

QUARTERLY REPORT

for the three and nine months ended 30 September 2010

Required in terms of the indenture of the original R887 000 000

18% Payment-In-Kind Notes due 2015



PEERMONT

HOTELS CASINOS RESORTS

PeerMont Global Holdings II (Proprietary) Limited

Registration number 2006/006232/07 • SEDOL: B1WQKJ1 • ISIN Rule 144A: XS0297395286 • ISIN Reg S: XS0296663429 • www.peermont.com

DATE: 29 NOVEMBER 2010



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INTRODUCTION

On 23 April 2007, PeerMont Global Holdings II (Proprietary) Limited (“PGH II”), issued R887 000 000 18% Payment-In-Kind (“PIK”) notes due 2015 (“the PIK Notes”). The PIK Notes were issued under an indenture (“the PIK Notes indenture”), dated as of 18 April 2007, by PGH II, a company incorporated under the laws of the Republic of South Africa.

The PIK Notes are PGH II’s senior unsecured obligations and rank equal in right of payment with all of PGH II’s existing and future unsecured indebtedness and effectively junior to all of PGH II’s secured indebtedness, including its senior guarantee of the 7¾% Senior Secured Notes due 2014 (“the notes”), issued by PGH II’s direct wholly owned subsidiary, PeerMont Global (Proprietary) Limited (“PeerMont” or the “issuer”). The guarantee is secured by all of the ordinary shares of PeerMont.

In prior years, PGH II purchased for cash a cumulative R200,1 million in aggregate principal amount of its outstanding 18% PIK Notes, at a price of R134,5 million or 67,2% of face value. All purchased notes were cancelled.

As a result of the above PIK Notes buy-backs, PeerMont reduced its deeply subordinated shareholder loan from PGH II by repaying an amount of R145,7 million to PGH II, utilising one of the available restricted payment baskets. In addition, a portion of the deeply subordinated shareholders loan owed by PeerMont was waived, reducing PeerMont’s obligations by a further R56,9 million.

PGH II is a holding company and all of our operations are conducted through our subsidiaries. We have no material assets other than the capital stock of PeerMont and receivables in respect of certain deeply subordinated shareholder loans made to PeerMont with the proceeds of the PIK Notes, and a deeply subordinated shareholder loan advanced to us by our direct parent company.

A copy of the offering memorandum dated 18 April 2007, prepared in connection with the offering of the PIK Notes (“the PIK offering memorandum”), is available from us upon request. This quarterly report is being provided to holders of the PIK Notes pursuant to section 4.19 of the PIK Notes indenture.

The PIK Notes bear interest at a rate of 18,0% per annum. Interest on the PIK Notes is payable, at the option of PGH II, on 30 April and 30 October of each year. The PIK Notes will mature on 30 April 2015. We may redeem the PIK Notes, in whole or in part, at any time on or after 30 October 2010. In the 12 months commencing on 30 October of each year subject to certain conditions, the redemption price would be determined as follows:

- ◆ 30 October 2010 at 103,0%,
- ◆ 30 October 2011 at 101,5%, or
- ◆ 30 October 2012 or thereafter at 100,0%.

The PIK Notes are listed on the Irish Stock Exchange and traded on its Alternative Securities Market.

The PIK Notes have not been and will not be registered under the US Securities Act of 1933, as amended (“the Securities Act”), or any US state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable US state securities laws. Accordingly, the PIK Notes were offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and pursuant to offers and sales occurring outside the United States within the meaning of Regulation S under the Securities Act. The PIK Notes indenture is not required to be, nor will it be, qualified under the US Trust Indenture Act of 1939, as amended.

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.

REPORTING

The PIK Notes indenture requires that the report issued by the issuer of the notes, PeerMont, together with the unconsolidated statement of financial position of PGH II, be distributed to holders of the PIK Notes. The unconsolidated unaudited statement of financial position of PGH II is included as Annexure A and the entire PeerMont quarterly report is included as Annexure B.



PeerMont Global Holdings II (Proprietary) Limited

CONDENSED UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September 2010

	2010 R'm	2009 R'm
Assets		
Total non-current assets	2 583,3	2 779,7
Investment in subsidiary	—	—
Deferred taxation asset	—	3,3
Amounts due by subsidiary	2 583,3	2 776,4
Total current assets	2,0	—
Trade and other receivables	*	—
Current taxation asset	2,0	—
Total assets	2 585,3	2 779,7
Equity and liabilities		
Equity		
Capital and reserves	(649,2)	3,3
Total non-current liabilities	3 234,5	2 771,8
Interest-bearing long-term borrowings	3 215,5	2 767,2
PIK Notes liability	1 238,2	1 106,0
Shareholder's loan	1 977,3	1 661,2
Deferred taxation liability	5,8	—
Amounts due to fellow subsidiary company	13,2	4,6
Total current liabilities	—	4,6
Current taxation liability	—	4,6
Total equity and liabilities	2 585,3	2 779,7

* Less than R50 000.

ANNEXURE B

QUARTERLY REPORT

for the three and nine months ended 30 September 2010

Required in terms of the indenture of the original €520 000 000

7³/₄% Senior Secured Notes due 2014



PEERMONT

HOTELS CASINOS RESORTS

PeerMont Global (Proprietary) Limited

Registration number 2006/006340/07 • SEDOL: B1W6GY8 • ISIN Rule 144A: XS0297394479 • ISIN Reg S: XS0296654600 • www.peermont.com

DATE: 29 NOVEMBER 2010



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DEFINITIONS

ABSA	ABSA Bank Limited
BBBEE	Broad-based Black Economic Empowerment
BPC	Botswana Power Corporation
Casinos of Mauritius	The companies which operate 5 casinos in Mauritius
CCSs	Credit contingent cross currency swaps
CLN	Credit linked note
€ or euro	European euro, legal tender of the European Union
EBITDA	Earnings before interest, taxation, depreciation, amortisation and other non-cash items
EBITDAR	Earnings before interest, taxation, depreciation, amortisation, rentals and other non-cash items
Emperors Palace	A division of Peermont, trading as Emperors Palace Hotel, Casino and Convention Resort
FECs	Forward exchange contracts
FIFA	Federation International de Football Association
GGR	Gross gaming revenues
Guarantors	Consist of Peermont, PGNW, PGKZN, PGLim, PGMNW&L and PGMKZN
Head office	The head office function of Peermont
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg Interbank Agreed Rate
LGB	Limpopo Gambling Board
Maxitrade 85	Maxitrade 85 Security Holding Company (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/025081/07)
Maxshell	Maxshell 114 Investments (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/024982/07)
MGB	Mpumalanga Gambling Board
Mmabatho Palms	A division of PGNW, trading as Mmabatho Palms Casino Convention Resort
Mondazur	A division of Peermont, trading as Mondazur Resort Estate Hotel
MSH	Marang (Southern Highveld) Gaming Investments (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1996/012704/07)
MtM	Mark-to-market
NACD	Nominal annual compounded daily
NACM	Nominal annual compounded monthly
NACS	Nominal annual compounded semi-annually
Nedbank	Nedbank Group Limited
NWGB	North West Gambling Board
P or pula	Botswana pula, legal tender of the Republic of Botswana
Peermont, the issuer or the company	Peermont Global (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/006340/07)
Peermont Group or the group	Peermont, its subsidiaries and jointly controlled entity
PGB	Peermont Global (Botswana) Limited, a public limited liability company incorporated under the laws of the Republic of Botswana (Registration number 95/414), including all operations based in Botswana, namely the Grand Palm Hotel, Casino and Convention Centre, Mondior Summit Hotel, Metcourt Inn Hotel, the Gaborone International Convention Centre, all in Gaborone, Metcourt Lodge Hotel and Sedibeng Casino in Francistown and Syringa Casino Selebi-Phikwe
PGEFS or Frontier Inn	Peermont Global (Eastern Free State) (Proprietary) Limited, trading as Frontier Inn and Casino, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1999/011534/07)
PGEFSH	PGEFS Holdings (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2004/013887/07)
PGER	Peermont Global (East Rand) (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1996/009361/07)
PGERH	PGER Holdings (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/015805/07)



DEFINITIONS (continued)

PGH I	Peermont Global Holdings I (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/023109/07)
PGH II	Peermont Global Holdings II (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/006232/07)
PGIL	Peermont Global Investments Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1995/004449/06)
PGKZN or Umfolozi	Peermont Global (KZN) (Proprietary) Limited, trading as Umfolozi Hotel Casino Convention Resort, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/029290/07)
PGLim or Khoroni	Peermont Global (Limpopo) (Proprietary) Limited, trading as Khoroni Hotel Casino Convention Resort, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/034446/07)
PGMKZN	Peermont Global Management (KZN) (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/000558/07)
PGMNW&L	Peermont Global Management (NW&L) (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/029265/07)
PGNW	Peermont Global (North West) (Proprietary) Limited, a limited liability company incorporated under the Laws of the Republic of South Africa (Registration number 2006/028470/07), which includes the divisions of Mmabatho Palms, Rio and Tusk Taung
PGSH or Graceland	Peermont Global (Southern Highveld) (Proprietary) Limited, trading as Graceland Hotel, Casino and Convention Resort, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1995/004452/07)
PGSHIH	PGSH Investment Holdings (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2005/031301/07)
PIK	Payment-in-kind
PIK Equity Loan	PIK Equity Loan, due 2106 raised in 2007 by PGH I and onlent to Peermont
PIK Notes	The original R887,0 million 18,0% PIK Notes due 2015, issued by PGH II, listed on the Alternate Securities Market of the Irish Stock Exchange
PIK Notes Loan	PIK Notes Loan due 2015 raised by Peermont from the proceeds of an issue of PIK Notes by PGH II
PSMT	Peermont Senior Management Trust
R or rand	South African rand, legal tender of the Republic of South Africa
Rio	A division of PGNW, trading as Rio Hotel Casino and Convention Resort
RMB	Rand Merchant Bank, a division of FirstRand Bank Limited
RCF	Revolving Credit Facility
S&P	Standard and Poor's Financial Services LLC, a subsidiary of McGraw-Hill Companies, Inc.
SARS	South African Revenue Service
Securities Act	The U.S. Securities Act of 1933, as amended
Security SPV	Maxitrade 85, a special purpose vehicle
SSNs or the notes	The original 7¾% €520 million Senior Secured Notes due 2014, issued on 24 April 2007, listed on the Alternative Securities Market of the Irish Stock Exchange
SRSs	Symmetrical Recovery Swaps
The indenture	An indenture under which the notes were issued and guaranteed
The Offering Memorandum	The Offering Memorandum dated 18 April 2007, prepared in connection with the offering of the notes
The Trustee	BNY Corporate Trustee Services Limited, as trustee
TRESS	Tusk Resorts Employee Share Scheme trust
Tubatse	Peermont Global (Tubatse) (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/019823/07)
Tusk Resorts	Tusk Resorts (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/010949/07)
Tusk Taung	A division of PGNW, trading as Tusk Taung Hotel
UST	Umfolozi Staff Trust
VAT	Value added taxation
World Cup	FIFA Soccer World Cup



INTRODUCTION

The PeerMont Group is a South African based group of companies which operates in the gaming, hotel and convention businesses in southern Africa. PeerMont holds seven casino licences in South Africa and three in neighbouring Botswana. The group operates a total of 14 properties, nine in South Africa and five in Botswana. Collectively, these 14 properties offer 3 231 slot machines, 159 gaming tables and 1 631 hotel rooms. Our flagship property is Emperors Palace Hotel Casino and Convention Resort, which is strategically located in the Johannesburg metropolitan area. In addition to Emperors Palace, our property portfolio includes six other casino resorts, three stand-alone casinos and four stand-alone hotels. Certain of our larger casino resorts also feature convention and other facilities.

On 23 April 2007, PeerMont issued €520 million 7¾% SSNs due 2014. The notes were issued and guaranteed under the indenture, dated as of 23 April 2007, by PGH II as parent guarantor, and by PeerMont, PGNW, PGKZN, PGLim, PGMNW&L and PGMKZN as guarantors, Maxitrade 85, the security SPV, BNY Corporate Trustee Services Limited as trustee, The Bank of New York Mellon as registrar, transfer agent and principal paying agent and BNY Fund Services (Ireland) Limited, as Irish paying agent.

A copy of The Offering Memorandum is available from us upon request. This quarterly report is being provided to holders of the notes pursuant to Section 4.19 of the indenture.

In 2008, PeerMont completed a notes repurchase programme in terms of which it purchased a nominal value of R1 268,3 million (€103,9 million) of the notes in issue for R1 129,2 million (€92,5 million) or 89% of the face value. All purchased notes were cancelled. Following such cancellation, the outstanding principal amount of the notes is €416,1 million.

The notes bear interest at a rate of 7¾% per annum. Interest on the notes is payable on 30 April and 30 October of each year. The notes will mature on 30 April 2014. PeerMont may redeem the notes in whole or in part at any time on or after 30 April 2010 at the redemption price specified in The Offering Memorandum.

The notes, subject to the first priority rights of the revolving credit facility lenders, are guaranteed by the guarantors, and rank equal in right of payment with all of the issuer's existing and future unsubordinated indebtedness and senior in right of payment to all of the issuer's existing and future indebtedness that is subordinated in right of payment to the notes.

The notes, subject to the first priority rights of the revolving credit facility lenders, are effectively senior to all of the issuer's existing and future unsecured indebtedness to the extent of the assets securing the notes and are secured equally and ratably with the SSN foreign exchange providers, by second priority security interests over all of the issuer's capital stock and certain of the assets of the issuer and the guarantors. The guarantees of the notes by the guarantors rank behind the rights of the revolving credit facility lenders, but equal in right of payment with all of the existing and future unsubordinated indebtedness of the guarantors, senior in right of payment to all of the existing and future indebtedness of the guarantors that is subordinated in right of payment to the guarantors guarantees of the notes and are effectively senior to all existing and future unsecured indebtedness of the guarantors to the extent of the assets securing the guarantors of guarantees of the notes.

The notes are listed on the Irish Stock Exchange and traded on its Alternative Securities Market.

The notes have not been and will not be registered under the Securities Act, or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the notes were offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and pursuant to offers and sales occurring outside the United States within the meaning of Regulation S under the Securities Act. The indenture is not required to be, nor will it be, qualified under the U.S. Trust Indenture Act of 1939, as amended.

The issuer's obligations under its revolving credit facility are supported by first ranked security over all the issuer's capital stock and certain of the assets of the issuer and guarantors.



The PIK Notes

On 23 April 2007, PGH II issued R887 million 18,0% PIK Notes. The PIK Notes were issued under an indenture, dated as of 18 April 2007, by PGH II. The proceeds of the PIK Notes were onlent to Peermont in the form of a subordinated shareholders loan.

In prior years, PGH II purchased for cash a cumulative R200,1 million in aggregate principal amount of its outstanding 18,0% PIK Notes, at a price of R134,5 million or 67,2% of face value. All purchased notes were cancelled.

As a result of the above PIK Note buy-backs, Peermont reduced its deeply subordinated shareholders loan by repaying R145,7 million to PGH II. In addition, the gain on the purchase of PIK Notes was pushed down to Peermont, further reducing its deeply subordinated shareholders loan by R56,9 million.

ORGANISATIONAL INFORMATION

The Peermont Group consists predominantly of:

- ◆ Peermont including the Emperors Palace, Mondazur and the head office management and investment divisions;
- ◆ PGNW including the Rio, Mmabatho Palms and Tusk Taung divisions;
- ◆ PGKZN;
- ◆ PGLim;
- ◆ PGMNW&L;
- ◆ PGMKZN;
- ◆ PGSH;
- ◆ PGB;
- ◆ PGEFS;
- ◆ Tubatse; and
- ◆ Various other dormant or intermediate holding companies.

The business address of Peermont is Peermont Place, 152 Bryanston Drive, Bryanston, Johannesburg, South Africa, and its primary telephone number is +27 (11) 557 0557. We maintain an internet website at www.peermont.com. Information on our internet website does not form part of this report.

PRESENTATION OF FINANCIAL INFORMATION

We have prepared the condensed unaudited consolidated financial statements contained in this quarterly report in accordance with IFRS. We present our financial statements in rand, the legal currency of the Republic of South Africa. In this quarterly report, unless otherwise indicated, all amounts are expressed in rand millions. The accounting policies of Peermont as set out in the 2009 annual financial statements, have been consistently applied.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in any forward-looking statements made in this quarterly report. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as will likely result, are expected to, will continue, believe, is anticipated, estimated, intends, expects, plans, seek, projection and outlook.

These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the "Risk Factors" discussed in The Offering Memorandum.

The "Risk Factors" set out in The Offering Memorandum continue to detail the risks related to our business, the gaming industry, the notes and the risks related to our operations both in South Africa and Botswana. Certain additional risks have arisen in the recent past and are considered material in relation to our business:

- ◆ The downturn in the world markets and the global economy impacted on the South African economy. This had a negative impact on consumer spending which slowed revenue growth over the last two years. The global economic crisis adversely affected and will continue to have an adverse effect on our total revenue, profitability and cash flow;
- ◆ The unpredictable fluctuations in the rand to euro exchange rate makes our ability to service our foreign currency denominated debt, including the euro interest payments on the notes and potential cash flows on mark-to-market adjustments relating to our foreign currency hedges, more challenging. In light of such fluctuations in the value of the rand, we cannot assure you that we will be able to effectively manage our foreign currency risks;



- ◆ Our ability to generate sufficient cash in the future, in order to service our debt obligations and raise additional capital, has been placed under additional strain due to banks tightening up on granting credit facilities, as a result of the risk surrounding the liquidity of the banking sector; and
- ◆ With the ongoing uncertainty in global financial markets and pressure on the group's profitability, we may experience difficulty when seeking to refinance our debt structure as it falls due.

In addition, among the key risk factors that have a direct bearing on the results of operations are:

- ◆ Our dependence on a single property, Emperors Palace, and the relatively concentrated casino market in the Gauteng Province to generate a significant portion of our revenue, profits and cash flow;
- ◆ Competition from other casinos in Gauteng Province and other regions of South Africa;
- ◆ Our ability to amend current licence terms to increase our gaming positions and introduce new games and our ability to renew our licences;
- ◆ Large increases in electricity costs with the local service provider obtaining approval for a 25% increase in electricity costs in 2010, and seeking significant increases for each of the next two years;
- ◆ Changes in the gaming laws and the wider regulatory and legal environment in South Africa; and
- ◆ General economic conditions that impact growth trends in disposable income, employment levels and discretionary consumer spending.

These risks and those set out in The Offering Memorandum, should be considered in relation to this report and the effect that these could have on the company's position and results in the future. We intend to review the risks set out in The Offering Memorandum and place a revised version on our website in the near future.

Because the risk factors referred to above and in The Offering Memorandum could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this quarterly report by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict which factors they will be. In addition, we cannot assess the effect of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The Peermont Group holds seven casino licences in South Africa and three in neighbouring Botswana. We operate a total of 14 properties, nine in South Africa and five in neighbouring Botswana. Collectively, as at the date of this report, these included 3 231 slot machines, 159 gaming tables and 1 631 hotel rooms. Our flagship property is Emperors Palace, which is strategically located near the OR Tambo International Airport in the greater Johannesburg metropolitan area. In addition to Emperors Palace, our property portfolio includes six other casino resorts, three stand-alone casinos and four stand-alone hotels. Certain of our larger casino resorts also feature convention and other facilities.

Financial statements discussed

For the three and nine month periods ended 30 September 2010 and the prior year comparative periods, we have provided condensed unaudited consolidated financial information which is derived from the condensed unaudited consolidated financial statements of the Peermont Group.

The condensed unaudited consolidated financial information is provided for information purposes only and does not purport to present our historical results of operations for the periods presented, nor is it necessarily representative of our results of operations for any future periods.

Foreign currency hedging

The company has hedged the coupon and principal of the euro denominated SSNs to the maturity of the notes, 30 April 2014.

The majority of the hedges take the form of SRSs which are non-extinguishing and, in the event of default, either counterparty receives/pays the actual recovery rate achieved by the note holders.

The related SRSs cash flows were negotiated to match what management believes is achievable in terms of projected future cash flows whilst minimising refinancing risk at the maturity of the notes.





The extension of the principal hedge locked in a MtM value due on 29 April 2011 of R911 million, equivalent to a present value of approximately R836 million as at 6 July 2010. The MtM liability has been settled with the last payment having been made in November.

Under IFRS the change in estimate of the refinancing date resulted in significant changes to the accounting treatment of the SSN liability, which were processed in the second quarter of 2010. From April 2007 to the date of extending the hedges, we had been writing up the costs of issuing the notes, the discount at which the notes were issued, as well as the potential early redemption premium on redemption payable on the basis that the notes were to be refinanced in April 2011. In accordance with IAS 39, the decision to extend the refinancing date to April 2014 resulted in the future liability of €416,1 million at April 2014 being discounted back to 30 June 2010 at the same effective rate as the amounts were originally written up. Accordingly, following consultation with the company's auditors, we reduced the carrying value of the SSN liability by R372,6 million and reduced the PIK Notes Loan carrying value by R62,2 million at 30 June 2010. These amounts will be written up in accordance with IAS 39 over the remaining life of the notes to April 2014.

PGSH (previously referred to as "Jointly controlled entity")

At the time of the buy-out transaction, and for all reporting periods up to this report, PGSH was not a subsidiary of Peermont and did not become a subsidiary in connection with the acquisition of PGIL by Peermont. It was operated as a jointly controlled entity that was not under Peermont's exclusive control during the periods discussed. Its results of operations were proportionately consolidated with the results of Peermont's other operations during the periods under review. 97% of PGSH's results were proportionally consolidated in Peermont's condensed unaudited consolidated results of operations for all periods presented to 30 September 2010.

Approval to conclude a restructuring of the PGSH shareholding was received from the South African competition authorities in June 2010. This restructuring of PGSH was required in order to meet our bid commitments and undertakings given to the MGB on approval of the Peermont buy-out in 2007. Following the registration of the necessary resolutions to give effect to the arrangement, the transaction was accounted for with an effective date of 30 September 2010.

On 30 September 2010, PGSH created new shares and issued a further number of shares to Peermont and MSH, the effect of which was to reduce the MSH holding in PGSH to 3%. To maintain the local BBBEE shareholding at 30% as required by the MGB, Peermont sold 27% of the entire issued share capital of PGSH to a shelf company, PGSHIH. This gives PGSHIH a 27% shareholding in PGSH, and together with the existing 3% held by MSH, meets the requisite 30% local BBBEE holding set by the MGB. The shares in PGSHIH will be held by the Southern Highveld Community Development Trust (38%), The Peermont Southern Highveld Staff Trust (formed for the benefit of PGSH employees) (20%), and 42% by members of the local community.

As from 30 September 2010, PGSH is a subsidiary of Peermont and will be fully consolidated in the unaudited consolidated financial statements of the Peermont Group. The current results reflect 97% of the profit and loss of PGSH for the nine months to September, and 100% of the statement of financial position of PGSH, at 30 September 2010 with a 30% minority interest.

In consultation with the company's auditors, we determined that the IFRS accounting process of recording this change is to revalue the company's investment in PGSH to fair value; to record the change from a joint venture to a subsidiary as a sale of the entire shareholding at proceeds of 97% of the fair value; and then to record the acquisition of the controlling interest in PGSH as a separate new investment.

In terms of IFRS 2, the sale of 27% of the shares in PGSH to PGSHIH, requires PGSH to record a cost of R51,2 million for receiving the additional BBBEE credentials. The result of the entries was a gain on revaluation of investment of R175,1 million and a BBBEE transaction charge of R51,2 million.



Fourth Gaborone Casino Licence

On 1 June 2010 the Casino Control Board of Botswana approved the licence application of Workman Holdings (Proprietary) Limited, a new competitor, to open and operate a casino in the new Masa Centre in Gaborone. The licence grants the right to operate 160 slot machines and 10 tables in the central Gaborone area and is likely to dilute the GGR of the existing casinos already operating the Gaborone area.

On 28 September 2010 PGB filed papers with the High Court of Botswana against the attorney general and Workman Holdings (Proprietary) Limited to review and set aside the decision of the Botswana Casino Control Board to award the licence. This application is still pending.

BBBEE shareholding in PGNW, PGLim and PGKZN

In September 2010 Peermont successfully disposed of the required additional 4% of PGKZN and 5% of PGLim to BBBEE partners. In terms of IFRS 2 the disposal of these shares resulted in a cost of R2,8 million and R3,7 million in respect of obtaining the associated BBBEE credentials recorded in PGKZN and PGLim respectively.

Management has identified a local BBBEE partner to whom it intends to sell the required 10% of the shares in PGNW. Now that the final agreements have been signed, the approval of the North West Gambling Board will be sought, and the sale of the shares in PGNW will be concluded.

Mpumalanga Gaming Levies

The Mpumalanga Provincial Government recently promulgated the Mpumalanga gaming levies regulations which increase the gaming levy in the province from 5% of gross gaming revenues to a sliding scale dependent on the gaming revenue generated per month. The revised rates are 5% of GGR up to R10 million; R500 000 plus 7,5% of GGR exceeding R10 million; and R875 000 plus 10% of GGR exceeding R15 million per month. This is expected to have a minimal effect on gaming levies payable by Graceland in the foreseeable future as GGR levels are currently below the R10 million per month threshold.

Technical insolvency

The liabilities of the group exceed the assets fairly valued, therefore the group is in a net deficit position. Both PGH I and PGH II have subordinated their shareholders' loans to the group.

Key income statement items

Revenue

Our revenue consists of gaming revenue, rooms revenue, food and beverage revenue and other revenue. For the period ended 31 December 2009, we generated 78,4% of our total revenue from gaming, 10,0% from food and beverage, 9,5% from rooms and 2,1% from other revenue.

We generate gaming revenue from the slot machines and gaming tables in our casinos. Gaming revenue consists of the net cash amounts received from bets placed by guests less winnings paid to them.

Rooms revenue is generated from room nights sold at our various hotels, which is a function of average room rate and occupancy rate. We define the occupancy rate as room nights sold as a percentage of total room nights available in a given period. The average room rate is calculated based on total rooms revenue divided by the number of room nights sold in a given period.

We generate food and beverage revenue from the sale of food and beverages in our hotel restaurants and through room service, catering services at our convention facilities and revenue from renting banquet rooms and equipment.

Other revenue is generated primarily from rental payments received from our retail outlet tenants, from sales of goods at our own outlets, from ticket receipts for our various entertainment offerings, from childcare facilities and parking and other entrance fees.

In line with industry practice in South Africa, we recognise gaming revenue on a cash received basis. We recognise all other revenue on an accrual basis, net of VAT. Gaming revenue includes VAT and other gaming levies on gross gaming revenue. VAT is deducted as an operating cost at an effective rate of 12,28% of gross gaming revenue net of gaming levies paid. Gaming levies on gross gaming revenues are set at variable rates as a percentage of gaming revenue and are also deducted as an operating cost. Gaming levy rates vary across the provinces in which our casinos operate. The gaming levy in Gauteng Province is currently 9% of gaming revenue.



Other income

Other income is primarily non-operational income, which consists of items such as the net profit generated on the disposal of assets in the normal course of business at our properties, insurance claims received, gains on release of onerous contract provisions, gains on business combination transactions as well as other sundry income.

Operating costs

Our operating costs consist of employee costs, other operational costs, VAT and gaming levies on gross gaming revenues, promotions and marketing costs, depreciation and amortisation and property and equipment rentals. These represented 27,6%, 28,0%, 21,6%, 9,3%, 12,1% and 1,4% of total operating costs, respectively, for the period ended 31 December 2008.

Employee costs consist of salaries, wages and employee benefits for all of our employees, including management.

VAT and gaming levies on gross gaming revenue are as discussed above.

Promotions, marketing and sales costs consist primarily of costs associated with all complimentary food, beverage and hotel accommodation given to our gaming guests; advertising costs (which include costs for radio, press and outdoor advertising and the production thereof and prizes given as part of promotions); costs relating to loyalty programmes; costs of public relations events and activities; publishing costs for guest magazines, flyers, posters and other promotional materials; and costs relating to our participation in domestic and international travel fairs and exhibitions.

Depreciation and amortisation consists of depreciation costs on assets other than land and capital work in progress and the amortisation of intangible assets other than goodwill and intangible assets that have an indefinite life, such as the majority of our casino licences.

Property and equipment rentals consist of rental expenses paid under operating leases primarily for our slot machines, office equipment and property leases.

Other operational costs consist primarily of cost of sales of food and beverage; utilities and taxes; property and related facilities and equipment maintenance costs; cash handling costs and credit card commissions; security and public safety costs; property cleaning costs; BBBEE transaction charges; information technology support and maintenance costs; corporate social investment costs; insurance costs; and, training costs.

Other factors affecting results of operations

Staff Trusts

Certain of the boards of trustees of PSMT, TRESS and UST, formed for the benefit of staff in the group, are controlled by Peermont. Therefore, IFRS requires that these trusts are consolidated into the results of the Peermont Group. On consolidation, the group accounting policy recognises the amounts vesting under the control of the trustees of the trusts as an expense in employee costs in the period that any distributions/dividends are paid, and the resulting assets retained by the trusts at the end of a reporting period, as a liability. The existing trust resources of UST and TRESS will be distributed to beneficiaries in the future.

Taung staff complex

On acquisition of the Tusk group of companies in 2006, a provision for an onerous contract in respect of the staff complex was raised. For a payment of R1,3 million the lease contract was terminated and the rights to the staff complex restored to the PGNW company. As a result the balance of the onerous contract provision of R4,8 million was no longer required, and this was released to other income in the quarter.



Results of operations of the PeerMont Group

The following table presents selected condensed unaudited consolidated financial information of PeerMont Group for the periods indicated. Unless otherwise indicated, the financial information has been derived from the condensed unaudited consolidated financial statements included in Annexure A of this report.

	(unaudited) 2010	%	(unaudited) 2009
Income statement data	R'm	change	R'm
for the three months ended 30 September			
Revenue	664,0	9,4	606,8
Gaming	507,0	7,3	472,5
Rooms	79,0	18,8	66,5
Food and beverage	64,8	13,3	57,2
Other	13,2	24,5	10,6
Other income	180,1	*	0,8
Operating costs	(542,2)	(22,6)	(442,3)
Operating profit	301,9	82,6	165,3
Finance income	4,5	(53,1)	9,6
Finance expenses	(449,5)	(25,6)	(357,9)
Loss before taxation	(143,1)	21,8	(183,0)
Taxation	70,7	50,4	47,0
Loss for the period	(72,4)	46,8	(136,0)
Attributable to:			
Equityholders of PeerMont	(76,6)		(141,6)
Minority shareholders	4,2		5,6
	(72,4)		(136,0)
EBITDA⁽¹⁾ Reconciliation			
Operating profit	301,9		165,3
Add: Depreciation and amortisation	60,4		55,6
Add: BBBEE transaction charges	57,7		—
Less: Gain on release of onerous contract	(4,8)		—
Less: Gain on revaluation of investment in joint venture	(175,1)		—
EBITDA	240,1	8,7	220,9
Add: Rental charges	6,9		5,8
EBITDAR	247,0	9,0	226,7
EBITDA margin	36,2%		36,4%
EBITDAR margin	37,2%		37,4%

⁽¹⁾ We define EBITDA as earnings before interest, taxation, depreciation, amortisation and other non-cash items. EBITDAR is EBITDA before rental payments. We believe that EBITDA/R serves as a useful supplementary financial indicator to investors since it is commonly reported and widely accepted by analysts and investors in measuring a company's ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDA/R is a widely accepted indicator in comparing a company's underlying operating profitability with that of other companies in the same industry. EBITDA/R is not an IFRS measure and you should not consider EBITDA/R as an alternative to measures of net profit/(loss) as an indicator of operating performance, as a measure of cash flow from operations or as an indicator of liquidity under IFRS. Funds depicted by this measure may not be available for our discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDA/R is not a uniform or standardised measure and the calculation of EBITDA/R, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA/R may not be comparable to that of other companies. A reconciliation of EBITDA/R to operating profit for the three months ended 30 September 2009 and 30 September 2010 is provided above.

* Greater than 100%



	(unaudited)		(unaudited)
Income statement data	2010	%	2009
For the nine months ended 30 September	R'm	change	R'm
Revenue	1 937,0	4,6	1 852,2
Gaming	1 483,5	2,0	1 454,9
Rooms	227,1	20,3	188,8
Food and beverage	185,4	6,3	174,4
Other	41,0	20,2	34,1
Other income	181,8	*	6,0
Operating costs	(1 475,6)	(10,5)	(1 335,9)
Operating profit	643,2	23,1	522,3
Finance income	323,7	(61,3)	836,2
Finance expenses	(1 291,6)	15,1	(1 522,2)
Loss before taxation	(324,7)	(98,4)	(163,7)
Taxation	137,6	*	33,2
Loss for the period	(187,1)	(43,4)	(130,5)
Attributable to:			
Equityholders of Peermont	(202,6)		(145,4)
Minority shareholders	15,5		14,9
	(187,1)		(130,5)
EBITDA Reconciliation			
Operating profit	643,2		522,3
Add: Depreciation and amortisation	183,1		164,7
Add: BBBEE transaction charges	57,7		—
Less: Release of onerous contract	(4,8)		—
Less: Gain on revaluation of investment in joint venture	(175,1)		—
EBITDA	704,1	2,5	687,0
Add: Rental charges	19,8		19,0
EBITDAR	723,9	2,5	706,0
EBITDA margin	36,4%		37,1%
EBITDAR margin	37,4%		38,1%

* Greater than 100%

Commentary on the results for the period

The three month period ended 30 September 2010 (unaudited) compared to the three month period ended 30 September 2009 (unaudited)

Overview

Group revenue for the three months benefited from activity around the World Cup and the gradual improving economic climate and increased by 9,4% from R606,8 million to R664,0 million. Gaming revenue increased by 7,3% from R472,5 million to R507,0 million. Hotel and resort revenue increased by 16,9% to R157,0 million, primarily as a result of the hotel occupancies and room rates achieved during the World Cup period.

Operating costs excluding depreciation increased by R95,1 million to R481,8 million for the quarter to September 2010. Included in operating costs for the quarter are BBBEE transaction charges amounting to R57,7 million in respect of disposals of portions of investments in subsidiaries to local empowered entities and a R3,2 million accrual for rates and taxes from our Mmabatho Palms property. On an adjusted comparable basis cash costs increased by 8,8% to R420,9 million, mainly as a result of R1,8 million relating to the application for the third casino licence in the Limpopo Province and an 11,2% increase in cash costs at Emperors Palace, influenced by a 43,2% increase in electricity usage costs when compared to the same period in the prior year.

Included in other income for the quarter is a R175,1 million gain as a result of the accounting recording requirements to show a sale of the group's interest in the PGSH joint venture and a R4,8 million gain on the release of the onerous contract provision at Taung.

After adjusting for the above non-cash items, comparable EBITDA increased by 8,7% from R220,9 million in the third quarter of 2009 to R240,1 million for the same period in 2010.





Emperors Palace delivered a strong performance for the quarter. Revenue increased by R53,8 million or 14,1%, whilst EBITDA increased by R24,9 million or 20,3%. Revenue derived from the balance of the group operations grew by R3,4 million or 1,5%, while EBITDA decreased by R5,7 million or 5,8% mainly impacted by the additional R3,2 million rates and taxes charge at Mmabatho Palms and the significant quarter on quarter strengthening of the pula to the rand. Apart from Emperors Palace, our Graceland and Khoroni operations delivered strong performances during the quarter. Revenue at Khoroni increased by 20,7% and EBITDA increased by 19,3%, while revenue at Graceland increased by 9,3% with EBITDA increasing by 9,1%.

Revenue

Group revenue increased by 9,4% from R606,8 million for the three months ended 30 September 2009 to R664,0 million for the three months ended 30 September 2010. Emperors Palace revenues increased by 14,1% and revenues derived from the balance of the group operations increased by 1,5%.

Gaming revenues increased by 7,3% from R472,5 million in the quarter ended 30 September 2009 to R507,0 million in September 2010.

Hotel rooms revenues improved, as compared to the corresponding three months in the prior year, by 18,8% to R79,0 million. This was largely driven by World Cup activity at Emperors Palace. Other revenue increased by 24,5% to R13,2 million mainly as a result of income received from our tenants at the refurbished emporium at Emperors Palace.

Operating costs

Operating costs for the three months ended 30 September 2010 were R542,2 million, an increase of R99,9 million or 22,6%, from R442,3 million for the three months ended 30 September 2009. After adjusting for the R57,7 million non-cash flow BBBEE transaction charges recorded in PGSH, PGKZN and PGLim, and the additional R3,2 million rates and taxes accrual at Mmabatho Palms, cash operating costs increased by 8,8% to R420,9 million for the quarter.

Depreciation and amortisation for the quarter ended 30 September 2010 was R60,4 million, an increase of R4,8 million or 8,6% from R55,6 million for the three months ended 30 September 2009.

Operating profit

The resulting operating profit was R301,9 million as compared to the prior period profit of R165,3 million.

EBITDA

EBITDA increased by 8,7% over the prior period from R220,9 million to R240,1 million.

Finance income

Finance income for the three months ended 30 September 2010 was R4,5 million, a decrease of R5,1 million from the prior period. The variance to the prior period arose due to reduced cash balances on hand and lower interest rates in the current year.

Finance expenses

Finance expenses at R449,5 million reflected an increase of R91,6 million from the prior period charge of R357,9 million. The increase was due to an increase of R115,9 million in the foreign exchange loss on the hedging of the notes liability, partially offset by a decrease of R40,2 million in the foreign exchange loss on the restatement of the notes liability. Finance expenses in the current year include R13,1 million relating to the R400 million deferred funding of the hedging liability.

Taxation

The taxation and deferred taxation credit of R70,7 million results mainly from deferred taxation credits as a result of estimated taxation losses at Peermont and certain of its subsidiaries.

Loss for the period

The resulting loss after taxation at R72,4 million was lower than the prior period loss of R136,0 million.



Operations

Emperors Palace

Revenue at Emperors Palace increased by 14,1% to R434,5 million compared to R380,7 million in the same period of the prior year. GGR increased by 11,9% to R354,2 million, driven by a 31,5% increase in tables revenue, mainly due to strong growth in the Privé as a result of revenues generated during the World Cup.

In the third quarter, GGR for Gauteng grew by 4,4% and our market share improved to 24,9% compared to 23,6% in the comparable period in 2009.

The refurbishment of our entertainment emporium, the gradually improving economic climate and our ongoing marketing campaigns have resulted in a significant increase in guest visits to the complex. The average number of vehicles per day visiting the complex has increased by 13% as compared to the same quarter in the prior year.

The World Cup positively impacted the hotel and resort operations revenue growth. Rooms revenue increased by 32,0% to R43,7 million compared to R33,1 million in the prior period. Complex occupancies for the third quarter were 78,1%, a 3,9% improvement on the prior period complex occupancies of 75,1%.

Food and beverage revenue increased to R28,2 million in the three months from R24,5 million in the comparable prior period, a 15,1% increase. This increase was mainly driven by a 15,3% increase in banqueting revenues, combined with the full effect of the new Peermont Metcourt hotel's food and beverage outlets.

Cash costs at Emperors Palace increased by 11,2% to R287,3 million for the quarter, influenced by a 30,7% increase in property costs for the quarter.

As a result, EBITDA at Emperors Palace increased by 20,3% to R147,3 million. The EBITDA margin for the three months increased from 32,2% as at 30 September 2009 to 33,9% as at 30 September 2010.

Graceland

Graceland revenues increased by 9,3% from R35,6 million in 2009 to R38,9 million in the same period in 2010. The positive performance of all departments when compared to the prior year was attributable to increased business levels during the Sasol maintenance shutdown in September 2010.

Rooms revenue increased by 48,1% to R4,0 million in the quarter ended 30 September 2010, impacted by foreign soccer supporter groups occupying the hotel during the first two weeks of July, as well as the hotel being fully booked throughout the month of September with guests from out of town involved in the Sasol shutdown. Due to these high occupancies in September, there was a spin-off to both food and beverage and gaming revenues. GGR increased by 4,9% to R24,6 million and food and beverage revenues increased by 8,5%.

A once-off BBBEE non-cash transaction charge of R51,2 million was incurred during the quarter as a result of the sale of 27% of the company's equity to local empowerment partners.

Cash costs increased by 9,7% compared to the prior period.

As a result, EBITDA increased by 9,1% from R8,8 million to R9,6 million. The EBITDA margin for the quarter remained flat at 24,7%.

Botswana

Revenue at the Botswana operations increased by 7,2% in pula terms from P57,2 million (R67,3 million) for the three months ended 30 September 2009 to P61,3 million (R66,0 million) for the same period in 2010. Gaming revenues improved by 5,0% on the prior period. Hotel and resort revenue grew by 8,5% to P38,3 million (R41,9 million).

During September 2009, an initial amount of P0,5 million (R0,6 million) was received from insurers as part settlement of a claim and was included in other income.



Cash costs increased by 8,5% to P40,8 million (R43,9 million) from P37,6 million (R44,2 million) in the same quarter in 2009. The VAT rate in Botswana increased from 10% to 12% effective from 1 April 2010, which increased the VAT on gaming revenue by P0,4 million (R0,5 million) over the same period in the prior year. The BPC increased electricity usage costs by 30% and maximum demand electricity charges by 50% effective 1 May 2010 which negatively affected costs in the quarter.

EBITDA for the third quarter of 2010 decreased in pula terms by 1,4% to P20,6 million (R22,2 million) from P20,9 million (R23,8 million) for the prior year quarter. The EBITDA margin decreased to 33,6% (2009: 36,5%).

Rio

Revenue at Rio for the third quarter of 2010 decreased by 5,4% to R35,2 million, when compared to the same period in 2009. GGR decreased by 10,4% with both tables and slots contributing to the decrease. By contrast hotel and resort revenue for the quarter increased by 61,5% to R4,2 million, influenced by a 150% increase in rooms revenue when compared to the comparative quarter in the prior year. Average occupancies increased from 38,9% for the three months to September 2009 to 52,9% for the same period in the current year.

Operating costs excluding depreciation were well controlled, increasing by 3,9% on the prior period quarter despite a R0,6 million provision for bad debts expensed during the quarter.

EBITDA decreased from R14,3 million in the third quarter of 2009, to R11,4 million in the third quarter of 2010. This resulted in an decline in the EBITDA margin to 32,4% (2009: 38,4%).

Mmabatho Palms

The property continues to be negatively affected by a weak local economy and extensive road works leading to Mafikeng. Business from local government, our largest hotel and resort revenue generator, remains constrained.

The resort generated total revenue of R22,4 million for the period, down 5,5% on the same period in 2009. This decline is mainly attributable to an 8,7% decline in GGR.

Operating costs at the property increased by 13,7% to R24,0 million. Included in these costs is a R3,2 million accrual for arrear rates and taxes for the period from August 2008 which was settled in discussion with the Mafikeng Municipality. On a comparable basis operating costs decreased by 1,4%.

EBITDA declined by 67,3% from R5,2 million to R1,7 million. On a comparable basis EBITDA decreased by 5,8% to R4,9 million from R5,2 million and the comparable EBITDA margin remained flat at 21,9%.

Khoroni

The property continues to achieve strong performances with revenue growth of 20,7% to R21,6 million for the quarter. The increase in revenue was driven by an increase of 18,7% in GGR over the prior period, with both slots and tables contributing to this increase.

Included in operating costs is a once-off BBBEE non-cash transaction charge of R3,7 million as a result of the sale of 5,0% of the company's equity to a local empowerment partner. In the prior period quarter, a credit adjustment of R0,8 million was made to VAT and gaming levies. On a comparable basis, operating costs increased by 11,8% on the prior period quarter.

EBITDA at R6,8 million was 19,3% above the R5,7 million for the same period in 2009. The EBITDA margin decreased to 31,5% (2009: 31,8%).

Umfolozi

The construction of the new, and upgrading of the existing, facilities continued to have a disruptive effect on the operation during the quarter although not to the same extent as in the second quarter of 2010. This project will be completed by December 2010.

Revenues at Umfolozi remained flat at R30,9 million compared to the same period in the prior year. Food and beverage revenues have increased by R1,1 million as a result of the decision to insource the food and beverage functions. GGR decreased by 3,3%, negatively affected by the construction programme.



Included in operating costs for the quarter is a once-off BBBEE non-cash transaction charge of R2,8 million as a result of the sale of 4,0% of the company's equity to a local empowerment partner.

Other cash costs in the 2010 quarter were well controlled and increased by 3,1%. EBITDA at R10,3 million was 9,6% below the prior period quarter, resulting in a decline in the EBITDA margin to 33,3% (2009: 36,9%).

Frontier Inn

The Frontier Inn and Casino generated revenues of R10,5 million, an increase of 2,9% on the prior period. GGR increased by 2,3% over the prior period quarter, attributable largely to a 19,2% increase in slots revenues. Hotel and resort revenue increased by 7,1% over the comparable period.

Cash costs were well controlled, increasing by 3,9%. Property rates and taxes were reduced in the current year due to successful negotiations which were concluded with the local council in the latter part of 2009. The savings of R0,1 million contributed significantly to the cost control.

EBITDA at R1,8 million was in line with the prior period quarter. The EBITDA margin decreased to 17,1% (2009: 17,6%).

Head office and management companies

Head office revenue increased by 3,1%, from R42,3 million in the third quarter of 2009 to R43,6 million in the third quarter in 2010. The head office revenues are a result of the management, administration and incentive fees received from the operating units.

Head office EBITDA increased by 1,8% from R28,5 million in 2009 to R29,0 million in the third quarter of 2010. Included in EBITDA during the quarter are cash costs relating to the application for the third casino licence in Limpopo Province of R1,8 million.

The nine month period ended 30 September 2010 (unaudited) compared to the nine month period ended 30 September 2009 (unaudited)

Overview

Group revenue for the period benefited from activity around the World Cup and the gradually improving economic climate and increased by 4,6% from R1 852,2 million to R1 937,0 million. Gaming revenue increased by 2,0% to R1 483,5 million. Hotel and resort revenue increased by 14,1% to R453,5 million, primarily as a result of hotel occupancies and room rates achieved during the World Cup period.

Included in other income for the period is a R175,1 million gain as a result of the accounting recording requirements to show a sale of the group's interest in the PGSH joint venture and the recording of the same entity as a subsidiary, and a R4,8 million gain on the release of the onerous contract provision at Taung.

Operating costs for the nine months to September 2010 increased by 10,5% to R1 475,6 million. Included in operating costs in the current year were once-off non-cash BBBEE transaction charges amounting to R57,7 million as a result of disposals of portions of investments in certain of our subsidiaries during the third quarter of 2010, and a R3,2 million accrual for settlement of arrear rates and taxes dispute at our Mmabatho Palms property. In the prior year, costs included a once-off abortive cost of R5,8 million resulting from the decision not to relocate our Umfolozi unit to Richards Bay. If these costs are excluded from both periods, comparable cash costs increased by 5,7%.

EBITDA at R704,1 million is 2,5% above the R687,0 million for the nine months to September 2009. On a comparable basis, after taking the above anomalies into account, EBITDA increased by 2,1% to R707,3 million from R692,8 million in 2009.

Revenue at Emperors Palace increased by R69,2 million or 5,8%, while EBITDA increased by R4,8 million or 1,1% for the nine months. Revenue derived from the balance of the group operations grew by R15,6 million or 2,4%, while EBITDA increased by R12,3 million or 4,7%. In particular, our Khoroni, Frontier Inn and Botswana operations delivered notable performances over the nine months. Revenue at Khoroni increased by 19,4% with EBITDA increasing by 30,1%.

Revenue

Our group revenue increased by 4,6% from R1 852,2 million for the nine months ended 30 September 2009 to R1 937,0 million for the nine months ended 30 September 2010. Emperors Palace revenues increased by 5,8% and revenue generated by the rest of the group increased by 2,4% over the prior year period.



Gaming revenues increased by 2,0% from R1 454,9 million in the nine months ended 30 September 2009 to R1 483,5 million at 30 September 2010.

Rooms revenues improved by 20,3% over the corresponding nine months in the prior year. Other revenue increased by 20,2% to R41,0 million in the nine months. This increase is mainly as a result of the rental income received from our tenants at the refurbished emporium at Emperors Palace. Year to date, food and beverage revenues increased by 6,3% to R185,4 million.

Operating costs

Operating costs for the nine months ended 30 September 2010 were R1 475,6 million, an increase of R139,7 million or 10,5% from R1 335,9 million for the nine months ended 30 September 2009. Excluding the abovementioned costs of R57,7 million relating to the BBBEE transactions, the additional R3,2 million rates and taxes accrual at Mmabatho Palms and the prior year R5,8 million abortive cost at Umfolozi, cash costs increased by 5,7% when compared to the same period in the prior year.

Depreciation and amortisation for the nine months ended 30 September 2010 was R183,1 million, an increase of R18,4 million, or 11,2% from R164,7 million for the nine months ended 30 September 2009. This increase was largely due to the new hotels and upgraded and refurbished facilities completed in 2009.

Operating profit

The resulting operating profit for the nine months at R643,2 million was R120,9 million or 23,1% above the prior period's R522,3 million.

EBITDA

EBITDA for the nine months increased by 2,5% from R687,0 million to R704,1 million over the comparative prior period.

Finance income

Finance income for the nine months ended 30 September 2010 was R323,7 million, a decrease of R512,5 million from the prior period. The variance to the prior period was mainly due to a larger foreign exchange gain of R793,1 million on the translation of the SSN liability in the nine months ended 30 September 2009, when compared to the gain of R306,3 million recorded in the current period.

Finance expenses

Finance expenses at R1 291,6 million reflected a decrease of R230,6 million from the prior period charge of R1 522,2 million. This decrease was as a result of two main factors being the smaller movement in the R:€ exchange rate and the decision to extend the refinancing date of the SSNs to April 2014. As per IAS 39, the written up costs, discount and potential early redemption premium associated with the SSNs of R372,6 million were reversed at June 2010 and consequently these will be written up again using the same effective interest rate to April 2014. The refinance date for the PIK Notes Loan was also extended to April 2014. Consequently the potential early redemption premium and issue discount of R62,2 million were treated in a similar manner as the SSNs. Finance expenses in the current year include the coupon of R13,1 million relating to the R400 million deferred funding of the hedging liability.

Taxation

The taxation and deferred taxation credit of R137,6 million results mainly from deferred taxation credits as a result of estimated taxation losses of Peermont and its subsidiaries.

Loss for the period

The resulting loss after taxation at R187,1 million was greater than the prior period loss of R130,5 million, largely due to increased net finance costs.

Operations

Emperors Palace

Revenue at Emperors Palace increased by 5,8% to R1 268,9 million compared to R1 199,7 million in the same period of the prior year. GGR increased by 2,4% to R1 032,0 million.

Year to date, GGR for Gauteng grew by 1,6%, and our market share improved to 24,7% compared to 24,0% in the prior year. The increase in market share over the previous year is directly driven by the increased footfall to the complex as a result of improved facilities and increased marketing activity.





The refurbishment of the entertainment emporium, the addition of the Peermont Metcourt Hotel in 2009, the gradually improving economic climate and the ongoing marketing activities, have resulted in a significant increase in guest visits to the complex. The average number of vehicles per day visiting the complex increased by 12% for the nine months, as compared to the same period of the prior year. In contrast to our gaming activities, hotel and resort operations produced excellent rooms revenue growth. The World Cup ensured that the rooms revenue increased by 33,1% to R124,3 million compared to R93,4 million in the prior period.

Food and beverage revenue increased to R85,0 million in the nine months from R78,2 million in the prior year period, an overall 8,7% increase.

Cash costs increased by 8,0% when compared to the same period in the prior year, despite a 101,0% increase in municipal rates and taxes to R16,6 million, for the nine months to September 2010. Promotions and marketing costs increased by 7,1% (R7,6 million) when compared to the same period in the prior year. This increase is as a result of the drive to increase footfall to the refurbished emporium and to promote the complex as a destination of choice during the World Cup.

As a result, EBITDA at Emperors Palace increased by 1,1% to R429,6 million. The EBITDA margin for the nine months ended September 2010 decreased to 33,9%, compared to 35,4% as at 30 September 2009.

Graceland

Revenue increased by 2,7% from R103,5 million in 2009 to R106,3 million in the same period in 2010, positively impacted by both World Cup and the Sasol maintenance shutdown during September 2010. GGR increased by 0,5% to R77,0 million. Rooms revenue increased by 30,6% to R11,1 million largely due to two foreign supporter groups occupying the hotel for the duration of the World Cup and the hotel being fully booked throughout the month of September with guests from out of town working at the Sasol maintenance shutdown. Food and beverage revenues increased by 1,3% as the supporters were off-complex for the majority of their stay.

Other income in the prior period includes an amount of R1,4 million relating to an insurance recovery for the count room theft.

Included in operating costs is a once off IFRS 2 BBBEE non-cash transaction charge of R51,2 million as a result of the sale of 27% of the company's equity to local empowerment partners.

Continued tight cost control resulted in cash costs increasing by 3,5% compared to the prior period.

EBITDA declined by 5,2% from R26,9 million to R25,5 million. This resulted in a decreased margin from 26,0% for the nine months in 2009, to 24,0% for the nine months in 2010. On a comparable basis, EBITDA remained in line with the prior period.

Botswana

Revenue increased by 8,8% in pula terms from P160,9 million (R193,4 million) for the nine months ended 30 September 2009 to P175,1 million (R192,9 million) for the same period in 2010. Gaming revenues increased by 11,0% on the prior period, with both slots and tables contributing to the increase. Hotel and resort revenue grew by 7,6% to P107,3 million (R118,3 million).

During September 2009 an initial amount of P0,5 million (R0,6 million) was received from the insurers as part settlement of a claim and was included in other income. During the current year P0,6 million (R0,7 million) of insurance proceeds received was included in other income.

Cash costs increased by 6,8% from the comparable prior year period. In 2009 costs were adversely affected by a theft of cash by staff of approximately P1,1 million (R1,2 million). The VAT rate in Botswana increased from 10% to 12% effective 1 April 2010, which increased the VAT on gaming revenues by P0,7 million (R0,8 million) over the same period in the prior year. It is expected that the impact of this change will be an additional cash cost of P1,8 million (R2,0 million) per annum. The BPC increased electricity usage costs by 30% and the maximum demand electricity charge by 50%, effective 1 May 2010, which has negatively influenced the costs.



EBITDA grew in pula terms by 12,7% to P59,4 million (R65,5 million) for the first nine months of 2010, from P52,7 million (R63,4 million) for the nine months to September 2009. The EBITDA margin increased to 33,9% (2009: 32,8%).

The significant strengthening of the rand in the current year from P1,22: R1 in 2009 to P1,10: R1 in the current year resulted in a rand-based revenue decrease of 0,3% and an EBITDA increase of 3,3% in rand terms.

Rio

Rio generated revenue of R107,3 million for the nine months ended 30 September 2010, a growth of 0,6% on the prior year period. GGR decreased by 2,4% to R96,1 million for the nine months.

EBITDA in the prior period was impacted by an adjustment to VAT and gaming levies, the inclusion of pre-opening expenses for the new hotel and major repairs and maintenance costs amounting to R2,7 million. In the current year EBITDA was impacted by a R0,6 million provision for bad debts.

EBITDA increased from R36,2 million in 2009, to R36,6 million in the first nine months of 2010. This resulted in an increase in the EBITDA margin to 34,1% (2009: 33,9%). If the abovementioned abnormal costs were excluded EBITDA would have decreased by 4,4% to R37,2 million in the nine months to September 2010, from R38,9 million for the comparable period in the prior year.

Mmabatho Palms

The property continues to be negatively affected by a weak local economy and extensive road works leading to Mafikeng. Business from local government, our largest hotel and resort revenue generator, remains constrained.

The resort generated total revenue of R64,7 million for the nine months, a decline of 1,8% on the same period in 2009.

Operating costs in the current year include an accrual of R3,2 million for arrear rates and taxes at the property for the period from August 2008 which was settled in discussion with the local municipality. The prior period costs included an adjustment to VAT and gaming levies of R0,6 million, relaunch costs of R0,5 million, and an adjustment to the leave pay liability amounting to R0,4 million. On a comparable basis cash costs increased by 0,8%.

EBITDA decreased by 24,6% from R13,4 million to R10,1 million. On an adjusted comparable basis, EBITDA declined by 10,7% from R14,9 million in 2009 to R13,3 million in 2010, and the comparable EBITDA margins decreased from 22,5% to 20,6%.

Khoroni

The unit achieved a strong performance with revenue growth of 19,4% to R61,0 million for the nine months. The increase in revenue was driven by an increase of 22,1% in GGR over the prior period, both slots and tables contributing to this increase. Rooms revenue increased by 1,6% for the nine months, negatively impacted the provincial decision to relocate the Limpopo High Court from Thohoyandou to Polokwane.

Operating costs in the current year include a once off non-cash IFRS 2 BBBEE transaction charge of R3,7 million as a result of the sale of 5,0% of the company's equity to a local empowerment partner.

EBITDA at R19,0 million reflects a 30,1% increase on the R14,6 million for the same period in 2009, resulting in an improvement of the EBITDA margin to 31,1% (2009: 28,6%).

Umfolozi

The construction of the new and upgrading of the existing facilities had a significant disruptive effect on the operation over the nine months. The project will be completed by December 2010.

Revenues declined by 0,9% to R90,1 million compared to R90,9 million earned in the same period in the prior year. Food and beverage revenues have increased to R3,7 million as a result of the decision to insource the food and beverage functions. Despite approximately 40% of the gaming floor being out of commission from the end of April to July 2010, GGR decreased by only 4,5%.



In June 2010 a provision of R0,7 million was made for legal and settlement costs as a result of a dispute with a supplier with regards to the initial construction of the complex in 2002. In September the sale of 4% of the company's equity to a local empowerment partner resulted in a R2,8 million non-cash IFRS 2 BBBEE transaction charge being recorded.

Included in EBITDA for the prior period was a once off abortive cost of R5,8 million for the termination of the plans for the relocation to Richards Bay and other income included an amount of R0,6 million relating to an insurance recovery for the armed robbery experienced in 2008.

EBITDA at R29,0 million was 3,6% above the prior period. On a comparable basis, EBITDA decreased by 10,5% to R29,7 million from R33,2 million for the nine months 30 September 2009. The comparable EBITDA margin decreased to 33,0% compared to 36,5% for the same period in 2009.

Frontier Inn

The Frontier Inn and Casino generated revenues of R32,3 million, an increase of 9,9% on the prior comparable period. GGR increased by 6,9% driven by an 18,5% increase in slots revenue when compared to the same period in 2009. Hotel and resort revenue increased by 32,3% on the prior period, assisted by a foreign soccer supporter group occupying the hotel during the month of June.

Operating costs excluding depreciation increased by 4,9%. Property rates and taxes were reduced in the current year due to successful negotiations which were concluded with the local council in the latter part of 2009. The savings of R0,3 million contributed significantly to cost control.

EBITDA at R6,7 million was 36,7% greater than the comparable nine months in the prior year. The EBITDA margin increased to 20,7% (2009: 16,7%).

Head office and management companies

Head office revenue increased by 4,7%, from R122,4 million in the first nine months of 2009 to R128,1 million in the first nine months of 2010. The head office revenues are mainly as a result of management, administration and incentive fees received from operating units.

Head office EBITDA increased by 5,2% from R76,6 million in 2009 to R80,6 million in the first half of 2010. Included in EBITDA are cash costs of R2,2 million relating to the application for the third casino licence in Limpopo Province. The EBITDA margin reflected an increase at 62,9% when compared to the 62,6% achieved in the prior period.

Liquidity and capital resources

Historically, our liquidity requirements have arisen primarily from the need to fund our capital expenditure and our acquisitions. Our principal source of liquidity has been our cash flows from operating activities and borrowings under our credit facilities. Our liquidity requirements will arise primarily to meet our debt service obligations in respect of the notes and to fund capital expenditures and working capital requirements, if any. Our principal sources of liquidity are expected to be cash flows from operations; future borrowings permitted by the indenture; and, amounts available under our revolving credit facility.

We may from time to time seek to repurchase amounts of the notes through cash purchases and/or exchanges for equity, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. We may fund these requirements with funds realised from our hedging arrangements, operating cash flows and, subject to the satisfaction of the required conditions to borrowing, drawings under our RCF or additional debt.



Cash flows

The following table presents the condensed unaudited consolidated cash flows for the PeerMont group for the nine month periods ended 30 September 2009 and 2010:

	(unaudited) 2010	(unaudited) 2009
	R'm	R'm
Cash flow data		
for the nine months ended 30 September		
Cash flows from operating activities	699,6	673,6
Finance income received	17,0	32,6
Finance expenses paid	(346,7)	(350,3)
Taxation paid	(24,6)	(27,1)
Net cash flows from operating activities	345,3	328,8
Cash flows used in investing activities	(160,4)	(203,9)
Cash flows used in financing activities	(414,2)	(4,4)
Net (decrease)/increase in cash and cash equivalents	(229,3)	120,5

Cash flows from operating activities

Net cash inflows from operating activities for the period were R699,6 million compared to R673,6 million for the period ended 30 September 2009. This increase was mainly due to an increase in cash generated from operations.

Finance income

This consists mainly of interest received on cash deposits at financial institutions which have decreased in comparison to the prior period. The decline is attributable to declining interest rates and reduced cash balances on hand.

Finance expenses

This is made up predominantly of interest paid on the notes of R333,5 million (2009: R333,3 million), the borrowings by head office, PGB and PGEFS. The decrease is attributable to the repayment of the PGEFSH loan in December 2009 and PGB corporate notes repaid on 1 March 2010.

Taxation paid

PeerMont and its subsidiaries made certain taxation payments in the ordinary course of business and certain of the subsidiaries, such as PGSH and PGB will continue to incur taxation cash flows. A previously accrued and long outstanding liability of R7,2 million due by Tusk Resorts was settled in the nine months.

Cash flows used in investing activities

Capital expenditure for the nine months was R160,4 million, consisting predominantly of R87,7 million on the construction of the new facilities at Umfolozi; R3,0 million on the purchase of land at Rio; R2,4 million on the purchase of certain rights on our land at Mondazur; R39,5 million on slot machines throughout the group; and, the balance on normal maintenance expenditure.

Cash flows used in financing activities

Net cash flows used in financing activities for the period amounted to R414,2 million. These related largely to repayment of R762,9 million of the MtM liability, the repayment of the corporate notes by PGB, the normal redemption of debt by PGNW, head office and PGEFS, partially offset by the R400 million of deferred payment funding of the hedging liability advanced to PeerMont.

Dividends paid

Dividends paid consisted of the minority share of a dividend paid by both PGB and PGSH.

Cash and cash equivalents

At 30 September 2010 the PeerMont Group had R132,0 million (2009: 541,2 million) in cash resources available to service debt, working capital requirements and new projects. Approximately R40,0 million of this is required for operational and casino floats at the various properties and approximately R35,1 million is controlled on behalf of the beneficiaries of the trusts, consolidated for accounting purposes, as mentioned earlier.



Capital expenditures

Our net capital expenditures in the nine months ended 30 September 2010 and 2009 were R160,4 million and R204,5 million respectively. Cash used for capital expenditures consists primarily of (a) cash used for the replacement of gaming equipment and hotel furniture, fittings and equipment and property refurbishment as well as other assets used for the maintenance of our properties, plant and equipment net of proceeds received from the sale of property, plant and equipment (“maintenance capital expenditure”) and (b) cash used to expand (other than by way of acquisitions) our business capacity to increase revenue and profitability (“expansion capital expenditure”). Expansion capital expenditure includes the purchase of additional gaming equipment, expansion of existing properties and the development of new properties.

Our net maintenance capital expenditures in the nine months ended 30 September 2010 and 2009 were R66,0 million and R138,1 million, representing approximately 3,4% and 7,5% of total revenue, respectively. Our maintenance capital expenditures for both periods reflected ordinary course maintenance and replacement of gaming equipment, primarily slot machines, hotel furniture, fittings and equipment. Our maintenance capital expenditure during the year to date consisted of R39,5 million spent on slots replacement throughout the group; R1,0 million spent on the refurbishment of the Taung hotel; R0,5 million spent on the refurbishment of the fourth floor of the Walmont Hotel in Botswana; and, the balance on other normal maintenance expenditure. Abnormally higher levels of maintenance capital expenditure in 2009 were due to R56,4 million spent on the refurbishment and upgrade of the emporium property division and emporium operating division at Emperors Palace; R14,5 million spent on the refurbishment of Mmabatho Palms; and, R7,8 million spent on the refurbishment of the Metcourt Suites at Emperors Palace.

Our net expansion capital expenditures in the nine months ended 30 September 2010 were R94,4 million. This consisted of R87,7 million on the upgrade and expansion of our Umfolozi property; R3,0 million spent on the purchase of land at Rio; R2,4 million spent on the purchase of certain rights on our land at Mondazur; and, R1,3 million spent on the purchase of the remaining 50% interest in the staff flats at Taung.

Our expansion capital expenditures in the nine months ended 30 September 2009 were R66,4 million. This consisted mainly of R38,9 million on the purchase of the previously leased head office building; R12,3 million spent on the new Peermont Metcourt Hotel at Emperors Palace; R1,9 million spent on gaming expansion at Emperors Palace; P2,8 million (R3,4 million) on the purchase of land in Francistown, Botswana; R6,2 million spent by Rio on its Peermont Metcourt Hotel; and, R3,7 million spent by Rio on its salon privé.

Available capital resources

Our principal source of funds is provided by cash flows from operations; amounts raised as specific project debt allowed per the indenture; and amounts available under our RCF.

At 30 September 2010, of the R400,0 million available under our RCF for working capital and general corporate purposes, R59,5 million of the facility had been utilised to provide guarantees to various gambling boards and financial institutions, and R340,5 million was available for future borrowings.

Subsequent to the period end, we utilised our RCF for the first time since issuing the notes. The draw down was largely utilised to fund the SSN coupon payment made at the end of October 2010.

We have agreed with our RCF lenders to extend our current RCF by R150 million, from R400 million to R550 million. The term sheet has been agreed and the legal documents are in the process of being prepared. The extension of the facility is the same maturity date of the existing facility, 30 April 2013. This will give us some additional headroom for operational needs.

Although we believe that our expected cash flow from operations, together with available needs, will be sufficient to meet our needs for the foreseeable future, we cannot assure you that our business will generate sufficient cash flow from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our working capital or other liquidity needs, including making payments under the notes or our other debt when these become due.

If our working capital requirements exceed our projections, or if our operating cash flow is lower than expected, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and in the capital markets, restrictions in instruments governing our indebtedness, and our general financial performance. Our inability to obtain the funding necessary for our working capital requirements could adversely affect our ability to service our debt





obligations and adequately fund our operations. See “Risk Factors – Risks relating to the notes”, in The Offering Memorandum. Our business may be adversely affected as a result of our substantial indebtedness, which requires the use of a significant portion of our cash flow to service our debt obligations and may limit access to additional capital. Our ability to generate sufficient cash in the future depends on many factors, some of which are beyond our control.

Scheduled repayments of our current obligations

Set out below is a summary of amounts due and committed under our contractual cash obligations at 30 September 2010:

	Less than 1 year R'm	1 – 3 years R'm	3 – 5 years R'm	After 5 years R'm	Total R'm
Second priority senior secured notes due 2014 ⁽¹⁾	81,8	—	3 716,7	—	3 798,5
Deferred hedge funding	13,1	—	—	400,0	413,1
Deeply subordinated shareholders' loans	—	—	1 271,0	1 989,8	3 260,8
PIK Notes Loan ⁽²⁾	—	—	1 271,0	—	1 271,0
PIK Equity Loan ^{(2), (4)}	—	—	—	1 989,8	1 989,8
Bank borrowings ⁽³⁾	7,8	16,3	17,6	17,3	59,0
Promissory note liabilities	6,3	0,7	—	—	7,0
Finance lease agreements	0,7	0,7	—	—	1,4
	109,7	17,7	5 005,3	2 407,1	7 539,8
Operating lease commitments	10,5	13,8	10,9	131,6	166,8
Total	120,2	31,5	5 016,2	2 538,7	7 706,6

⁽¹⁾ The amount reflected is €416,1 million disclosed at the current spot rate, less unamortised issue costs, plus accrued interest.

⁽²⁾ The amount reflected includes the capital owing, accrued and capitalised interest on subordinated long-term shareholder funding from PGH II.

⁽³⁾ Bank borrowings comprise secured loan facilities from financial institutions in South Africa.

⁽⁴⁾ The PIK Equity Loan is due and payable on 31 December 2106 and it is currently the company's intention not to refinance this before June 2015, therefore the amount is classified in the after 5 years period.

Pension plans

We provide defined contribution funds for the benefit of employees, the assets of which are held in separate funds. Our contributions to defined contribution funds are charged to our income statement during the year in which they are incurred.

Off-balance sheet arrangements

We have no off-balance sheet arrangements.

Contingent liabilities

SARS has challenged the taxation effect of a R33,8 million gain made by PGERH on the realisation of a foreign currency option contract in 2005. The company obtained two Senior Counsel opinions at the time of submitting the taxation return and consequently treated the gain as non-taxable. SARS assessed the company for taxation and interest. PGERH sought to resolve the matter through an alternate dispute resolution mechanism, but this was unsuccessful. The group's legal advisers have recently met with SARS officials in an attempt to resolve this long outstanding dispute. We await feedback from SARS on this meeting. Should the SARS interpretation prove to be correct, the group may be exposed to an additional taxation liability of approximately R9,8 million and any interest and or penalties assessed by SARS.

Legal proceedings

We are party to various claims and legal actions in the ordinary course of our business. We believe that such claims and actions, either individually or in aggregate, will not have a material adverse effect on our business, financial condition or results of operations.

A boxing promoter that previously supplied services to certain group entities has instituted legal action against certain entities in the group for damages in the amount of R19,8 million, for breach of an alleged agreement. The claim is being defended and no provision for this claim is made in the financial statements.

After a lengthy legal process and several court appearances, the group's Umfolozi operation agreed to settle a contractual dispute with a claimant. The settlement was for R0,3 million plus costs. The settlement amount was paid in the current year and an amount of R0,4 million for legal costs has been accrued in the current year by PGKZN.





Events subsequent to period end

No material events and circumstances, that have not been covered elsewhere in this report, have occurred subsequent to the period end up to the date of this report.

Market risk

Foreign currency risk

Our condensed unaudited consolidated financial results are affected by currency transactions and translation effects resulting from fluctuations in the exchange rates between the rand and other currencies, principally the euro, pula and US dollar.

In connection with the issuance of the notes, we entered into SRSs, FECs and CCSs to hedge the rand equivalent of the current principal amount of €416,1 million and interest due under the notes to the maturity of the notes at 30 April 2014.

Approximately 27,8% of the coupon exposure arising from the notes to April 2011 is hedged using the original vanilla FECs and the balance of approximately 72,2% of the exposure is hedged using CCSs.

SRS contracts were entered into to hedge the coupon payments from October 2011 to April 2014 and the underlying principal on the €416,1 million SSN liability at maturity.

Currency translation effects occur due to the fact that in 2009 we earned 10,1% of our revenue and incurred approximately 10,6% of our total costs in pula. We do not hedge this exposure. Currency translation effects occur due to the fact that our Botswana operations earned all of their revenue in pula and also prepared their financial statements in this currency. For group consolidation purposes these financial statements are translated to rand, the group's reporting currency.

From time to time, we incur costs in euro or US dollars that principally relate to purchases of imported gaming equipment. We enter into FECs from time to time, to cover foreign exchange payment obligations in respect of these purchases.

	Average for 3 months		Average for 9 months		Closing spot rate	
	2010	2009	2010	2009	2010	2009
euro/rand	9,43	11,10	9,79	11,80	9,51	11,06
pula/rand	1,09	1,15	1,10	1,22	1,08	1,14

Interest rate risk

We sometimes adopt a policy of managing our exposure to changes in floating interest rates on our borrowings through interest rate swaps.

The notes interest is fixed at 7³/₄% until 2014. The interest on the shareholder loans, the balances of which were R1 271,0 million and R1 989,8 million at period end, is set at 18,2% and 18,4% respectively.

Critical accounting policies and use of estimates

The group's accounting policies as set out in the December 2009 annual financial statements have been applied consistently.

The preparation of our financial statements requires management to make estimates and judgements that affect the reported amount of assets, liabilities and net profit. Management re-evaluates its estimates on an ongoing basis. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the value of such assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Details of accounting policies and significant estimates made were set out in our 2009 Annual Report which incorporates the annual financial statements for the year ended 31 December 2009. Please refer to these for more detail.



New accounting interpretations issued and not yet implemented

IFRS 1 (amended 2009) *First-time Adoption of International Financial Reporting Standards* – Amendments relating to limited exemption from comparative IFRS 7 disclosures for first-time adopters – Effective annual periods commencing on or after 1 July 2010.

IAS 24 (revised 2009) *Related Parties* – Revised definition of related parties and modifies certain related party disclosure requirements for government-related entities – Effective annual periods commencing on or after 1 January 2011.

IAS 32 (amended 2009) *Financial instruments presentation* – Amendments allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments – Effective annual periods commencing on or after 1 February 2010.

IFRIC 9 *Financial Instruments* – Effective annual periods commencing on or after 1 January 2013.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – The interpretation provides guidance on accounting for debt for equity swaps – Effective annual periods commencing on or after 1 July 2010.

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

New and ongoing developments

Limpopo casino licence bid

In August 2010 the group submitted a bid to obtain the remaining available casino licence in the Limpopo Province. Two bids were received by the LGB, but the second bid has since been disqualified.

Peermont's bid includes the development of a casino with 150 slots and 8 tables, a 40-key Peermont Metcourt select services three-star hotel, a 130 seater conference facility, a 20 seater boardroom, a tent platform, a 148 seater restaurant, a 104 seater show bar, a retail kiosk, a teenage entertainment area, a childcare facility and adequate on-site parking facilities. The resort is to be constructed at an estimated cost of R236 million, of which R24 million has already been spent on land and bid licence application costs, leaving R212 million to be spent.

Funding of the project is expected to be in the form of a R90 million senior project debt facility; R50 million of subordinated project mezzanine funding; and, the balance in the form of shareholders loans and equity.

The LGB is currently evaluating the bid and public hearings are expected to take place before the end of 2010.

Umfolozi upgrade

Construction of the permanent facilities began in November 2009, with significant disruption to the property during 2010.

The 44-key Peermont Metcourt hotel, new salon privé, 200 seater cinema style convention centre, multi-purpose arena, sports bar, outdoor team building area and upgrading of the restaurant, kitchen and casino interiors at the existing Empangeni site are substantially complete.

The disruption to the casino operations reduced from the end of July 2010 when the upgrade of these facilities was substantially completed. The new facilities are substantially complete and scheduled to open to the public in December 2010 within the budgeted total estimated cost of R115,0 million. The formal launch of the new facilities is planned to take place in January 2011.

Casinos of Mauritius

Peermont has thus far not yet been successful in obtaining approval from the Government of Mauritius for the conclusion of binding agreements for the acquisition of a 51% controlling shareholding in the Casinos of Mauritius and 100% of the shares in the management company responsible for the Casinos of Mauritius ("the Transaction").

Given the significant period of time which has elapsed since our announcement as the preferred bidder for the Transaction, we have no certainty as to whether the Transaction will eventually be concluded or not.





ANNEXURE A

CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF:

Peermont Global (Proprietary) Limited and its subsidiaries

for the three and nine months ended on and as at 30 September 2010

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Peermont Global (Proprietary) Limited and its subsidiaries

GROUP INCOME STATEMENT

for the three months ended 30 September

	Note	2010 R'm	2009 R'm
Revenue		664,0	606,8
Gaming		507,0	472,5
Rooms		79,0	66,5
Food and beverage		64,8	57,2
Other		13,2	10,6
Other income	1	180,1	0,8
		844,1	607,6
Operating costs		(542,2)	(442,3)
Employee costs		(133,8)	(122,1)
VAT and gaming levies on gross gaming revenue		(100,3)	(93,0)
Promotions and marketing		(45,2)	(49,1)
Depreciation and amortisation		(60,4)	(55,6)
Property and equipment rentals		(6,9)	(5,8)
Other operational costs		(195,6)	(116,7)
Operating profit before net finance expenses		301,9	165,3
Net finance expenses		(445,0)	(348,3)
Finance income	2	4,5	9,6
Finance expenses	2	(449,5)	(357,9)
Loss before taxation		(143,1)	(183,0)
Taxation		70,7	47,0
Loss for period		(72,4)	(136,0)
Attributable to:			
Equityholders of Peermont		(76,6)	(141,6)
Minority shareholders		4,2	5,6
		(72,4)	(136,0)

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 30 September

	2010 R'm	2009 R'm
Loss for the period	(72,4)	(136,0)
Other comprehensive income	(16,2)	(9,9)
Exchange differences on translating foreign operations	(16,2)	(9,0)
Unrealised loss on fair value of cash flow hedge	—	(0,9)
Total comprehensive income	(88,6)	(145,9)
Attributable to:		
Equityholders of Peermont	(86,3)	(147,9)
Minority shareholders	(2,3)	2,0
	(88,6)	(145,9)



GROUP INCOME STATEMENT

for the nine months ended 30 September

	Note	2010 R'm	2009 R'm
Revenue		1 937,0	1 852,2
Gaming		1 483,5	1 454,9
Rooms		227,1	188,8
Food and beverage		185,4	174,4
Other		41,0	34,1
Other income	1	181,8	6,0
		2 118,8	1 858,2
Operating costs		(1 475,6)	(1 335,9)
Employee costs		(402,3)	(376,8)
VAT and gaming levies on gross gaming revenue		(292,9)	(286,4)
Promotions and marketing		(139,0)	(133,9)
Depreciation and amortisation		(183,1)	(164,7)
Property and equipment rentals		(19,8)	(19,0)
Other operational costs		(438,5)	(355,1)
Operating profit before net finance expenses		643,2	522,3
Net finance expenses		(967,9)	(686,0)
Finance income	2	323,7	836,2
Finance expenses	2	(1 291,6)	(1 522,2)
Loss before taxation		(324,7)	(163,7)
Taxation		137,6	33,2
Loss for period		(187,1)	(130,5)
Attributable to:			
Equityholders of Peermont		(202,6)	(145,4)
Minority shareholders		15,5	14,9
		(187,1)	(130,5)

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 30 September

	2010 R'm	2009 R'm
Loss before taxation	(187,1)	(130,5)
Other comprehensive income	(5,9)	(12,8)
Exchange differences on translating foreign operations	(6,1)	(12,1)
Gain/(loss) on fair value of cash flow hedge	0,2	(0,7)
Total comprehensive income	(193,0)	(143,3)
Attributable to:		
Equityholders of Peermont	(206,1)	(153,3)
Minority shareholders	13,1	10,0
	(193,0)	(143,3)



Peermont Global (Proprietary) Limited and its subsidiaries

GROUP STATEMENT OF FINANCIAL POSITION

at 30 September

	Note	2010 R'm	2009 R'm
Assets			
Total non-current assets		8 962,7	8 830,9
Property, plant and equipment	3	4 358,0	4 246,8
Intangible assets	4	4 589,7	4 563,5
Investment		5,3	—
Amount due by jointly controlled entity		—	2,2
Loans and receivables		4,7	—
Derivative instruments		5,0	18,4
Total current assets		287,2	686,4
Inventories		52,2	48,1
Trade and other receivables		77,9	82,4
Loans and receivables		2,0	—
Amount due by jointly controlled entity		—	0,1
Amounts due by related parties		22,5	10,5
Current taxation assets		0,6	4,1
Cash and cash equivalents		132,0	541,2
Total assets		9 249,9	9 517,3
Equity and liabilities			
Equity			
Capital and reserves		(324,4)	(3,5)
Minority interest		90,0	46,4
Total equity		(234,4)	42,9
Total non-current liabilities		8 622,9	8 517,4
Interest-bearing long-term borrowings	5	7 430,1	7 474,7
Derivative instruments		307,7	—
Amounts due to related parties		34,0	36,1
Deferred taxation liabilities		851,1	1 006,6
Total current liabilities		861,4	957,0
Trade and other payables		325,4	311,2
Provisions		0,5	7,4
Amounts due to related parties		6,5	6,2
Current portion of interest-bearing long-term borrowings	5	109,7	204,9
Current portion of derivative instruments		417,0	410,8
Current taxation liabilities		2,3	16,5
Total equity and liabilities		9 249,9	9 517,3



PeerMont Global (Proprietary) Limited and its subsidiaries

GROUP STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September

	Share capital R'm	Share premium R'm	Hedging reserve R'm	Translation reserve R'm	Retained earnings R'm	Sub-total R'm	Minority interest R'm	Total equity R'm
Balance at 1 January 2009	0,2	381,0	—	6,1	(237,5)	149,8	46,3	196,1
Total comprehensive income	—	—	(0,7)	(7,3)	(145,3)	(153,3)	10,0	(143,3)
Dividends paid	—	—	—	—	—	—	(9,9)	(9,9)
Balance at 30 September 2009	0,2	381,0	(0,7)	(1,2)	(382,8)	(3,5)	46,4	42,9
Balance at 1 January 2010	0,2	381,0	(0,2)	(2,2)	(464,9)	(86,1)	53,9	(32,2)
Total comprehensive income	—	—	0,2	(3,7)	(202,6)	(206,1)	13,1	(193,0)
Disposal of shares in subsidiaries	—	—	—	—	4,6	4,6	2,2	6,8
Purchase of subsidiary	—	—	—	—	(36,8)	(36,8)	30,5	(6,3)
Dividends paid	—	—	—	—	—	—	(9,7)	(9,7)
Balance at 30 September 2010	0,2	381,0	—	(5,9)	(699,7)	(324,4)	90,0	(234,4)

GROUP STATEMENT OF CASH FLOWS

for the nine months ended 30 September

	2010 R'm	2009 R'm
Cash flows from operating activities	699,6	673,6
Finance income received	17,0	32,6
Finance expenses paid	(346,7)	(350,3)
Taxation paid	(24,6)	(27,1)
Net cash flows from operating activities	345,3	328,8
Cash flows used in investing activities	(160,4)	(203,9)
Replacement of property, plant and equipment to maintain operations	(66,2)	(141,5)
Acquisition of property, plant and equipment to expand operations	(94,4)	(66,4)
Replacement of intangible assets to maintain operations	(0,4)	(0,4)
Proceeds on disposal of property, plant and equipment	0,6	3,8
Repayment of shareholder's loan by jointly controlled entity	—	0,6
Cash flows used in financing activities	(414,2)	(4,4)
Settlement of MtM on derivative liability	(762,9)	—
Interest-bearing long-term borrowings repaid	(39,4)	(23,4)
Dividends paid	(9,7)	(9,9)
Increase in non-current amounts due by related parties	(2,2)	(3,3)
Interest-bearing long-term borrowings raised	400,0	43,5
Shareholder PIK Notes Loan repaid	—	(11,3)
Net (decrease)/increase in cash and cash equivalents	(229,3)	120,5
Cash and cash equivalents at the beginning of the period	362,4	422,0
Effect of exchange rate fluctuations on cash held	(1,1)	(1,3)
Cash and cash equivalents at the end of the period	132,0	541,2



NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 September 2010

	Three months ended 30 September		Nine months ended 30 September	
	2010 R'm	2009 R'm	2010 R'm	2009 R'm
1 Other income				
Gain on revaluation of investment in joint venture	175,1	—	175,1	—
Release of provision for onerous contract	4,8	—	4,8	—
Insurance claims received	0,2	0,8	1,8	2,8
Profit on sale of property, plant and equipment	—	—	0,1	1,7
Reversal of loan impairment	—	—	—	0,8
Refunds received	—	—	—	0,7
	180,1	0,8	181,8	6,0
2 Net finance expenses				
Interest received	4,3	9,4	16,7	32,5
Foreign exchange gains – realised	0,2	—	0,7	0,5
Foreign exchange gains on restatement of SSN liability	—	—	306,3	793,1
Fair value adjustment on derivative asset	—	0,2	—	0,5
Gain on waiver of debt	—	—	—	9,6
Finance income	4,5	9,6	323,7	836,2
Foreign exchange loss on forward contracts to hedge SSN liability	(145,3)	(29,4)	(977,2)	(784,2)
Interest paid/payable – SSN	(98,1)	(115,5)	64,6	(367,0)
Effect of change in refinancing estimate	—	—	372,6	—
Interest paid/payable	(98,1)	(115,5)	(308,0)	(367,0)
Interest payable – PIK Equity Loan	(84,7)	(71,1)	(245,2)	(205,7)
Interest payable – PIK Notes Loan	(58,2)	(50,7)	(109,2)	(148,1)
Effect of change in refinancing estimate	—	—	62,2	—
Interest payable	(58,2)	(50,7)	(171,4)	(148,1)
Interest paid – other	(16,8)	(4,5)	(24,3)	(17,2)
Foreign exchange loss on restatement of SSN liability	(46,4)	(86,6)	—	—
Fair value adjustment on derivative liability	—	(0,1)	(0,3)	—
Finance expenses	(449,5)	(357,9)	(1 291,6)	(1 522,2)



NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 September 2010 (continued)

3 Property, plant and equipment

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
30 September 2010			
Land	189,5	—	189,5
Freehold buildings	3 865,8	(319,4)	3 546,4
Leasehold buildings	188,8	(16,8)	172,0
Furniture, fittings and equipment	691,7	(336,1)	355,6
Capital work in progress	94,5	—	94,5
	5 030,3	(672,3)	4 358,0
30 September 2009			
Land	183,8	—	183,8
Freehold buildings	3 669,7	(227,9)	3 441,8
Leasehold buildings	183,2	(24,6)	158,6
Furniture, fittings and equipment	541,5	(217,6)	323,9
Capital work in progress	138,7	—	138,7
	4 716,9	(470,1)	4 246,8
		2010 R'm	2009 R'm
Land and freehold buildings comprise the following properties:			
– Stand 64, Jones Road, Kempton Park		3 032,1	3 036,8
– Portion 1 of the farm Graceland 593 IS; remainder of the farm Graceland 593 IS (excluding Portions 1 and 2); Portion 41 (a portion of Portion 37) of the farm Driehoek 275; remaining extent of Erf 8438 Secunda Extention 16; and Erf 5869 Secunda Extention 16		276,5	169,2
– Erven 995 and 996, Meiringspark Extension 8, Klerksdorp and Portion 605 (portion of Portion 604) of the farm Townlands, Klerksdorp		169,5	167,2
– Portion 152 of the farm Pretoriuskloof, Johan Blygnaut Drive, Bethlehem		65,9	62,2
– Erf 20, Thohoyandou		69,4	67,2
– Erf 101 San Lameer, Registration Division ET, Province of KwaZulu-Natal in extent 6 933 metres		40,4	38,7
– Portion 20 of Erf 45, Bryanston township		37,6	38,7
– Farm Leeuwvallei 297 KT, Burgersfort		21,5	21,5
– Lot 16145 and 16147, Francistown, Botswana		15,3	16,2
– Portion 1 of Erf 113, Kuleka, Empangeni		7,7	7,9
		3 735,9	3 625,6



NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 September 2010 (continued)

4 Intangible assets

	Cost R'm	Accumulated amortisation R'm	Carrying value R'm
30 September 2010			
Goodwill	1 385,3	—	1 385,3
Casino licences	2 797,6	(1,5)	2 796,1
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	16,7	(15,5)	1,2
Franchise costs	6,1	(4,8)	1,3
Right of use of buildings	10,0	(6,6)	3,4
	4 618,1	(28,4)	4 589,7
30 September 2009			
Goodwill	1 385,3	—	1 385,3
Casino licences	2 765,0	(1,1)	2 763,9
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	14,7	(11,4)	3,3
Franchise costs	6,3	(3,6)	2,7
Right of use of buildings	12,0	(6,1)	5,9
	4 585,7	(22,2)	4 563,5



NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 September (continued)

	2010 R'm	2009 R'm
5 Interest-bearing long-term borrowings		
<i>South African – secured</i>		
Deferred hedging liability	413,1	—
Nedbank property loan	34,7	37,3
ABSA term loan – PGEFS	24,3	29,1
ABSA term loan – PGEFSH	—	32,5
<i>South African – unsecured</i>		
Deeply subordinated shareholders' loans	3 260,8	2 776,4
Promissory notes liabilities	7,0	12,7
Minority shareholder of PGEFSH	—	4,3
<i>Foreign – secured</i>		
SSNs	3 798,5	4 754,8
First National Bank of Botswana Limited	—	2,1
<i>Foreign – unsecured</i>		
Corporate notes – Botswana	—	28,4
<i>Finance leases</i>		
Iskhus Power (Proprietary) Limited	1,4	2,0
Total interest-bearing long-term liabilities	7 539,8	7 679,6
Current portion included in current liabilities	(109,7)	(204,9)
	7 430,1	7 474,7



Peermont Global (Proprietary) Limited and its subsidiaries

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 September (continued)

6 Segmental analysis

	Three months ended 30 September			Nine months ended 30 September		
	Revenue 2010 R'm	Revenue 2009 R'm	EBITDA 2010 R'm	Revenue 2010 R'm	Revenue 2009 R'm	EBITDA 2010 R'm
Emperors Palace	434,5	380,7	147,3	1 268,9	1 199,7	429,6
Botswana [#]	66,0	67,3	22,2	192,9	193,4	65,5
Head office	43,6	42,3	29,0	128,1	122,4	80,6
Rio	35,2	37,2	11,4	107,3	106,7	36,6
Graceland – 97%	37,7	34,5	9,3	103,1	100,4	24,7
Umfolozi [*]	30,9	30,9	10,3	90,1	90,9	29,0
Mimabatho Palms ^{**}	22,4	23,7	1,7	64,7	65,9	10,1
Khoroni	21,6	17,9	6,8	61,0	51,1	19,0
Frontier Inn	10,5	10,2	1,8	32,3	29,4	6,7
Other	5,1	4,4	0,3	16,6	14,7	2,3
Inter-company	(43,5)	(42,3)	—	(128,0)	(122,4)	—
Peermont group	664,0	606,8	240,1	1 937,0	1 852,2	704,1

[#] Average exchange rate (rand/pula) P1,09:R1 (2009: P1,21:R1) for the three months and P1,10:R1 (2009: P1,22:R1) for the nine months applied to the revenue and EBITDA figures.

^{*} Included in EBITDA for the nine months in 2009 are once-off abortive costs for the termination of the relocation to Richards Bay amounting to R5,8 million. On a comparable basis EBITDA for the nine months ended 30 September 2009 would have been R33,8 million.

^{**} Included in EBITDA for the three and nine months is an accrual for rates and taxes of R3,2 million. On a comparable basis EBITDA would be R4,9 million for the three months ended September 2010 and R13,3 million for the nine months ended September 2010.



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