



ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2009



PEERMONT

HOTELS CASINOS RESORTS

Peermont Global Holdings II (Proprietary) Limited

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www.peermont.com



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DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position at 31 December 2009 and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

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

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

Approval of the annual financial statements

The annual financial statements were approved by the board of directors on 24 March 2010 and are signed on its behalf by:

AE Puttergill
Group Chief Executive Officer

WG Robinson
Group Financial Director

DECLARATION BY COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 1973, as amended, that for the year ended 31 December 2009, the Company has lodged with the Register of Companies, all such returns as are required in terms of this Act and that all such returns are true, correct and up to date.

DL Petzer
Company Secretary



CORPORATE GOVERNANCE STATEMENT

for the year ended 31 December 2009

Introduction

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

Annual financial statements

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

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

Audit and risk committee

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

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

Remuneration committee

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

Internal audit

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

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

Internal controls

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

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

Going concern

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



INDEPENDENT AUDITORS' REPORT

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

Report on the annual financial statements

We have audited the annual financial statements of Peermont Global Holdings II (Proprietary) Limited, which comprise the statement of financial position at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 6 to 30.

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Peermont Global Holdings II (Proprietary) Limited at 31 December 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Per G Aldrighetti
Chartered Accountant (SA)
Registered Auditor
Director
24 March 2010



DIRECTORS' REPORT

for the year ended 31 December 2009

The directors present their report, which forms part of the audited annual financial statements of the company, for the year ended 31 December 2009.

Nature of business

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

Going concern

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

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

Waiver of debt

During the year, the company repurchased portions of the PIK Notes Loans in issue. The company realised a gain of R11,2 million (2008: R54,4 million) on the repurchase of the debt as the debt was trading at a discount to its face value at the time. As a portion of the proceeds of the loans were on lent to Peermont, Peermont Global Holdings II ("PGH II") utilised the provisions of paragraph 12(5)(a)(bb) of the Eighth Schedule of the Income Tax Act, to waive a portion of the loans in favour of the company. As a result R9,6 million (2008: R47,3 million) of the PIK Notes Loan was waived during the year.

Financial results and dividends

The financial results of the company are set out in the attached annual financial statements. No dividends have been declared during the year and none are recommended (2008: Rnil).

Share capital

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

Shareholding

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



DIRECTORS' REPORT

for the year ended 31 December 2009

Directors

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

Executive

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

Non-executive

AP Nkuna	Chairman
ZA Dlamini	
CO Elk	
DG Field	
P Langeni	
HM Madima	
K Pillay	
MT Tabata	

Secretary

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

Business address	Postal address
Peermont Place	PO Box 98670
152 Bryanston Drive	Sloane Park
Bryanston	2152
2021	

Holding company

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

Auditors

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

Events subsequent to year end

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



ACCOUNTING POLICIES

for the year ended 31 December 2009

PGH II is a company administered in South Africa. The accounting policies have been applied consistently to all periods presented in these annual financial statements and comparative information has been represented to conform to the revised standard on presentation of financial statements.

Statement of compliance

The annual financial statements have been prepared in accordance with IFRS and its interpretations adopted by the IASB and the Companies Act in South Africa.

Basis of preparation

The annual financial statements are presented in rand millions which is the company's functional currency. The annual financial statements are prepared on the historical cost basis, except for investments in derivative financial instruments that are stated at fair value.

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

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

Changes in accounting policies

Presentation of financial statements

The company applies the revised IAS 1 *Presentation of Financial Statements*, which became effective as of 1 January 2009. As a result, the company presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Basis of consolidation

Investment in subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated annual financial statements from the date that control commences until the date that control ceases. In the company annual financial statements, investments are accounted for at cost less impairment losses.

Investment in jointly controlled entities

Jointly controlled entities are those entities over whose activities the group has joint control, established by contractual agreement. The consolidated annual financial statements include the group's proportionate share of the entities' assets, liabilities, revenue and expenses with items of similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases. In the company financial statements, investments are accounted for at cost less impairment.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated annual financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the group's interest in the enterprises. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2009

Principles of consolidation

The consolidated annual financial statements of the group include the annual financial statements of the company and its subsidiaries and interests in joint ventures. The equity and net income attributable to minority shareholders are shown separately in the statement of financial position and income statement respectively. For the purpose of these annual financial statements, cost at acquisitions refers to the fair value acquired in accordance with IFRS 3 *Business Combinations*.

Revenue

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

Expenses

Operating lease payments

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

Finance lease payments

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

Finance income and finance expenses

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

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

Taxation

Income taxation on the profit or loss for the year comprises current and deferred taxation. Income taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or the statement of changes in equity.

Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantially enacted at the reporting date, and any adjustment to taxation payable in respect of previous years.

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the reporting date.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available in the foreseeable future against which the asset can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2009

Taxation (continued)

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to rand at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to rand at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of other comprehensive income.

Net investment in foreign operations

Exchange differences arising from the retranslation of the net investment in foreign operations, and of related hedges are recognised directly in other comprehensive income to the extent that the hedging is effective. They are released into profit or loss upon disposal.

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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

Depreciation is charged to profit or loss on the straight-line basis over the estimated useful lives of each part of property, plant and equipment. Depreciation is not provided on land or capital work in progress. Current depreciation rates for each category of property, plant and equipment are approximately as follows:

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





ACCOUNTING POLICIES (continued)

for the year ended 31 December 2009

Property, plant and equipment (continued)

Owned assets (continued)

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

The depreciation methods, residual values and useful lives are reassessed at the reporting date.

Gains/(losses) on the disposal of property, plant and equipment are recognised in profit or loss. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

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

Development expenditure

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

Leased assets

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

Leasehold buildings are depreciated over the remaining leasehold periods.

Operating leases

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

Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

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

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Subsequent expenditure

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2009

Intangible assets (continued)

Other intangible assets

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

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

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

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The current estimated useful lives per category of intangible assets are as follows:

Goodwill	Indefinite
Casino licences	Indefinite/licence period
Right of use of buildings	Lease period
Licence application costs	Indefinite
Computer software	33,3% – 50%
Franchise costs	Lease period
Trademarks	Indefinite
Management contracts	Indefinite/contract period

The basis of amortisation, residual values and useful lives are reassessed annually.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets and those individually tested but not found to be individually impaired are assessed collectively in companies that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. On realisation, any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income is transferred to comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2009

Impairment (continued)

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

Financial guarantee contracts

Financial guarantee contracts are classified as insurance contracts as defined in IFRS 4 *Insurance Contracts*.

A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle such contracts and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the reporting date.

Derivative financial instruments

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

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

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2009

Other non-derivative financial instruments

Other non-derivative financial instruments are recognised at fair value, plus any directly attributable transaction costs subsequent to initial recognition. Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any debt issuance costs and impairment losses. Other financial instruments comprise trade and other receivables, trade and other payables, amounts due to related parties, amounts due by related parties, interest-bearing borrowings and cash and cash equivalents.

Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from other comprehensive income and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised). Where material, the ineffective part of any gain or loss is recognised immediately in profit or loss.

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

Hedge of monetary assets and liabilities

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

Inventories

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

Cash and cash equivalents

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

Share capital

Ordinary shares

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

Preference share capital

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2009

Share capital (continued)

Preference share capital (continued)

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

Repurchase of share capital

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

Dividends

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

Provisions

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

Employee benefits

Short-term employee benefits

The costs of all short term employee benefits are recognised in profit or loss during the period in which the employee renders the related service. The provisions for employee entitlement to wages, salaries and annual leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Long-term employee benefits

Liabilities for employee benefits which are not expected to be settled within 12 months are discounted using the market yields at the reporting date, on high quality bonds with terms which most closely match the terms of maturity of the related liabilities.

BBBEE transactions

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

Retirement benefits

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

Offset

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

Segment reporting

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



STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Note	2009 R'm	2008 R'm
Operating expenses		(237,3)	(233,0)
Operating loss before net finance income	1	(237,3)	(233,0)
Net finance income	2	8,0	8,8
Finance income		495,4	481,0
Finance expenses		(487,4)	(472,2)
Loss before taxation		(229,3)	(224,2)
Taxation	3	(3,0)	(8,3)
Total comprehensive income for the year		(232,3)	(232,5)



STATEMENT OF FINANCIAL POSITION

at 31 December 2009

	Note	2009 R'm	2008 R'm
Assets			
Total non-current assets		2 824,0	2 595,2
Investment in subsidiary	4	–	149,8
Amounts due by subsidiary	5	2 820,3	2 445,4
Deferred taxation asset	9	3,7	–
Total current assets		*	*
Taxation asset		*	*
Total assets		2 824,0	2 595,2
Equity and liabilities			
Equity			
Capital and reserves		(82,5)	149,8
Total non-current liabilities		2 906,5	2 445,4
Interest-bearing long-term borrowings	7	2 895,4	2 441,0
Amount due to subsidiary	8	11,1	4,4
Deferred taxation liability	9	–	*
Total current liabilities		*	*
Trade and other payables	10	*	*
Total equity and liabilities		2 824,0	2 595,2

* Less than R50 000



STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Share capital R'm	Share premium R'm	Retained earnings/ (accu- mulated loss) R'm	Total R'm
Balance at 31 December 2007	0,2	381,0	1,1	382,3
Total comprehensive income for the year	—	—	(232,5)	(232,5)
Balance at 31 December 2008	0,2	381,0	(231,4)	149,8
Total comprehensive income for the year	—	—	(232,3)	(232,3)
Balance at 31 December 2009	0,2	381,0	(463,7)	(82,5)



STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Note	2009 R'm	2008 R'm
Cash flows used in operating activities	12.1	(1,4)	(1,3)
Finance income received	12.2	0,4	11,3
Finance expenses paid	12.3	(0,4)	(11,2)
Taxation paid	12.4	(6,8)	(8,3)
Cash flows used in operating activities		(8,2)	(9,5)
Cash flows from investing activities			
Decrease in amount due by subsidiary		19,9	130,0
Cash flows used in financing activities		(11,7)	(120,5)
PIK Notes repurchased		(11,3)	(122,9)
Repayment to subsidiary		(7,1)	—
Increase in non-current amount due to subsidiary		6,7	2,4
Net increase in cash and cash equivalents		—	—
Cash and cash equivalents at beginning of the year		—	—
Cash and cash equivalents at end of the year		—	—



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2009

	2009 R'm	2008 R'm
1. Operating loss before net finance income		
Operating loss is stated after taking into account:		
Impairment of shares held in subsidiary	149,8	231,7
Impairment of amount due by subsidiary	86,1	—
Accounting and consulting fees	1,3	1,2
Auditors' remuneration		
– audit fee current period	*	*
2. Net finance income		
Finance income	495,4	481,0
– interest received	484,2	426,6
– gain on PIK Notes repurchased	11,2	54,4
Finance expenses	(487,4)	(472,2)
– interest paid	(477,8)	(424,9)
– waiver of debt	(9,6)	(47,3)
Net finance income	8,0	8,8
3. Taxation		
South African normal taxation		
Current taxation		
– current year charge	(6,8)	(8,3)
Deferred taxation		
– current year credit	3,8	*
Total taxation charge	(3,0)	(8,3)
<i>Reconciliation of effective taxation rate</i>	%	%
South African standard taxation rate	28,0	28,0
<i>Taxation effect of reconciling items:</i>		
– capital gains	0,7	3,1
– non-deductible expenses	(30,0)	(34,8)
Effective taxation rate	(1,3)	(3,7)
	R'm	R'm
<i>Reconciliation of taxation charge</i>		
Accounting loss before taxation	(229,3)	(224,2)
Current taxation credit thereon	64,2	62,8
Taxation effect of reconciling items		
– capital gains	1,5	7,1
– non-deductible expenses	(68,7)	(78,2)
Total taxation charge	(3,0)	(8,3)

* Less than R50 000



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

	2009 R'm	2008 R'm
4. Investment in subsidiary		
The following information relates to the company's interest in subsidiary:		
<i>Unlisted</i>		
Investment in share capital	381,5	381,5
Less: impairment of investment	(381,5)	(231,7)
	—	149,8

Name	Country of incorporation/ residence	Number of shares held	Proportion owned	Nature of business
Peermont	South Africa	200 000	100%	Develop and manage hotel, casino and convention resorts

	2009 R'm	2008 R'm
5. Amounts due by subsidiary		
Peermont		
– PIK Equity Loan	1 086,3	1 086,3
– PIK Notes Loan	860,4	860,4
– Accrued interest	1 171,1	687,2
PIK Equity Loan	658,3	376,7
PIK Notes Loan	512,8	310,5
– Repayments	(211,4)	(188,5)
PIK Notes – capital and interest	(154,5)	(141,2)
PIK Notes – waiver of debt	(56,9)	(47,3)
Impairment		
– PIK Notes – impairment of loan	(86,1)	—
	2 820,3	2 445,4
– Carrying value		
PIK Equity Loan	1 744,6	1 321,8
PIK Notes Loan	1 075,7	1 123,6
	2 820,3	2 445,4

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

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

The net deficit position of the Peermont group has been supported by the subordination of the above mentioned shareholders' loans advanced to Peermont by PGH II.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

	2009 R'm	2008 R'm
6. Share capital and share premium		
Share capital		
<i>Authorised</i>		
204 000 (2008: 204 000) ordinary shares of R1	0,2	0,2
<i>Issued</i>		
200 000 (2008: 200 000) ordinary shares of R1	0,2	0,2
Share premium		
Arising on issue of shares	381,0	381,0
7. Interest-bearing long-term borrowings		
<i>South African – unsecured</i>		
Deeply subordinated shareholder's loan – PIK Equity Loan	1 736,0	1 458,5
The total capital amount is payable to PGH I by 31 December 2106. Interest of 18,2% NACS is charged on the PIK Equity Loan, payable when PGH I is required to make payments. This loan is subordinated in favour of creditors.		
PIK Notes liability	1 159,4	982,5
Total PIK Notes liability	1 148,1	987,6
Add/(less) deferred debt issuance costs	11,3	(5,1)
On 24 April 2007, the company issued R887,0 million 18% PIK Notes due 2015. This amount was advanced to Peermont – (refer to note 5). The costs incidental to the issue of PIK Notes were capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 19,63% NACS interest on the PIK Notes is payable, at the option of PGH II, on 30 April and 30 October each year. The PIK Notes will mature on 30 April 2015. They may be redeemed in whole or in part at anytime on or after 30 October 2010 subject to certain conditions.		
During the second quarter of the year, PGH II repurchased a cumulative R22,8 million in aggregate principal amount of its outstanding PIK Notes at a price of R11,6 million or 51,1% of face value. All purchased notes were cancelled. The PIK Notes will mature on 30 April 2015. They may be redeemed in whole or in part at anytime or after 30 October 2010 subject to terms and conditions.		
	2 895,4	2 441,0
8. Amount due to subsidiary		
Peermont	11,1	4,4
This amount is an unsecured, interest free loan and has no fixed terms of repayment.		
9. Deferred taxation asset		
At beginning of the year	*	—
Taxation effect of temporary differences	3,7	*
At end of the year	3,7	*
Temporary differences are made up as follows:		
Deferred taxation liability:		
Potential premium on early redemption	3,7	*
	3,7	*
10. Trade and other payables		
Audit fee accrual	*	*
	*	*

* Less than R50 000



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

11. Related parties

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

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

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

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

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

PGEFSH is the holding company of PGEFS.

PGTH is the holding company of:

- ◆ Tusk Casino and Hotel Management Holdings (Proprietary) Limited
- ◆ Tusk Resorts Holdings (Proprietary) Limited ("TRH")
- ◆ Tusk Casino and Hotel Management Holdings (B) (Proprietary) Limited
- ◆ Tusk Resorts Holdings (B) (Proprietary) Limited
- ◆ Tusk Casino and Hotel Management (Proprietary) Limited
- ◆ Tusk Casino and Hotel Management (B) (Proprietary) Limited
- ◆ Emanzini Leisure Resorts (Proprietary) Limited

TRH is the holding company of Tusk Resorts (Proprietary) Limited. Tusk Venda Casino Limited is a wholly owned subsidiary of Tusk Resorts (Proprietary) Limited.

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

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

11.2 Material related party transactions

Peermont

The company paid accounting and consulting fees of R1,3 million (31 December 2008 – R1,2 million) to Peermont during the year ended 31 December 2009.

11.3 Amounts due from/(to) related parties

Refer to notes 5, 7 and 8 for amounts due by and to related parties.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

	2009 R'm	2008 R'm
12. Notes to the statement of cash flows		
12.1 Cash flows from operating activities		
Operating loss before net finance income	(237,3)	(233,0)
Adjusted for:		
Impairment of investment	149,8	231,7
Impairment of amount due by subsidiary	86,1	—
Cash flows from operating activities before working capital changes	(1,4)	(1,3)
Cash used in working capital	*	*
Increase in trade and other payables	*	*
Cash flows used in operating activities	(1,4)	(1,3)
12.2 Finance income received		
Finance income	495,4	481,0
Less: interest accrued remaining in amount due by subsidiary	(495,0)	(469,7)
	0,4	11,3
12.3 Finance expenses paid		
Interest paid	(487,4)	(472,2)
Less: interest accrued remaining in interest-bearing long-term borrowings	487,0	461,0
	(0,4)	(11,2)
12.4 Taxation paid		
Amount outstanding at beginning of year	*	*
Statement of comprehensive income charge	(6,8)	(8,3)
Amount outstanding at end of year	*	*
	(6,8)	(8,3)
* Less than R50 000		

13. Financial instruments

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

13.1 Interest rate risk

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

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

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

At 31 December 2009, it is estimated that a general increase of one percentage point in interest rates would have minimal effect on the company's loss before taxation as the interest rates for all significant borrowings balances are fixed.

13.2 Credit risk

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



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

13. Financial instruments (continued)

13.3 Liquidity risk (continued)

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

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

Maturity analysis

	Carrying value R'm	Within 1 year R'm	1 – 5 years R'm	More than 5 years R'm	No fixed maturity R'm
2009					
Assets					
Amount due by subsidiary	2 820,3	—	2 820,3*	—	—
Deferred taxation asset	3,7	—	—	—	3,7
Liabilities					
Interest-bearing long-term borrowings	2 895,4	—	2 895,4*	—	—
Amounts due to subsidiary	11,1	—	—	—	11,1
2008					
Assets					
Amounts due by subsidiary	2 445,4	—	2 445,4*	—	—
Deferred taxation asset	—	—	—	—	—
Liabilities					
Interest-bearing long-term borrowings	2 441,0	—	2 441,0*	—	—
Amount due to subsidiary	4,4	—	—	—	4,4

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

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

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

	Carrying value R'm	Contractual cash flows R'm	Within 1 year R'm	1 – 5 years R'm	More than 5 years R'm
2009					
PIK Equity Loan	1 736,0	4 391,8	—	—	4 391,8
PIK Notes Loan	1 159,4	2 876,4	—	—	2 876,4
2008					
PIK Equity Loan	1 458,5	4 391,8	—	—	4 391,8
PIK Notes Loan	982,5	2 939,5	—	—	2 939,5

PGH I is expected to meet its contractual repayment of the PIK Equity Loan by 2106. PGH I must meet this contractual repayment by no later than April 2015 in order to avoid dilution of its equity. It is the contractual obligation of both PGH II and Peermont to settle the PIK Notes and the Senior Secured Notes by April 2015 and April 2014, respectively.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS** (continued)

for the year ended 31 December 2009

13. Financial instruments (continued)**13.4 Fair values***Fair value analysis*

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

Estimation of fair values

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

Interest-bearing long-term borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Trade and other receivables/payables

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

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

	Fair value R'm	Carrying value R'm
2009		
Financial assets		
Amounts due by subsidiary	2 820,3	2 820,3
Financial liabilities		
Interest-bearing long-term borrowings	2 547,6	2,895,4
Amount due to subsidiary	11,1	11,1
	2 558,7	2 906,5
2008		
Financial assets		
Amounts due by subsidiary	2 445,4	2 445,4
Financial liabilities		
Interest-bearing long-term borrowings	1 753,3	2 441,0
Amount due to subsidiary	4,4	4,4
	1 757,7	2 445,4
The fair market value of the PIK Notes was estimated at 70,0% (2008: 30,0%) of the face value being R811,6 million (2008: R294,8 million).		

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS** (continued)

for the year ended 31 December 2009

13. Financial instruments (continued)**13.5 Basis of measurement**

	Total R'm	At fair value directly in equity R'm	Financial assets and liabilities at amortised cost R'm	Non-financial assets/ liabilities R'm
2009				
Assets				
Amounts due by subsidiary	2 820,3	—	2 820,3	—
Deferred taxation asset	3,7	—	—	3,7
	2 824,0	—	2 820,3	3,7
Liabilities				
Interest-bearing long-term borrowings	2 895,4	—	2 895,4	—
Amounts due to subsidiary	11,1	—	11,1	—
	2 906,5	—	2 906,5	—
2008				
Assets				
Investment in subsidiary	149,8	—	—	149,8
Amounts due by subsidiary	2 445,4	—	2 445,4	—
	2 595,2	—	2 445,4	149,8
Liabilities				
Interest-bearing long-term borrowings	2 441,0	—	2 441,0	—
Amounts due to subsidiary	4,4	—	4,4	—
	2 445,4	—	2 445,4	—



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

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

In the current year, the company has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2009. The adoption of these standards has not resulted in changes to the company's accounting policies.

At the date of authorisation of the financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 1 (revised 2009) *First-time Adoption of International Financial Reporting Standards* – Amendments relating to entities in the oil and gas industry permits entities not to reassess the determination of whether an arrangement contains a lease if the same assessment as required by IFRIC 4 has already been made – Effective annual periods commencing on or after 1 January 2010

IFRS 2 (amended 2008) *Share-based Payments* – Amendment clarifies that business combinations as defined by IFRS 3 (2008) are outside the scope of IFRS 2 – Effective annual periods commencing on or after 1 July 2009

IFRS 2 (amended 2009) *Share-based Payments* – Amendments relating to group cash-settled share-based payment transactions – Effective annual periods commencing on or after 1 January 2010

IFRS 3 (revised 2008) *Business Combinations* – Comprehensive revision to the accounting for business combinations – Effective annual periods commencing on or after 1 July 2009

IFRS 5 (amended 2008) *Non-current Assets Held for Sale and Discontinued Operations* – Plan to sell the controlling interest in a subsidiary and disclosures by parent entity when a subsidiary meets the definition of a discontinued operation – Effective annual periods commencing on or after 1 July 2009

IFRS 5 (amended 2009) *Non-current Assets Held for Sale and Discontinued Operations* – Amendment clarifies the disclosures for non-current assets or disposal groups classified as held for sale – Effective annual periods commencing on or after 1 January 2010

IFRS 8 (revised 2008) *Operating Segments* – Amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker – Effective annual periods commencing on or after 1 January 2010

IAS 1 (amended 2009) *Presentation of Financial Statements* – Amendment clarifies the classification of the liability component of a convertible instrument as current or non-current is not affected by terms of the instrument – Effective annual periods commencing on or after 1 January 2010

IAS 7 (amended 2009) *Statement of Cash Flows* – Amendment clarifies that only expenditures that result in recognition of an asset can be classified as cash from investing activities – Effective annual periods commencing on or after 1 January 2010

IAS 17 (amended 2009) *Leases* – Amendment deletes guidance that a lease of land with an indefinite economic life normally is classified as an operating lease – Effective annual periods commencing on or after 1 January 2010

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

IAS 27 (revised 2008) *Consolidated and Separate Financial Statements* – Consequential amendments arising from amendments to IFRS 3 and IFRS 1 as well as changes to the measurement of subsidiary held for sale in the separate financial statements – Effective annual periods commencing on or after 1 July 2009

IAS 31 (revised 2008) *Interest in Joint Ventures* – Consequential amendments arising from amendments to IFRS 3 – Effective annual periods commencing on or after 1 January 2009



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

14. Standards and Interpretations not yet effective at date of signature of the financial statements (continued)

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

IAS 36 (amended 2009) *Impairment of Assets* – Amendment clarifies that the largest unit to which goodwill can be allocated is the operating segment level as defined in IFRS 8 – Effective annual periods commencing on or after 1 January 2010

IAS 38 (amended 2008) *Intangible Assets*: Amendment clarifies that an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognised separately from goodwill together with the related item; complementary intangible assets with similar useful lives may be recognised as a single asset; and describes the valuation techniques commonly used when measuring fair value of intangible assets acquired in a business combination for which no active market exists – Effective annual periods commencing on or after 1 July 2009

IAS 39 (amended 2008) *Financial Instruments: Recognition and Measurement* – Amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations – Effective annual periods commencing on or after 1 July 2009

IAS 39 (amended 2009) *Financial Instruments: Recognition and Measurement* – Amendments provide additional guidance on determining whether loan prepayment penalties result in embedded derivatives; clarifies that the IAS 39.2(g) scope exemption is restricted to forward contracts; and, clarifies that gains or losses from cash flow hedges should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss – Effective annual periods commencing on or after 1 January 2010

IFRIC 9 *Reassessment of Embedded Derivatives* – Amended the scope of IFRIC 9 so that embedded derivatives in contracts acquired in a business combination, joint venture formation and common control transactions remain outside the scope of IFRIC 9 – Effective annual periods commencing on or after 1 July 2009

IFRIC 14 *The Limitation of Defined Benefit Assets, Minimum Funding Requirements and their Interaction* – Consequential amendments relating to IAS 19 – Effective annual periods commencing on or after 1 January 2011

IFRIC 16 *Hedges of Net Investment in a Foreign Operation* – Amendment removes the restriction that prevented a hedging instrument from being held by a foreign operation that itself is being held by a foreign operation – Effective annual periods commencing on or after 1 July 2009

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 January 2010

The company has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to 31 December 2009, which would be effective for the company's accounting period on or after 1 January 2010. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the company's results.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2009

15. Significant accounting judgements and estimates

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

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

Income taxes

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

Contingent liabilities

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

Timing of interest-bearing long-term borrowings cash flows

The company estimated the timing of the refinancing of its debt at the time of initially accounting for the PIK Equity Loan and the PIK Notes. All issue costs and discounts were amortised over a four-year period to the expected refinance date and all currency hedging was contracted to that date.

Should the debt not be refinanced at the expected date, or a decision be taken to extend currency hedges, the timing and quantum of the cash flows related to this debt could vary significantly.





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