accounting and consulting fees of R1,4 million (2009: R1,3 million) to Peermont.

11.3 Amounts due from/(to) related parties

Refer to notes 5, 7 and 9 for amounts due by and to related parties.

for the year ended 31 December 2010

		2010 R'm	2009 R'm
2. Not	es to the statement of cash flows		
12.1	Cash flows from operating activities		
	Operating loss before net finance income Adjusted for:	(367,6)	(237,3)
	Impairment of investment	_	149,8
	Impairment of amount due by subsidiary	366,1	86,1
	Cash flows from operating activities before working capital changes	(1,5)	(1,4)
	Cash generated by changes in working capital	*	*
	Increase in trade and other payables	*	*
	Cash flows used in operating activities	(1,5)	(1,4)
12.2	? Finance income received		
	Interest received	507,0	495,4
	Less: interest accrued remaining in amount due by subsidiary	(507,0)	(495,0)
		_	0,4
12.3	Finance expenses paid		
	Interest paid	(468,9)	(487,4)
	Less: interest accrued remaining in interest-bearing		
	long-term borrowings	468,9	487,0
			(0,4)
12.4	1 Taxation paid		
	Amount outstanding at beginning of year	*	*
	Statement of comprehensive income charge	_	(6,8)
	Amount outstanding at end of year	(2,0)	*
		(2,0)	(6,8)
	* Less than R50 000		

13. Financial instruments

Exposure to interest rate and credit risks arises in the normal course of the company's business.

13.1 Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the company's income or the value of its holdings of financial instruments.

The PIK Notes and PIK Equity loans carry fixed interest rates. The company generally adopts a policy of ensuring that any other borrowings are at market related rates to address its interest rate risk.

The company's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date are recorded in note 7.

In managing interest rate risks, the company aims to reduce the impact of short-term fluctuations on the company's earnings. However, over the longer term, permanent changes in interest rates would have an impact on earnings.

At 31 December 2010, it is estimated that a general increase of one percentage point in interest rates would have minimal effect on the company's profit before taxation as the interest rates for all significant borrowings balances are fixed.

13.2 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets, which are potentially subject to concentrations of credit risk, consist principally of amounts due by the subsidiary. At statement of financial position date, the significant concentration of credit risk was that related to the subsidiary company, Peermont.

for the year ended 31 December 2010

13. Financial instruments (continued)

13.3 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or financial assets.

The greatest exposure to liquidity risk would be where the company is unable to meet specific cash flows required by specific debt agreements. The most significant of these would be the cash flow requirements of the PIK Equity Loan and the PIK Notes.

As the PIK Equity capital is only payable by 31 December 2106, and the PIK Equity Loan interest is payable when PGH I is required to make payments, there is no significant liquidity risk relating to this debt. Similarly, the PIK Notes mature on 30 April 2015, with interest payable at the option of the company before that date. There is therefore no significant liquidity risk relating to the outstanding debt.

Maturity analysis

	Carrying	Within	1 – 5	More than	No fixed
	value	1 year	years	5 years	maturity
	R'm	R'm	R′m	R′m	R'm
2010					
Company					
Assets					
Amounts due by subsidiary	2 961,2	_	2 961,2	_	_
Taxation asset	2.0	2.0			
Liabilities	2,0	2,0	_	_	_
Interest-bearing long-term borrowings	3 364,3		3 364,3*	_	
Amount due to subsidiary	14,6	_	3 304,3		14,6
		_	_	_	
Deferred taxation liability	6,5				6,5
2009					
Company					
Assets					
Amounts due by subsidiary	2 820,3	_	2 820,3	_	_
Deferred taxation asset	3,7	_	_	_	3,7
Liabilities					
Interest-bearing long-term					
borrowings	2 895,4	_	2 895,4*	_	_
Amount due to subsidiary	11,1	_		_	11,1

Contracted cash flows are expected to be equal to the maturity analysis with the exception of shareholder's loans and interest-bearing long-term borrowings.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying value R'm	Contractual cash flows R'm	Within 1 year R'm	1 – 5 years R'm	More than 5 years R'm
2010					
PIK Equity Loan	2 066,3	4 391,8	_	_	4 391,8
PIK Notes	1 298,0	2 876,4	_	2 876,4*	_
2009					
PIK Equity Loan	1 736,0	4 391,8	_	_	4 391,8
PIK Notes	1 159,4	2 876,4	_	_	2 876,4

^{*} It is currently the company's intention to refinance the majority, if not all of the PIK Equity Loan (due 2106) and the PIK Notes (due 2015) in or before 2014. Therefore these amounts are all classified in the 1 – 5 year period. In 2009 the intention was to refinance in 2011.

for the year ended 31 December 2010

13. Financial instruments (continued)

13.4 Fair values

Fair value analysis

The fair values of all financial instruments shown in the statement of financial position approximate the carrying values.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Interest-bearing long-term borrowings

Fair value is calculated based on estimated market value.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

The fair values together with the carrying values of all financial instruments shown in the statement of financial position are as follows:

	Fair value	Carrying value
	R'm	R'm
2010		
Financial assets		
Amounts due by subsidiary	2 961,2	2 961,2
Taxation asset	2,0	2,0
	2 963,2	2 963,2
Financial liabilities		
Interest-bearing long-term borrowings	2 065,7	3 364,3
Amount due to subsidiary	14,6	14,6
	2 080,3	3 378,9
2009		
Financial assets		
Amounts due by subsidiary	2 820,3	2 820,3
Financial liabilities		
Interest-bearing long-term borrowings	2 547,6	2,895,4
Amount due to subsidiary	11,1	11,1
	2 558,7	2 906,5

The fair market value of the PIK Notes was estimated at 70,0% (2009: 70,0%) of the face value being R908,6 million (2009: R811,6 million). The fair market value of the PIK Equity Loan was estimated at 56,0% (2009: no available estimate) of the face value being R1 157,1 million.

for the year ended 31 December 2010

13. Financial instruments (continued)

13.5 Basis of measurement

			Financial		
			assets and	Non-	
		At fair value	liabilities	financial	
		directly	at amortised	assets/	
	Total	in equity	cost	liabilities	
	R′m	R′m	R′m	R′m	
2010					
Assets					
Amounts due by subsidiary	2 961,2	_	2 961,2	_	
Taxation asset	2,0	_	2,0	_	
	2 963,2	_	2 963,2	_	
Liabilities					
Interest-bearing long-term borrowings	3 364,3	_	3 364,3	_	
Amount due to subsidiary	14,6	_	14,6	_	
Deferred taxation liability	6,5	_	_	— 6,5	
Trade and other payables	*	_	*	_	
	3 385,4	_	3 378,9	6,5	
2009					
Assets					
Amounts due by subsidiary	2 820,3		2 820,3	_	
Deferred taxation asset	3,7	_	_	3,7	
	2 824,0	_	2 820,3	3,7	
Liabilities					
Interest-bearing long-term borrowings	2 895,4	_	2 895,4	-	
Amount due to subsidiary	11,1		11,1	_	
Trade and other payables	*	_	*	_	
	2 906,5	_	2 906,5	_	
* Less than R50 000					

for the year ended 31 December 2010

14. Standards and interpretations not yet effective at date of signature of the financial statements

In the current year, the company has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2010.

At the date of authorisation of the financial statements the following standards and interpretations, which could materially affect the annual financial statements in future reporting periods, were in issue but not yet effective:

IFRS 7 (amended 2010) *Financial Instruments: disclosures* – Amendment enhances disclosures of financial instruments and liquidity risk – Effective annual periods commencing on or after 1 January 2011, which will impact the annual financial statements for the year ended 31 December 2011 for the first time.

IFRS 9 (amended 2009) Financial Instruments – Amendment deals with the classification and measurement of financial assets – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ended 31 December 2013 for the first time.

IFRS 9 (amended 2010) *Financial Instruments* – Amendment deals with the classification and measurement of financial liabilities – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ended 31 December 2013 for the first time.

IAS 24 (revised 2009) *Related Parties* – Amends the definition of related parties and provides for additional disclosures – Effective annual periods commencing on or after 1 January 2011, which will impact the annual financial statements for the year ended 31 December 2011 for the first time.

The company has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to 31 December 2010, which would be effective for the group's accounting period on or after 1 January 2011. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the group's results.

for the year ended 31 December 2010

15. Significant accounting judgements and estimates

Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The company makes estimates, judgements and assumptions concerning the future. Those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

Income taxes

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the statement of financial position date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it received from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Timing of PIK Notes Loan and PIK Equity Loan cash flows

The company estimated the timing of the refinancing of its debt at the time of initially accounting for the PIK Equity Loan and the PIK Notes. All issue costs and discounts were amortised over a four year period to the expected refinance date and all currency hedging was contracted to that date. As a result of the decision to extend the refinance date to April 2014, all issue costs and discounts were amortised at the same effective rate from June 2010 to the refinance date.

