

QUARTERLY REPORT

for the three and six months ended 30 June 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: 26 AUGUST 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 June 2010

	2010 R'm	2009 R'm
Assets		
Total non-current assets	2 816,8	2 797,2
Investment in subsidiary	—	139,7
Deferred taxation asset	—	2,9
Amounts due by subsidiary	2 816,8	2 654,6
Total current assets	2,0	—
Trade and other receivables	*	—
Current taxation asset	2,0	—
Total assets	2 818,8	2 797,2
Equity and liabilities		
Equity		
Capital and reserves	(275,2)	141,9
Total non-current liabilities	3 094,0	2 651,6
Interest-bearing long-term borrowings	3 075,9	2 647,0
PIK Notes liability	1 182,0	1 055,8
Shareholder's loan	1 893,9	1 591,2
Deferred taxation liability	4,9	—
Amounts due to fellow subsidiary company	13,2	4,6
Total current liabilities	—	3,7
Current taxation liability	—	3,7
Total equity and liabilities	2 818,8	2 797,2

* Less than R50 000.

ANNEXURE B

QUARTERLY REPORT

for the three and six months ended 30 June 2010

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

7³/₄% Senior Secured Notes due 2014

DATE: 26 AUGUST 2010



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



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DEFINITIONS

ABSA	ABSA Bank Limited
BBBEE	Broad-based Black Economic Empowerment
Casinos of Mauritius	The companies which operate 5 casinos in Mauritius
CCSs	Credit contingent cross currency swaps
€ 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
CGR	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 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
MUR	Mauritian rupees, legal tender of the Republic of Mauritius
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 in 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 Casino, 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 Alternative 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 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
SIC	State Investment Corporation Limited, a public company limited by shares incorporated under the laws of the Republic of Mauritius (Registration number 4482)
SRSs	Symmetrical Recovery Swaps
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 7 ³ / ₄ % €520 million Senior Secured Notes due 2014, issued on 24 April 2007, listed on the Alternative Securities Market of the Irish Stock Exchange
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 2006/019823/07)
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 3 225 slot machines, 187 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 PeerMont, PGH II, as parent guarantor, and 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% PIK Notes. The PIK Notes were issued under an indenture, dated as of 18 April 2007, by PGH II.

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 has had a negative impact on consumer spending which has 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 recently 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.

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

Peermont 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 3 225 slot machines, 157 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 six month period ended 30 June 2010 and the prior year comparative period, 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 successfully extended all of its hedging arrangements for coupon and principal of the euro denominated SSNs to the maturity of the notes, 30 April 2014.

The new hedges, entered into with the existing hedge counterparties, 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.

Settlement of R400 million of the present value of the MtM under these hedging agreements is now due in April 2017 and a further R253 million was settled by the company in July from its existing cash resources. The R400 million which is due in April 2017 bears interest at a coupon of JIBAR plus 9,75% NACS. The balance of the present value of the MtM liability, amounting to approximately R183 million at 6 July 2010, is expected to be settled from internally generated cash and working capital facilities before the due date in April 2011. The remaining unpaid balance of the MtM accrues an interest cost of 10,8% NACD until it is settled.

A schedule setting out the cash flow effects of the remaining hedges to the maturity of the notes is set out as Annexure B.

Under IFRS the change in estimate of the refinancing date results in fairly significant changes to the accounting treatment of the SSN liability. 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 results 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 have reduced the carrying value of the SSN liability by R372,6 million and reduced the PIK Notes Loan carrying value by R62,6 million. This will be written up in accordance with IAS 39 over the remaining life of the notes to April 2014.

S&P rating release

Standard & Poor's rating services recently removed the company's ratings from CreditWatch with negative implications and affirmed its "B" long-term corporate credit and senior secured debt ratings, with a negative outlook. The recovery rating on senior secured debt was unchanged at "3".

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.

During June 2010 the final approval required to conclude the PGSH shareholder restructuring, that of the South African Competition Commission, was received and the transaction became effective on 1 July 2010. The effect of this is that from 1 July 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 Peeront Southern Highveld Staff Trust (formed for the benefit of PGSH employees)(20%), and 42% by members of the local community.

PGSH is now a subsidiary of Peeront and will in future be fully consolidated in the unaudited consolidated financial statements of the Peeront Group. As the sale of the 27% of the shares in PGSH to PGSHIH is funded by the group, and in terms of IFRS the risks and rewards of the sale only transfer once the debt to the group is repaid, the group will reflect a minority interest of 3% in PGSH. The rights to the effective 27% of PGSH held by PGSHIH will be accounted for by the group as an option, recorded at a determined value at each reporting period.

We are advised 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 97% controlling interest in PGSH as a separate new investment. We are in the process of discussing the accounting mechanics with our auditors and will give further disclosure of the outcome in the next quarterly report.

We are further advised that the transaction may give rise to a non-cash flow BBBEE income statement charge in terms of IFRS 2, similar to those processed on the sale of the shares in PGKZN and PGLim in prior periods. This will arise when the debt mentioned above is settled.

Botswana Casino Licence

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 on 1 June 2010. The licence grants the right to operate 150 slot machines and 11 tables in the central Gaborone area and is likely to dilute the GGR of the existing casinos already operating in the Gaborone area.

PGB, Sun International Botswana and Moonlite Casino objected against the issue of this licence. PGB intends to appeal to the High Court to have this decision reviewed.

BBBEE shareholding in PGNW, PGLim and PGKZN

In October 2009 Peeront was successful in disposing of 6% of PGKZN to an appropriate BBBEE partner and the LGB approved that 5% of the PGLim shares be donated to a local educational trust. Management is continuing with the process to identify, obtain approval from the gambling boards and effecting the sales of the balance of the required sale shares, to meet the requirements of the gambling boards.

In terms of IFRS 2, the remaining sales will necessitate the recording of a cost in each of the companies for receiving these additional BBBEE credentials. The total estimated cost to the group will be approximately R5,0 million, estimated as if the transactions had been implemented at 30 June 2010 values.

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 the 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 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 2009.

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; 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.

Results of operations of the Peermont Group

The following table presents selected condensed unaudited consolidated financial information of the 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.

Income statement data	(unaudited)		(unaudited)
for the three months ended 30 June	2010	%	2009
	R'm	change	R'm
Revenue	654,4	7,0	611,6
Gaming	492,7	2,6	480,1
Rooms	86,0	40,8	61,1
Food and beverage	61,8	(0,8)	62,3
Other	13,9	71,6	8,1
Other income	1,6	(56,8)	3,7
Operating costs	(478,4)	7,7	(444,3)
Operating profit	177,6	3,9	171,0
Finance income	45,1	(92,7)	619,7
Finance expenses	(152,8)	(80,2)	(770,6)
Profit before taxation	69,9	*	20,1
Taxation	(3,0)	(69,4)	(9,8)
Profit for the period	66,9	*	10,3
Attributable to:			
Equityholders of Peermont	61,0		6,7
Minority shareholders	5,9		3,6
	66,9		10,3
EBITDA¹ reconciliation			
Operating profit	177,6		171,0
Add: Depreciation and amortisation	63,5		53,8
EBITDA	241,1	7,3	224,8
Rental charges	6,4		6,2
EBITDAR	247,5	7,1	231,0
EBITDA margin	36,8%		36,8%
EBITDAR margin	37,8%		37,8%

⁽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 June 2009 and 30 June 2010 is provided above.

* Greater than 100%



Income statement data for the six months ended 30 June	(unaudited) 2010 R'm	%	(unaudited) 2009 R'm
		change	
Revenue	1 273,1	2,2	1 245,4
Gaming	976,5	(0,6)	982,4
Rooms	148,2	21,2	122,3
Food and beverage	120,6	–	120,6
Other	27,8	38,3	20,1
Other income	1,7	(67,3)	5,2
Operating costs	(933,5)	4,5	(893,5)
Operating profit	341,3	(4,4)	357,1
Finance income	365,6	(60,0)	913,3
Finance expenses	(888,5)	(30,0)	(1 251,1)
(Loss)/profit before taxation	(181,6)	*	19,3
Taxation	66,9	*	(13,8)
(Loss)/profit for the period	(114,7)	*	5,5
Attributable to:			
Equityholders of Peermont	(125,9)		(3,8)
Minority shareholders	11,2		9,3
	(114,7)		5,5
EBITDA¹ reconciliation			
Operating profit	341,3		357,1
Add: Depreciation and amortisation	122,7		109,1
EBITDA	464,0	(0,5)	466,2
Rental charges	12,8		13,1
EBITDAR	476,8	(0,5)	479,3
EBITDA margin	36,4%		37,4%
EBITDAR margin	37,5%		38,5%

⁽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 six months ended 30 June 2009 and 30 June 2010 is provided above.

* Greater than 100%

Commentary on the results for the period

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

Overview

Group revenue for the three months benefited from activity around the World Cup and the improving economic climate, and increased by 7,0% from R611,6 million to R654,4 million. Gaming revenue increased by 2,6% from R480,1 million to R492,7 million. Hotel and resort revenue increased by 23,0% to R161,7 million, primarily as a result of the hotel occupancies and room rates achieved from the World Cup period.

Cash costs increased by 6,2% to R414,9 million for the quarter, mainly a result of a 12,8% increase in costs at Emperors Palace. The Emperors Palace cash cost increase was due to a 270,8% increase in municipal rates and taxes as well as a 28,7% increase in promotions and marketing expenditure. The increased marketing expenditure was incurred to drive an increase in footfall and promote the complex before and during the World Cup.

EBITDA increased by 7,3% from R224,8 million in the second quarter of 2009 to R241,1 million for the same period in 2010.

EBITDA for the second quarter of 2009 included a once off abortive cost of R5,8 million arising from the decision to no longer relocate our Umfolozi unit to Richards Bay. Excluding this once off item, EBITDA would have increased by 4,6%.





Revenue at Emperors Palace increased by R34,4 million or 8,7%, while EBITDA decreased by R0,2 million or 0,1% for the quarter. Revenue derived from the balance of the group operations grew by R8,4 million or 3,9%, while EBITDA increased by R16,5 million or 21,1%. In particular, our Botswana, Khoroni and Frontier Inn operations delivered exceptional performances during the quarter. Khoroni enjoyed a 19,0% increase in revenue and a 76,9% increase in EBITDA.

Revenue

Group revenue increased by 7,0% from R611,6 million for the three months ended 30 June 2009 to R654,4 million for the three months ended 30 June 2010. Emperors Palace revenues increased by 8,7% and revenues derived from the balance of the group operations increased by 3,9%.

Gaming revenues increased by 2,6% from R480,1 million in the quarter ended 30 June 2009 to R492,7 million in June 2010.

Hotel rooms revenues improved as compared to the corresponding three months in the prior year by 40,8% to R86,0 million. This was largely driven by World Cup activity which is discussed as part of each affected unit's performance. Other revenue increased by 71,6% to R13,9 million for the three months. This increase is mainly as a result of the rental income received from our tenants at the newly refurbished emporium at Emperors Palace.

Operating costs

Operating costs for the three months ended 30 June 2010 were R478,4 million, an increase of R34,1 million or 7,7%, from R444,3 million for the three months ended 30 June 2009. Cash operating costs increased by 6,2% when compared to the same period in 2009.

Depreciation and amortisation for the quarter ended 30 June 2010 was R63,5 million, an increase of R9,7 million or 18,0% from R53,8 million for the three months ended 30 June 2009.

Operating profit

The resulting operating profit was R177,6 million as compared to the prior period profit of R171,0 million.

EBITDA

EBITDA increased by 7,3% from R224,8 million to R241,1 million over the prior period.

Finance income

Finance income for the three months ended 30 June 2010 was R45,1 million, a decrease of R574,6 million from the prior period. The variance to the prior period arose due to an unrealised foreign exchange gain of R600,1 million recorded on the translation of the SSN liability in the prior period, as compared to R39,4 million recorded in the current period.

Finance expenses

Finance expenses at R152,8 million reflected a decrease of R617,8 million from the prior period charge of R770,6 million. This decrease was as a result of two main factors, the smaller movement in the R:€ exchange rate and reversals of written up accounting costs due to the decision to extend the refinancing date of the SSNs to April 2014. As per IAS 39 written up issue costs, discount and potential early redemption premium associated with the SSNs of R372,6 million were reversed at June 2010, and consequently the issue costs and discount will be written up again to April 2014 using the same effective interest rate. The estimated refinance date for the PIK Notes Loan was also extended to April 2014, and consequently the early redemption premium and discount of R62,2 million were treated in the same manner.

Taxation

The taxation and deferred taxation charge of R3,0 million results mainly from taxation charges at PGSH and PGB.

Profit for the period

The resulting profit after taxation at R66,9 million was greater than the prior period profit of R10,3 million.



Operations

Emperors Palace

Revenue at Emperors Palace increased by 8,7% to R431,0 million compared to R396,6 million in the same period of the prior year. GGR increased by 3,5% to R344,3 million.

In the second quarter, GGR for Gauteng grew by 3,7% and our market share remained the same for the second consecutive quarter at 24,6%. This is an improvement on the comparable period in 2009 where we achieved a market share of 23,8%.

The refurbishment of our entertainment emporium, the addition of the Peermont Metcourt hotel in 2009 and our ongoing aggressive 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 11% 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 59,9% to R49,1 million compared to R30,7 million in the prior period. Complex occupancies for the second quarter were 68,6%, a 7,5% improvement on the prior period complex occupancies of 61,1%. Revenue per available room increased by 60,2% from R500 per room to R801 per room.

Food and beverage revenue decreased to R28,0 million in the three months from R30,2 million in the comparable prior period, a 7,3% decrease. Although rooms revenue was positively impacted by the number of visitors to the complex, these visitors predominantly made use of the outsourced food facilities in the upgraded emporium. In contrast to this, our internal food and beverage offering has been used to great effect to reward loyalty and drive footfall on the casino floor, effectively resulting in a decrease in cash business.

Cash costs at Emperors Palace increased by 12,8% to R284,9 million for the quarter, influenced by a 270,8% increase in municipal rates and taxes to R5,4 million for the quarter. Promotions and marketing costs increased by 28,7%, when compared to the same period in the prior year, as a result of the drive to increase footfall and promote the complex as a destination of choice both before and during the World Cup.

As a result, EBITDA at Emperors Palace decreased by 0,1% to R146,0 million. The EBITDA margin for the three months declined from 36,9% as at 30 June 2009 to 33,9% as at 30 June 2010.

Graceland

Graceland revenues declined by 1,7% from R35,0 million in 2009 to R34,4 million in the same period in 2010. GGR decreased by 5,4% to R24,7 million. Rooms revenue increased by 57,1% in the quarter as a result of two foreign supporter groups occupying the hotel for most of the month of June. Food and beverage revenues decreased by a disappointing 6,1% as the supporters were off complex for the majority of their stay.

Included in other income in 2009 was an amount of R1,4 million relating to an insurance recovery for the count room theft.

Continued cost control resulted in operating expenses excluding depreciation and amortisation decreasing by 0,8% compared to the prior period.

EBITDA decreased by 18,8% from R10,1 million to R8,2 million. This resulted in a decreased margin from 28,9% for the second quarter in 2009 to 23,8% for the same three months in 2010. On a comparable basis, after removing the R1,4 million of other income from the 2009 results, EBITDA decreased by R0,5 million or 5,7%.

Botswana

Revenue increased by 10,8% in pula terms from P53,5 million (R62,6 million) for the three months ended 30 June 2009 to P59,3 million (R66,1 million) for the same period in 2010. Gaming revenues improved by 14,2% on the prior period, mainly as a result of an exceptional tables performance where revenues increased by 37,1%. Hotel and resort revenue grew by 8,8% to P36,0 million.

Cash costs increased by 6,8% from the same quarter in 2009. In the prior period costs were adversely affected by a theft of cash by staff of approximately P0,7 million. 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. It is expected that the impact of this change will be an additional cash cost of approximately P1,6 million per annum. On a comparable basis cash costs increased by 7,7%.

EBITDA for the second quarter of 2010 increased in pula terms by 19,9% to P19,9 million (R22,6 million) from P16,6 million (R19,4 million) for the prior year quarter. The EBITDA margin increased to 33,6% (2009: 31,0%).





Rio

Rio generated a growth in revenue of 1,7% to R35,0 million for the second quarter of 2010, when compared to the same period in 2009.

EBITDA increased from R10,5 million in the second quarter of 2009, to R12,2 million in the second quarter of 2010. This resulted in an increase in the EBITDA margin to 34,9% (2009: 30,5%).

Included in the prior year quarter was an adjustment to VAT and gaming levies and major repairs and maintenance costs of R2,2 million. If the above costs are excluded from the prior year quarter, EBITDA decreased by a comparable 3,9%.

Mmabatho Palms

The property continues to be negatively affected by the poor state of repair of certain roads leading to Mafikeng. Business from local government, our largest hotel and resort revenue generator, remains constrained.

The resort generated total revenue of R21,2 million for the period, down 1,9% on the same period in 2009. This decline is attributable to a 3,3% decline in GGR. Included in operating costs in the prior year period was a VAT and gaming levies adjustment amounting to R1,2 million. EBITDA declined by 2,6% from R3,8 million to R3,7 million. EBITDA margins declined from 17,6% to 17,5%.

Khoroni

The unit achieved a strong performance with revenue growth of 19,0% to R20,7 million for the quarter. The increase in revenue was driven by an increase of 28,0% in GGR over the prior period, with both slots and tables contributing to this increase. Rooms revenue decreased by 9,1% for the quarter. The main cause of this was the provincial decision to relocate the Limpopo High Court from Thohoyandou to Polokwane.

In the prior year quarter, a VAT adjustment amounting to a cost of R0,8 million affected the results. Costs were exceptionally well controlled for the second quarter of 2010, in particular external promotions and marketing costs as the property continues to use in-house facilities to market the complex.

EBITDA at R6,9 million was 76,9% above the R3,9 million for the same period in 2009, resulting in an increase of the EBITDA margin to 33,3% (2009: 22,4%).

Umfolozzi

The construction of the new and upgrading of existing facilities is currently underway. This has had a significant disruptive effect on the operation during the quarter. This project is expected to be completed by December 2010.

Revenues at Umfolozzi decreased by 5,6% to R28,7 million compared to R30,4 million in the same period in the prior year. Food and beverage revenues have increased by R1,2 million as a result of the decision to insource the food and beverage functions. GGR decreased by 9,3%, negatively affected by the construction programme. In light of the fact that approximately 40% of the casino gaming floor was closed at the end of April, this has been a notable achievement.

In June a provision of R1,0 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. Also, in 2009 a once off abortive cost for the termination of the relocation to Richards Bay of R5,8 million was expensed.

Other costs in the 2010 quarter were well controlled and increased by 5,2%. Consequently, reported EBITDA at R8,3 million was 56,6% up on the prior period. On a comparable basis, EBITDA after elimination of both anomalies, decreased by 16,2% from R11,1 million in 2009 to R9,3 million for the quarter. The comparable adjusted EBITDA margin for the quarter declined to 32,4% compared to the adjusted 36,5% for the same period in 2009.

Frontier Inn

The Frontier Inn produced a strong performance during the second quarter, generating revenues of R11,6 million, an increase of 13,7% on the prior period. GGR increased by 7,6% over the prior period quarter, attributable to a 24,8% increase in slots revenues. Hotel and resort revenue increased by 70,0% over the comparable period, attributable partly to a foreign soccer supporter group occupying the hotel for most of 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 R0,2 million contributed significantly to the cost control.



EBITDA increased from R2,1 million in the second quarter of 2009, to R3,1 million in the second quarter of 2010, a 47,6% increase. The EBITDA margin increased to 26,7% (2009: 20,6%).

Head office and management companies

Head office revenue increased by 9,8%, from R39,8 million in the second quarter of 2009 to R43,7 million in the second quarter of 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 13,7% from R24,8 million in 2009 to R28,2 million in the second quarter of 2010.

The six month period ended 30 June 2010 (unaudited) compared to the six month period ended 30 June 2009 (unaudited) ***Overview***

Group revenue for the period increased by 2,2% from R1 245,4 million to R1 273,1 million. Gaming revenue decreased by 0,6% to R976,5 million. Hotel and resort revenue increased by 12,8% to R296,6 million, primarily as a result of the World Cup which commenced in June.

Cash costs for the six months to June 2010 increased by 3,4% to R810,8 million. EBITDA decreased by 0,5% to R464,0 million from R466,2 million in the first half of 2009.

Included in EBITDA for the second quarter of 2009 was the once off abortive cost of R5,8 million arising from the decision not to relocate our Umfolozi unit to Richards Bay. If this cost is excluded, EBITDA would have decreased by 1,7%.

Revenue at Emperors Palace increased by R15,4 million or 1,9%, while EBITDA decreased by R20,2 million or 6,7% for the six months. Revenue derived from the balance of the group operations grew by R12,3 million or 2,9% while EBITDA increased by R18,0 million or 11,0%. In particular, our Khoroni and Frontier Inn operations delivered notable performances over the six months. Revenue at Khoroni increased by 18,7% with EBITDA increasing by 37,1%.

Revenue

Our group revenue increased by 2,2% from R1 245,4 million for the six months ended 30 June 2009 to R1 273,1 million for the six months ended 30 June 2010. Emperors Palace revenues increased by 1,9% and revenue generated by the rest of the group increased by 2,9% over the prior year period.

Gaming revenues declined by 0,6% from R982,4 million in the six months ended 30 June 2009 to R976,5 million at June 2010.

Rooms revenues improved by 21,2% over the corresponding six months of the prior year. Other revenue increased by 38,3% to R27,8 million in the six months. This increase is mainly as a result of the rental income received from our tenants at the newly refurbished emporium at Emperors Palace. Year to date, food and beverage revenues were flat at R120,6 million.

Operating costs

Operating costs for the six months ended 30 June 2010 were R933,5 million, an increase of R40,0 million, or 4,5%, from R893,5 million for the six months ended 30 June 2009. Operating costs excluding depreciation and amortisation increased by 3,4% when compared to the same period in 2009. Included in other operational costs for the prior period is a once off Richards Bay abortive cost amounting to R5,8 million. On a comparable basis, cash costs increased by 4,1%.

Depreciation and amortisation for the six months ended 30 June 2010 was R122,7 million, an increase of R13,6 million, or 12,5% from R109,1 million for the six months ended 30 June 2009. This was largely due to the new hotels and upgraded and refurbished facilities completed in 2009.

Operating profit

The resulting operating profit for the six months at R341,3 million was R15,8 million or 4,4% below the prior period's R357,1 million.



EBITDA

EBITDA for the six months decreased by 0,5% from R466,2 million to R464,0 million over the comparative prior period.

Finance income

Finance income for the six months ended 30 June 2010 was R365,6 million, a decrease of R547,7 million from the prior period. The variance to the prior period was mainly due to a larger foreign exchange gain of R880,0 million on the translation of the SSN liability in the six months ended 30 June 2009 compared to the R352,7 million recorded at June 2010.

Finance expenses

Finance expenses at R888,5 million reflected a decrease of R362,6 million from the prior period charge of R1 251,1 million. This is largely as a result of the decision to change the refinancing date of the group's debt structure to April 2014. As per IAS 39, the written-up costs, discount and early redemption premium associated with the SSNs were reversed at June 2010, consequently these will be written-up again using the same effective yield to April 2014. The refinance date for the PIK Notes Loan was also extended to April 2014, consequently the early redemption premium and discount were treated in a similar manner as the SSNs.

Taxation

The taxation and deferred taxation credit of R66,9 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 R114,7 million was below the prior period profit of R5,5 million, largely due to increased net finance costs.

Operations

Emperors Palace

Revenue at Emperors Palace increased by 1,9% to R834,4 million compared to R819,0 million in the same period of the prior year. GGR decreased by 1,9% to R677,7 million.

Year to date, GGR for Gauteng grew by 0,2% and our market share improved to 24,6% compared to 24,3% 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 and our ongoing aggressive 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 six months, as compared to the first half 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 33,7% to R80,6 million compared to R60,3 million in the prior period.

Food and beverage revenue decreased to R56,8 million in the six months from R57,2 million in the prior year period, an overall 0,7% decrease. Although the rooms revenue was positively impacted by the number of visitors to the complex, these visitors predominantly made use of the outsourced food facilities in the upgraded emporium. In contrast to this, our internal food and beverage offering has been used to great effect to reward loyalty and drive footfall on the casino floor, effectively resulting in a decrease in cash business.

Operating costs, excluding depreciation and amortisation, increased by 6,4% when compared to the same period in the prior year, despite a 274,8% increase in municipal rates and taxes to R10,8 million. Promotions and marketing costs increased by 17,3% (R11,2 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 newly refurbished emporium and to promote the complex as a destination of choice both before and during the World Cup.

As a result, EBITDA at Emperors Palace decreased by 6,7% to R282,3 million. The EBITDA margin for the six months ended June 2010 decreased to 33,8%, compared to 36,9% for the first six months of 2009.



Graceland

Revenue decreased by 0,7% from R67,9 million in 2009 to R67,4 million in the same period in 2010. GGR decreased by 1,6% to R49,5 million. Due largely to two foreign supporter groups occupying the hotel for the month of June, rooms revenue increased by 22,4% to R7,1 million. Food and beverage revenues decreased by 4,0% 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.

Continued tight cost control resulted in overhead and operating expenses excluding depreciation and amortisation increasing by only 0,4% compared to the prior period.

EBITDA declined by 12,2% from R18,1 million to R15,9 million. This resulted in a decreased margin from 26,7% for the first six months in 2009, to 23,6% for the first six months in 2010. On a comparable basis, EBITDA decreased by R0,8 million or 4,8%.

Botswana

Revenue increased by 9,7% in pula terms from P103,7 million (R126,1 million) for the six months ended 30 June 2009 to P113,8 million (R127,0 million) for the same period in 2010. Gaming revenues increased by 14,2% on the prior period as a result of an exceptional tables performance with tables revenues increasing by 23,2%. Hotel and resort revenue grew by 7,0% to P69,0 million.

Cash costs increased by 6,1% from the prior year period in 2009. In the prior period costs were adversely affected by a theft of cash by staff of approximately P0,7 million. The VAT rate in Botswana increased from 10% to 12% effective 1 April 2010, which increased the VAT on gaming revenues by P0,4 million (R0,5 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 approximately P1,6 million per annum. On a comparable basis, after adjusting for the cash effects of the theft, cash costs increased by 7,2%.

EBITDA grew in pula terms by 17,5% to P38,3 million (R43,3 million) for the first half of 2010, from P32,6 million (R39,6 million) for the six months to June 2009. The EBITDA margin increased to 33,7% (2009 31,4%).

The significant strengthening of the rand in the current year from P1,22 : R1 in 2009 to P1,12 : R1 in the current year resulted in a rand based revenue increase of 0,7% and an EBITDA increase of 9,3% in rand terms.

Rio

Rio generated revenue of R72,1 million for the first six months of 2010, a growth of 3,7% on the prior period.

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.

EBITDA increased from R21,9 million in the first six months of 2009, to R25,2 million in the first six months of 2010. This resulted in an increase in the EBITDA margin to 35,0% (2009: 31,5%). If the above costs were excluded from the prior period, EBITDA would have increased by 2,4%.

Mmabatho Palms

The property continues to be negatively affected by the poor state of repair of certain roads leading to Mafikeng. Business from local government, our largest hotel and resort revenue generator, remains constrained.

The resort generated total revenue of R42,3 million for the six months, up 0,2% on the same six months in 2009.

Included in operating costs in the prior period was an adjustment to VAT and gaming levies of R1,2 million.

EBITDA in 2010 increased over the first six months of 2009 by 2,4% from R8,2 million to R8,4 million. EBITDA margins increased from 19,4% to 19,9%. On an adjusted comparable basis EBITDA declined by 10,6%.



Khoroni

The unit achieved a strong performance with revenue growth of 18,7% to R39,4 million for the six months. The increase in revenue was driven by an increase of 24,0% in GGR over the prior period, both slots and tables contributing to this increase. Rooms revenue declined by 7,5% for the six months. The main cause of this was the provincial decision to relocate the Limpopo High Court from Thohoyandou to Polokwane.

Included in operating costs in the prior year was an adjustment to VAT and gaming levies amounting to R0,8 million and a reversal of R0,5 million of excess accruals in 2008. EBITDA at R12,2 million reflects a 37,1% increase on the R8,9 million for the same period in 2009, resulting in an improvement of the EBITDA margin to 31,0% (2009: 26,8%). Excluding the anomalies, EBITDA increased by 32,6%.

Umfoloji

The construction of the new and upgrading of the existing facilities is currently underway and this had a significant disruptive effect on the operation. The project is expected to be completed by December 2010.

Revenues declined by 1,3% to R59,2 million compared to R60,0 million earned in the same period in the prior year. Food and beverage revenues have increased to R2,6 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, GGR decreased by only 5,4%.

In June a provision of R1,0 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.

EBITDA at R18,7 million was 12,7% above the prior period. Included in EBITDA for the prior period was a once off abortive cost for the termination of the relocation to Richards Bay of R5,8 million and other income included an amount of R0,6 million relating to an insurance recovery for the armed robbery experienced in 2008. On a comparable basis, EBITDA decreased by 9,6% to R19,7 million from R21,8 million for the six months to 30 June 2009. The comparable EBITDA margin decreased to 33,3% compared to 36,3% for the same period in 2009.

Frontier Inn

The Frontier Inn generated revenues of R21,8 million, an increase of 13,5% on the prior comparable period. GGR increased by 9,3% driven by an 18,5% increase in slots revenue when compared to the same period in 2009. Hotel and resort revenue increased by 50,0% 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 5,6%. 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 R4,9 million was 58,1% greater than the comparable six months in the prior year. The EBITDA margin increased to 22,5% (2009: 16,1%).

Head office and management companies

Head office revenue increased by 5,5%, from R80,1 million in the first six months in 2009 to R84,5 million in the first six months of 2010.

Head office EBITDA increased by 7,3% from R48,1 million in the 2009 half year to R51,6 million in the first half of 2010. The EBITDA margin reflected an increase at 61,1% when compared to the 60,0% 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 revolving credit facility or additional debt.

Cash flows

For the six month period ended 30 June 2009 and 2010, we have provided condensed unaudited consolidated cash flow information for the Peermont Group.

The following table presents our condensed audited consolidated cash flows for the periods ended 30 June 2009 and 2010:

Cash flow data	(unaudited)	(unaudited)
for the six months ended 30 June	2010	2009
	R'm	R'm
Cash flows from operating activities	441,4	468,4
Finance income received	12,9	24,0
Finance expenses paid	(343,2)	(346,1)
Taxation paid	(19,9)	(24,0)
Net cash flows from operating activities	91,2	122,3
Cash flows used in investing activities	(71,0)	(130,9)
Cash flows (used in)/from financing activities	(45,5)	5,7
Net decrease in cash and cash equivalents	(25,3)	(2,9)

Cash flows from operating activities

Net cash inflows from operating activities for the period were R441,4 million compared to R468,4 million for the period ended 30 June 2009. This decrease was mainly due to a decrease in cash generated from operations.

Finance income received

This consists mainly of interest received on cash deposits at financial institutions and interest rate swaps 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 paid

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, PGB and PGKZN 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 six months.



Cash flows from investing activities

Capital expenditure for the six months was R71,0 million, consisting predominantly of R27,8 million on the construction of the new facilities at Umfolozi; R2,4 million on the purchase of certain rights on our land at Mondazur; R21,7 million on slots throughout the group; and, the balance on normal maintenance expenditure.

Cash flows (used in)/from financing activities

Net cash flows used in financing activities for the period amounted to R45,5 million. These related largely to repayment of the corporate notes by PGB as well as normal redemption of debt by PGNW, head office and PGEFS.

Dividends paid

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

Cash and cash equivalents

At 30 June 2010 the Peermont Group had R336,3 million (2009: R418,1 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 R38,5 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 six months ended 30 June 2010 and 2009, were R71,3 million and R131,3 million. 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 six months ended 30 June 2010 and 2009 were R41,1 million and R67,6 million, representing approximately 3,2% and 5,4% 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 R21,7 million spent on slots replacement throughout the group; R0,8 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 R19,4 million spent on the refurbishment and upgrade of the emporium property division and emporium operating division at Emperors Palace; R10,7 million spent on the refurbishment of Mmabatho Palms; and, R5,9 million spent on the refurbishment of the Metcourt Suites at Emperors Palace.

Our net expansion capital expenditures in the six months ended 30 June 2010 were R30,2 million. This consisted of R27,8 million on the upgrade and expansion of our Umfolozi property and R2,4 million spent on the purchase of certain rights on our land at Mondazur. Our expansion capital expenditures in the six months ended 30 June 2009 were R63,7 million. These consisted of R38,9 million on the purchase of the previously leased head office building; R12,8 million spent on the new Peermont Metcourt Hotel at Emperors Palace; R1,4 million spent on gaming expansion at Emperors Palace; P2,8 million (R3,4 million) on the purchase of land in Francistown, Botswana; R5,9 million spent by Rio on its Peermont Metcourt Hotel; and, R1,3 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 June 2010, of the R400,0 million available under our RCF for working capital and general corporate purposes, R56,7 million of the facility had been utilised to provide guarantees to various gambling boards and financial institutions, and R343,3 million was available for future borrowings.

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 June 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⁾⁽⁴⁾	54,7	—	3 599,3	—	3 654,0
Deeply subordinated shareholders' loans	—	—	1 212,8	1 905,1	3 117,9
PIK Equity Loan ⁽²⁾⁽⁵⁾	—	—	—	1 905,1	1 905,1
PIK Notes Loan ⁽²⁾⁽⁴⁾	—	—	1 212,8	—	1 212,8
Bank borrowings ⁽³⁾	7,8	16,1	18,7	18,1	60,7
Promissory note liabilities	6,2	2,4	—	—	8,6
Finance lease agreements	0,7	0,9	—	—	1,6
	69,4	19,4	4 830,8	1 923,2	6 842,8
Operating lease commitments	10,8	16,8	12,7	132,8	173,1
Total	80,2	36,2	4 843,5	2 056,0	7 015,9

⁽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⁾ It is currently the company's intention to refinance the Senior Secured Notes in April 2014 and the PIK Notes Loan in April 2015, therefore these amounts are all classified in the 3 – 5 years period.

⁽⁵⁾ The PIK Equity Loan is due and payable on 31 December 2106, it is currently the company's intention not to refinance before June 2015, therefore this 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 these are incurred.

Off-balance sheet arrangements

We have no off-balance sheet financing 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 R0,4 million plus costs. An amount of R1,0 million (including legal costs) has been accrued in the period by PGKZN.

Events subsequent to year end

No material events and circumstances, that have not been covered elsewhere in this report, have occurred subsequent to the quarter 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.

New SRS contracts were recently entered into to hedge the coupon payments and underlying principal on the €416,1 million SSN liability to 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 6 months		Closing spot rate	
	2010	2009	2010	2009	2010	2009
euro/rand	9,57	11,46	9,97	12,19	9,39	10,85
pula/rand	1,11	1,21	1,12	1,22	1,11	1,16

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 7¾% until 2014. The interest on the shareholder loans, the balances of which were R1 212,8 million and R1 905,1 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

IAS 32 (amended 2009) *Financial instruments presentation* – Amendments allow rights, options or warrants to acquire a fixed number of the entities 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* – The interpretation deals with accounting for financial assets and only permits financial assets to be classified at amortised cost where the instrument has basic loan features and a business model to hold the instrument to collect contractual cash flows, all other financial assets to be at fair value – 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 July 2009. 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

Casinos of Mauritius

There has been no further developments in this regard.

The transaction still requires the approval of the cabinet of the Mauritian government before it can be concluded. Following the conclusion of the general elections in May of this year, we have requested the Mauritian government to resume the process of obtaining the necessary approval, and await its response.

Umfolozi upgrade

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

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

Construction of the facilities is progressing on schedule. The disruption to the casino operations reduced from the end of July 2010 when the upgrade of these facilities was substantially completed. The construction of the hotel, convention centre and other facilities is progressing well. The new facilities are scheduled to open in December 2010 at the budgeted total estimated cost of R115,0 million.



ANNEXURE A

CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF:

Peermont Global (Proprietary) Limited and its subsidiaries

for the three and six months ended on and as at 30 June 2010

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**GROUP INCOME STATEMENT**

for the three months ended 30 June

	Note	2010 R'm	2009 R'm
Revenue		654,4	611,6
Gaming		492,7	480,1
Rooms		86,0	61,1
Food and beverage		61,8	62,3
Other		13,9	8,1
Other income	1	1,6	3,7
		656,0	615,3
Operating costs		(478,4)	(444,3)
Employee costs		(132,9)	(125,5)
VAT and gaming levies on gross gaming revenue		(98,0)	(96,6)
Promotions and marketing		(45,4)	(38,5)
Depreciation and amortisation		(63,5)	(53,8)
Property and equipment rentals		(6,4)	(6,2)
Other operational costs		(132,2)	(123,7)
Operating profit before net finance expenses		177,6	171,0
Net finance expenses		(107,7)	(150,9)
Finance income	2	45,1	619,7
Finance expenses	2	(152,8)	(770,6)
Profit before taxation		69,9	20,1
Taxation		(3,0)	(9,8)
Profit for the period		66,9	10,3
Attributable to:			
Equityholders of Peermont		61,0	6,7
Minority shareholders		5,9	3,6
		66,9	10,3

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 30 June

	2010 R'm	2009 R'm
Profit for the period	66,9	10,3
Other comprehensive income	—	(7,7)
Exchange differences on translating foreign operations	(0,2)	(7,6)
Unrealised gain/(loss) on fair value of cash flow hedge	0,2	(0,1)
Total comprehensive income	66,9	2,6
Attributable to:		
Equityholders of Peermont	61,1	2,0
Minority shareholders	5,8	0,6
	66,9	2,6

**GROUP INCOME STATEMENT**

for the six months ended 30 June

	Note	2010 R'm	2009 R'm
Revenue		1 273,1	1 245,4
Gaming		976,5	982,4
Rooms		148,2	122,3
Food and beverage		120,6	120,6
Other		27,8	20,1
Other income	1	1,7	5,2
		1 274,8	1 250,6
Operating costs		(933,5)	(893,5)
Employee costs		(268,6)	(254,6)
VAT and gaming levies on gross gaming revenue		(192,6)	(193,3)
Promotions and marketing		(93,7)	(83,6)
Depreciation and amortisation		(122,7)	(109,1)
Property and equipment rentals		(12,8)	(13,1)
Other operational costs		(243,1)	(239,8)
Operating profit before net finance expenses		341,3	357,1
Net finance expenses		(522,9)	(337,8)
Finance income	2	365,6	913,3
Finance expenses	2	(888,5)	(1 251,1)
(Loss)/profit before taxation		(181,6)	19,3
Taxation		66,9	(13,8)
(Loss)/profit for the period		(114,7)	5,5
Attributable to:			
Equityholders of Peermont		(125,9)	(3,8)
Minority shareholders		11,2	9,3
		(114,7)	5,5

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June

	2010 R'm	2009 R'm
(Loss)/profit for the period	(114,7)	5,5
Other comprehensive income	(2,9)	(10,0)
Exchange differences on translating foreign operations	(3,1)	(9,3)
Unrealised gain/(loss) on fair value of cash flow hedge	0,2	(0,7)
Total comprehensive income	(117,6)	(4,5)
Attributable to:		
Equityholders of Peermont	(127,6)	(10,1)
Minority shareholders	10,0	5,6
	(117,6)	(4,5)



GROUP STATEMENT OF FINANCIAL POSITION

at 30 June

	Note	2010 R'm	2009 R'm
Assets			
Total non-current assets		8 788,8	8 822,0
Property, plant and equipment	3	4 215,6	4 230,2
Intangible assets	4	4 560,0	4 565,8
Amount due by jointly controlled entity		1,7	2,4
Loans and receivables		5,0	—
Derivative instruments		6,5	6,2
Deferred taxation assets		—	17,4
Total current assets		493,7	541,5
Inventories		50,7	46,8
Trade and other receivables		82,7	61,9
Loans and receivables		1,6	—
Amount due by jointly controlled entity		0,1	0,1
Amounts due by related parties		20,8	9,1
Current taxation assets		1,2	5,5
Cash and cash equivalents		336,6	418,1
Total assets		9 282,5	9 363,5
Equity and liabilities			
Equity			
Capital and reserves		(215,0)	139,8
Minority interest		54,4	41,9
Total equity		(160,6)	181,7
Total non-current liabilities		7 863,1	8 382,9
Interest-bearing long-term borrowings	5	6 773,4	7 231,7
Derivative instruments		159,1	22,0
Amounts due to related parties		37,1	40,1
Deferred taxation liabilities		893,5	1 089,1
Total current liabilities		1 580,0	798,9
Trade and other payables		314,6	302,5
Provisions		5,9	8,1
Amounts due to related parties		6,6	6,6
Current portion of interest-bearing long-term borrowings	5	69,4	131,2
Current portion of derivative instruments		1 183,1	347,1
Current taxation liabilities		0,4	3,4
Total equity and liabilities		9 282,5	9 363,5

**GROUP STATEMENT OF CHANGES IN EQUITY**

for the six months ended 30 June

	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)	(5,6)	(3,7)	(10,0)	5,5	(4,5)
Dividends paid	—	—	—	—	—	—	(9,9)	(9,9)
Balance at 30 June 2009	0,2	381,0	(0,7)	0,5	(241,2)	139,8	41,9	181,7
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	(1,9)	(125,9)	(127,6)	10,0	(117,6)
Dividends paid	—	—	—	—	(1,3)	(1,3)	(9,5)	(10,8)
Balance at 30 June 2010	0,2	381,0	—	(4,1)	(592,1)	(215,0)	54,4	(160,6)

GROUP STATEMENT OF CASH FLOWS

for the six months ended 30 June

	2010 R'm	2009 R'm
Cash flows from operating activities	441,4	468,4
Finance income received	12,9	24,0
Finance expenses paid	(343,2)	(346,1)
Taxation paid	(19,9)	(24,0)
Net cash flows from operating activities	91,2	122,3
Cash flows used in investing activities	(71,0)	(130,9)
Replacement of property, plant and equipment to maintain operations	(41,4)	(71,0)
Acquisition of property, plant and equipment to expand operations	(30,2)	(63,7)
Replacement of intangible assets to maintain operations	(0,2)	(0,3)
Proceeds on disposal of property, plant and equipment	0,5	3,7
Repayment of shareholder's loan by jointly controlled entity	0,3	0,4
Cash flows (used in)/from financing activities	(45,5)	5,7
Interest-bearing long-term borrowings repaid	(36,6)	(17,4)
Dividends paid	(9,5)	(9,9)
Enterprise development loans granted	(0,2)	—
Decrease in non-current amounts due by related parties	0,8	0,7
Shareholder PIK Notes Loan repaid	—	(11,3)
Interest-bearing long-term borrowings raised	—	43,6
Net decrease in cash and cash equivalents	(25,3)	(2,9)
Cash and cash equivalents at the beginning of the period	362,4	422,0
Effect of exchange rate fluctuations on cash held	(0,5)	(1,0)
Cash and cash equivalents at the end of the period	336,6	418,1



NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June 2010

	Three months ended 30 June		Six months ended 30 June	
	2010 R'm	2009 R'm	2010 R'm	2009 R'm
1 Other income				
Insurance claims received	1,6	1,4	1,6	2,0
Profit on sale of property, plant and equipment	—	1,5	0,1	1,8
Reversal of previously impaired loan	—	0,8	—	0,8
Refunds received	—	—	—	0,6
	1,6	3,7	1,7	5,2
2 Net finance expenses				
Foreign exchange gains on restatement of SSN liability	39,4	600,1	352,7	880,0
Interest received	5,4	9,6	12,4	23,1
Foreign exchange gains – realised	0,3	—	0,5	—
Gain on waiver of debt	—	9,6	—	9,6
Fair value adjustment on derivative asset	—	0,4	—	0,6
Finance income	45,1	619,7	365,6	913,3
Foreign exchange loss on forward contracts to hedge SSN liability and coupon payments	(342,7)	(524,1)	(831,9)	(754,9)
Interest paid/payable – SSN	272,3	(119,7)	162,7	(251,5)
Effect of change in refinancing estimate	372,6	—	372,6	—
Interest paid/payable	(100,3)	(119,7)	(209,9)	(251,5)
Interest payable – PIK Equity Loan	(82,9)	(69,5)	(160,5)	(134,6)
Interest payable – PIK Notes Loan	4,8	(49,8)	(51,0)	(97,3)
Effect of change in refinancing estimate	62,2	—	62,2	—
Interest payable	(57,4)	(49,8)	(113,2)	(97,3)
Interest paid – other	(4,1)	(7,5)	(7,5)	(12,8)
Fair value adjustment on derivative liability	(0,2)	—	(0,3)	—
Finance expenses	(152,8)	(770,6)	(888,5)	(1 251,1)
3 Property, plant and equipment				
		Cost R'm	Accumulated depreciation R'm	Carrying value R'm
30 June 2010				
Land		186,1	—	186,1
Freehold buildings		3 746,6	(298,0)	3 448,6
Leasehold buildings		188,5	(15,9)	172,6
Furniture, fittings and equipment		668,8	(300,8)	368,0
Capital work in progress		40,3	—	40,3
		4 830,3	(614,7)	4 215,6
30 June 2009				
Land		183,3	—	183,3
Freehold buildings		3 672,7	(207,5)	3 465,2
Leasehold buildings		187,6	(26,1)	161,5
Furniture, fittings and equipment		602,1	(265,1)	337,0
Capital work in progress		83,2	—	83,2
		4 728,9	(498,7)	4 230,2



NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June (continued)

	2010 R'm	2009 R'm	
3 Property, plant and equipment (continued)			
Land and freehold buildings comprise the following properties:			
– Stand 64, Jones Road, Kempton Park	3 050,7	3 056,4	
– Erven 995 and 996, Meiringspark Ext 8, Klerksdorp	167,5	168,4	
– 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	160,7	170,2	
– Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem	66,2	62,5	
– Erf 20, Thohoyandou	66,1	67,5	
– Erf 101 San Lameer, Registration Division ET, Province of KwaZulu-Natal	40,6	38,9	
– Portion 20 of Erf 45, Bryanston township	37,9	38,9	
– Farm Leeuwvallei 297 KT, Burgersfort	21,5	21,0	
– Lot 16145 and 16147, Francistown, Botswana	15,8	16,8	
– Portion 1 of Erf 113, Kuleka, Empangeni	7,7	7,9	
	3 634,7	3 648,5	
4 Intangible assets			
	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
30 June 2010			
Goodwill	1 385,3	—	1 385,3
Casino licences	2 766,5	(1,4)	2 765,1
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	16,5	(14,7)	1,8
Franchise costs	6,2	(4,7)	1,5
Right of use of buildings	12,0	(8,1)	3,9
	4 588,9	(28,9)	4 560,0
30 June 2009			
Goodwill	1 385,3	—	1 385,3
Casino licences	2 765,0	(1,0)	2 764,0
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	14,8	(10,4)	4,4
Franchise costs	6,4	(3,2)	3,2
Right of use of buildings	12,0	(5,5)	6,5
	4 585,9	(20,1)	4 565,8



NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June (continued)

	2010 R'm	2009 R'm
5 Interest-bearing long-term borrowings		
<i>South African – secured</i>		
ABSA term loans – PGEFS	25,4	30,3
ABSA term loans – PGEFSH	—	33,9
Nedbank property loan	35,3	37,9
<i>South African – unsecured</i>		
Deeply subordinated shareholders' loans	3 117,9	2 654,6
Promissory notes liabilities	8,6	13,8
Minority shareholder of PGEFSH	—	4,2
<i>Foreign – secured</i>		
SSNs	3 654,0	4 552,8
<i>Foreign – unsecured</i>		
Corporate notes – Botswana	—	33,2
<i>Finance leases</i>		
Iskhush Power (Proprietary) Limited	1,6	2,2
Total interest-bearing long-term liabilities	6 842,8	7 362,9
Current portion included in current liabilities	(69,4)	(131,2)
	6 773,4	7 231,7

6 Segmental analysis

	Three months ended 30 June				Six months ended 30 June			
	Revenue	Revenue	EBITDA	EBITDA	Revenue	Revenue	EBITDA	EBITDA
	2010 R'm	2009 R'm	2010 R'm	2009 R'm	2010 R'm	2009 R'm	2010 R'm	2009 R'm
Emperors Palace	431,0	396,6	146,0	146,2	834,4	819,0	282,3	302,5
Botswana [‡]	66,1	62,6	22,6	19,4	127,0	126,1	43,3	39,6
Head office	43,7	39,8	28,2	24,8	84,5	80,1	51,6	48,1
Rio	35,0	34,4	12,2	10,5	72,1	69,5	25,2	21,9
Graceland – 97%	33,3	34,0	8,0	9,8	65,4	65,9	15,4	17,6
Umfoloji [*]	28,7	30,4	8,3	5,3	59,2	60,0	18,7	16,6
Mmabatho Palms	21,2	21,6	3,7	3,8	42,3	42,2	8,4	8,2
Khoroni	20,7	17,4	6,9	3,9	39,4	33,2	12,2	8,9
Frontier Inn	11,6	10,2	3,1	2,1	21,8	19,2	4,9	3,1
Other	6,8	4,4	2,1	(1,0)	11,5	10,3	2,0	(0,3)
Inter-company	(43,7)	(39,8)	—	—	(84,5)	(80,1)	—	—
Peermont group	654,4	611,6	241,1	224,8	1 273,1	1 245,4	464,0	466,2

[‡] Average exchange rate (Rand/Pula) 1,11 (2009: 1,21) for the three months and 1,12 (2009: 1,22) for the six months applied to the revenue and EBITDA figures.

^{*} Included in EBITDA for 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 three and six months ended 30 June 2009 would be R11,1 million and R22,4 million respectively.



ANNEXURE B

Hedging cash flow summary

		EUR	ZAR
Coupon	29 October 2010	16 122 751	336 211 700
Coupon	29 April 2011	16 122 751	337 134 981
Coupon	29 October 2011	16 122 751	287 865 020
Coupon	29 April 2012	16 122 751	337 500 000
Coupon	29 October 2012	16 122 751	337 500 000
Coupon	29 April 2013	16 122 751	362 500 000
Coupon	29 October 2013	16 122 751	362 500 000
Coupon	29 April 2014	16 122 751	177 168 963
Principal	29 April 2014	416 071 000	4 572 102 362

Mark-to-market funding summary

	ZAR
Amount due in April 2017	400 000 000
<i>Interest payable semi-annually at JIBAR +975bps</i>	
Amount settled from existing cash on balance sheet	253 000 000
Balance to be settled before April 2011	183 000 000
<i>Escalating at 10,8% NACD</i>	
	836 000 000





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