Quarterly Report

for the three and six months ended 30 June 2009

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

18% Payment-In-Kind Notes due 2015

DATE: 28 August 2009

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

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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.

On 26 August 2008, PGH II repurchased a cumulative R177,3 million of its original outstanding PIK Notes at a price of R122,9 million or 69,3% of the face value. The purchase price, plus accrued interest since 30 April 2008 to the transaction dates, were paid in three tranches on 28 August, 10 September and 22 September 2008. All purchased notes were cancelled. These transactions, in aggregate, constitute approximately 20,0% of the initial amount of the PIK Notes issued.

As a result of the PIK Notes buy-back, Peermont reduced its deeply subordinated shareholder loan from PGH II by repaying an amount of R134,1 million to PGH ll, 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 R47,3 million.

On 2 June 2009, PGH II repurchased for cash a cumulative R22,8 million in aggregate principal amount of its outstanding 18% PIK Notes, at a price of R 11,6 million or 51,5% of face value. All purchased notes were cancelled. The repurchase was funded by repayment of a portion of the PIK Notes Loan by Peermont.

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.

REPORTING

The PIK Notes indenture requires that the report issued by the issuer of the notes, Peermont, together with the unconsolidated balance sheet of PGH II, be distributed to holders of the PIK Notes. The unconsolidated unaudited balance sheet 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 BALANCE SHEET

at 30 June 2009

	2009 R'm	2008 R'm
Assets		
Total non-current assets	**2 797,2**	2 798,9
Investment in subsidiary	**139,7**	381,5
Deferred taxation asset	**2,9**	—
Amounts due by subsidiary	**2 654,6**	2 417,4
Total assets	**2 797,2**	2 798,9
Equity and liabilities		
Equity		
Capital and reserves	**141,9**	384,1
Total equity	**141,9**	384,1
Total non-current liabilities	**2 651,6**	2 414,7
Interest-bearing long-term borrowings	**2 647,0**	2 412,1
PIK Notes liability	**1 055,8**	1 075,3
Shareholder's loan	**1 591,2**	1 336,8
Amounts due to fellow subsidiary company	**4,6**	2,6
Total current liabilities	**3,7**	0,1
Current taxation liability	**3,7**	0,1
Total equity and liabilities	**2 797,2**	2 798,9

ANNEXURE B

QUARTERLY REPORT

for the three and six months ended 30 June 2009

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

7¾% Senior Secured Notes due 2014

DATE: 28 AUGUST 2009

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 five casinos in Mauritius
CCSs	Credit contingent cross currency swaps
EBITDA	Earnings before interest, taxation, depreciation and amortisation
ECGBB	Eastern Cape Gambling and Betting Board
Emperors Palace	A division of Peermont, trading as Emperors Palace Hotel, Casino and Convention Resort
FECs	Forward exchange contracts
FSGRB	Free State Gambling and Racing Board
GGB	Gauteng Gambling Board
GGR	Gross gaming revenues
Guarantors	Consist of Peermont, PGNW, PGKZN, PGLim, PGMNW&L and PGMKZN
Head office	The head office function of Peermont
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg inter-bank acceptance rate
KZNGB	KwaZulu-Natal Gambling Board
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)
MER	Marang (East Rand) Gaming Investments (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/001006/07)
MGB	Mpumalanga Gaming 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)
MUR	Mauritian rupees, legal tender of the Republic of Mauritius
NACM	Nominal annual compounded monthly
NACS	Nominal annual compounded semi-annually
Nedbank	Nedbank Group Limited
NWGB	North West Gambling Board
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) (Proprietary) Limited, a 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)
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 Tusk Umfolozi	Peermont Global (KZN) (Proprietary) Limited, trading as Tusk 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)
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% PIK Notes due 2015, issued by PGH II, listed on 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
P or pula	Botswana pula, legal tender of the Republic of Botswana
Rio	A division of PGNW, trading as Rio Hotel, Casino and Convention Resort
RMB	Rand Merchant Bank, a division of FirstRand Bank Limited
SARS	South African Revenue Service
SIC	The State Investment Corporation Limited, a public company limited by shares incorporated under the laws of the Republic of Mauritius (Registration number 4482)
Securities Act	The US Securities Act of 1933, as amended
Security SPV	Maxitrade 85, a special purpose vehicle
SSNs or the notes	The original €520 million $7^3/_4$% Senior Secured Notes due 2014, issued on 24 April 2007, listed on 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
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
VAT	Value added taxation

INTRODUCTION

On 23 April 2007, Peermont issued €520 000 000 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 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.

On 5 May 2008, Peermont completed a notes repurchase programme in terms of which the company purchased a nominal value of R1 268,6 million (€103,9 million) of the notes in issue for R1 129,2 million (€92,5 million) or 89% of the face value. A public tender process was utilised to purchase a nominal value of R1 060,8 million (€86,9 million) and a further R207,5 million (€17,0 million) was subsequently purchased in the open market. All purchased notes were cancelled. Following such cancellation, the outstanding principal amount of notes was €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 indenture. Prior to 30 April 2010, we may also redeem all or part of the notes by paying a "make whole" premium. In addition, prior to 30 April 2010, we may also redeem up to 35,0% of the aggregate principal amount of the notes with the net proceeds from certain equity offerings.

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

The notes, subject to the 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 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 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 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 US Trust Indenture Act of 1939, as amended.

On 26 August 2008, PGH ll purchased for cash a cumulative R177,3 million in aggregate principal amount of its outstanding R887 million 18% PIK Notes, at a price of R122,9 million or 69,3% of face value. The purchase price, plus accrued interest since 30 April 2008 to the transaction date, was paid in three tranches on 28 August 2008, 10 September 2008 and 22 September 2008. All purchased notes were cancelled. These transactions that make up the buy-back constitute, in aggregate, approximately 20,0% of the initial amount of the PIK Notes issued.

As a result of this PIK Notes buy-back, Peermont reduced its deeply subordinated shareholders loan by repayment an amount of R134,1 million to PGH ll. In addition, the gain on the purchase of the PIK Notes was pushed down to Peermont, further reducing its deeply subordinated shareholders loan by R47,3 million.

On 2 June 2009, PGH II purchased for cash a cumulative R22,8 million in aggregate principal amount of its outstanding 18% PIK Notes, at a price of R11,6 million or 51,1% of face value. All purchased notes were cancelled. The repurchase was funded by repayment of a portion of the PIK Notes Loan.

CERTAIN DEFINITIONS

The issuer was formed for the purpose of acquiring all of the operations, assets and liabilities of PGIL and substantially all its subsidiaries. On 24 April 2007, the issuer acquired the shares in and substantially all of the businesses of PGIL, and changed its legal name to Peermont, and is wholly owned by PGH II, which in turn, is wholly owned by PGH I, each of which was a newly established private company with no trading history, assets or liabilities.

Details of the acquisition of PGIL by Peermont were explained in each of the quarterly reports issued relating to the 2007 financial year. Certain detail is included in this document but, should more detail of these be required, please refer to the 2007 reports.

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;
- Tubatse;
- PGEFS; 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 South African rand. In this quarterly report, unless otherwise indicated, all amounts are expressed in South African rand millions.

The accounting policies of Peermont as set out in the 2008 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 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 has 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, 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;
- In 2008, approximately 78% of the value of existing FECs used to hedge the original notes exposure, was realised and replaced by entering into CCSs. The CCSs are credit contingent and are therefore exposed to the risk of default of the company or CCS counter party. To the date of this report, there have not been any indications that the risk will materialise;
- 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. As such, and until certain outstanding legal requirements have been met, there is a risk of non-renewal of our revolving credit facility in 2010 which could adversely affect one of our principal sources of additional liquidity; 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;
- Our dependence on a functional and efficient power and transport infrastructure to provide access to our casinos and hotels;
- 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;
- 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 and discretionary consumer spending.

These risks and those set out in the notes 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 notes 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. Together, as at the date of this report, these included 3 273 slot machines, 154 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 facilities and theatres.

Financial statements discussed

For the three and six month period ended 30 June 2009 and the prior year comparative periods, we have provided condensed unaudited consolidated financial information which is derived from the condensed unaudited consolidated financial statements of the Peermont Group.

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

Jointly controlled entity

PGSH is not a subsidiary of Peermont and did not become a subsidiary in connection with the acquisition of PGIL by Peermont. It is operated as a jointly controlled entity that is 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.

We currently own 50% of the issued ordinary shares in PGSH, the entity that owns and operates Graceland. Under the terms of the shareholders agreement entered into with our joint venture partners in respect of PGSH, we are entitled to dilute our joint venture partner's holdings so that we will own up to approximately 97% of the issued share capital in PGSH, any such dilution being subject to the approval of the relevant gambling board.

During 2008, Peermont commenced negotiations with existing shareholders of PGSH to find an acceptable solution to the shareholding issues of PGSH. Agreements were signed on 5 December 2008 wherein it was agreed that PGSH would create new shares and issue a further number of shares to Peermont and MSH, the effect will be to reduce the MSH holding in PGSH to 3%. To maintain the local BEE shareholding at 30% as required by the MGB, Peermont will then sell 27% of the entire issued share capital of PGSH to a newly formed company ("Newco"). This will give Newco a 27% shareholding in PGSH, and together with the existing 3% held by MSH, meet the requisite 30% local BEE holding set by the MGB. The shares in Newco will be held by the Southern Highveld Development Trust, a new trust to be formed for the benefit of PGSH employees and members of the local community. The agreements referred to above are subject inter alia to the approval of the MGB and the competition authorities. Application has been made to the MGB for approval of the changes.

If theses changes are approved, PGSH will become our subsidiary and, accordingly, we will fully consolidate its results of operations, assets and liabilities in our condensed financial statements and reflect a minority interest of 30% in PGSH.

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 2008, we generated 79,4% of our total revenue from gaming, 9,2% from food and beverage, 9,1% from rooms and 2,3% 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 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 revenue 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 revenue, promotions and marketing costs, depreciation and amortisation and property and equipment rentals. These represented 26,9%, 26,1%, 22,9%, 9,9%, 12,3% and 1,9% of total operating costs, respectively, for the period ended 31 December 2008.

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

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

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

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

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

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

Primary factors affecting results of operations

Staff trusts

Certain of the boards of trustees, 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 will be distributed to beneficiaries in the future.

BBBEE shareholding in PGNW, PGLim and PGKZN

As a condition of the approval of the acquisition by Peermont of the interests in Tusk Resorts, Khoroni and Tusk Umfolozi, and subsequently the acquisition by Peermont of the business of old Peermont was required to sell 10% of the shares in each of the new entities operating the businesses of Khoroni (PGLim), Mmabatho Palms and Rio (PGNW) and Tusk Umfolozi (PGKZN) to local BBBEE partners. Although progress has been made in identifying potential investors and obtaining the approval of certain of the gambling boards as to the suitability of the identified investors these sales had not taken place by the end of the period. Management is continuing with the process to identify, obtain approval from the gambling boards and effecting the sales of these shares, to meet the requirements of the gambling boards.

Results of operations of Peermont

General

In previous quarterly and annual reports, as results presented were not directly comparable with previous periods, we presented investors with an analysis of our operations removing the effect of the buy-out transaction and taking into account the previously expected dilution of the shareholding of PGSH from 97% to 75%. As the results of PGSH included in this report are directly comparable, we are no longer preparing a report on a pro forma basis. Had we made the pro forma adjustments for PGSH as in the past, revenues would have been reduced by R15,0 million (2008: R15,0 million) and EBITDA by R4,0 million (2008: R3,4 million) for the six months ended 30 June 2009, and for the three months ended 30 June 2009 revenues would have been reduced by R7,7 million (2008: R7,5 million) and EBITDA by R2,2 million (2008: R1,7 million).

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

	Three months ended 30 June		**Six months ended 30 June**	
Income statement data	**(unaudited) 2009 R'm**	(unaudited) 2008 R'm	**(unaudited) 2009 R'm**	(unaudited) 2008 R'm
Revenue	**611,6**	641,8	**1 245,4**	1 239,9
Gaming	**480,1**	512,1	**982,4**	993,2
Rooms	**61,1**	55,9	**122,3**	109,5
Food and beverage	**62,3**	60,8	**120,6**	110,0
Other	**8,1**	13,0	**20,1**	27,2
Other income/(expenses)	**3,7**	(0,1)	**5,2**	—
Operating costs	**(444,3)**	(424,5)	**(893,5)**	(823,4)
Operating profit	**171,0**	217,2	**357,1**	416,5
Finance income	**619,7**	413,7	**913,3**	1 493,7
Finance expenses	**(770,6)**	(287,3)	**(1 251,1)**	(1 760,2)
Profit before taxation	**20,1**	343,6	**19,3**	150,0
Taxation	**(9,8)**	(94,4)	**(13,8)**	8,7
Profit for the period	**10,3**	249,2	**5,5**	158,7
Attributable to:				
Equityholders of Peermont	**6,7**	247,1	**(3,8)**	150,0
Minority shareholders	**3,6**	2,1	**9,3**	8,7
	10,3	249,2	**5,5**	158,7
EBITDA[1] reconciliation				
Operating profit	**171,0**	217,2	**357,1**	416,5
Add: Depreciation and amortisation	**53,8**	44,9	**109,1**	86,7
EBITDA	**224,8**	262,1	**466,2**	503,2
EBITDA margin	**36,8%**	40,8%	**37,4%**	40,6%

[1] *We define EBITDA as earnings before interest, taxation, depreciation and amortisation. We believe that EBITDA 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 is a widely accepted indicator in comparing a company's underlying operating profitability with that of other companies in the same industry. EBITDA is not an IFRS measure and you should not consider EBITDA 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 is not a uniform or standardised measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies. A reconciliation of EBITDA to operating profit for the three and six months ended 30 June 2008 and 30 June 2009 is provided above.*

Commentary on the results for the period

The three month period ended 30 June 2009 (unaudited) compared to the three month period ended 30 June 2008 (unaudited)

Overview

Group revenue for the period decreased by 4,7% from R641,8 million to R611,6 million. Gaming revenue decreased by 6,2% from R512,1 million to R480,1 million and hotel and resort revenue increased by 1,4% to R131,5 million. Costs were generally well controlled and operating costs excluding depreciation and amortisation increased by 2,9% to R390,5 million for the quarter. Under challenging conditions, due mainly to the existing economic climate and the performance of Emperors Palace, EBITDA decreased by 14,2% from R262,1 million in the second quarter of 2008 to R224,8 million for the same period in 2009.

Included in EBITDA for the second quarter is a once off abortive cost of R5,8 million arising from the decision to no longer relocate our Tusk Umfolozi unit to Richards Bay (see new and ongoing developments later in this report). Depreciation and amortisation increased by 19,8% to R53,8 million, primarily due to the expansion capex incurred in the 2008 year and adjustments made in the fourth quarter of 2008, flowing through to the current quarter but not reflected in the second quarter of 2008.

Revenue at Emperors Palace was affected by the economic climate and our emporium refurbishment programme, and decreased by R38,8 million or 8,9%, whilst EBITDA decreased by R31,0 million or 17,5% for the quarter. Revenue derived from the balance of the group operations grew by R8,6 million or 4,2%, while EBITDA decreased by R6,3 million or 7,4%, mainly impacted by the Richards Bay abortive costs mentioned above. In particular, our Khoroni and Bethlehem operations delivered notable performances during the quarter. Khoroni enjoyed a 12,3% increase in revenue and a 8,6% increase in EBITDA. Revenue at The Frontier Inn increased by 13,3% with EBITDA increasing by 23,5%.

Revenue

Our group revenue decreased by 4,7% from R641,8 million for the three months ended 30 June 2008 to R611,6 million for the three months ended 30 June 2009. Emperors Palace revenues decreased by 8,9% and both Khoroni and The Frontier Inn performed well with a growth of 12,3% and 13,3% respectively.

Gaming revenues declined by 6,2% from R512,1 million in the quarter ended 30 June 2008 to R480,1 million in June 2009.

Rooms revenues improved by 9,3% over the corresponding three months in the prior year. The opening of the two new Peermont Metcourt Hotels at Rio and Emperors Palace on 1 March 2009, was the main contributor to the increase in rooms revenue.

Operating costs

Operating costs for the three months ended 30 June 2009 were R444,3 million, an increase of R19,8 million, or 4,6%, from R424,5 million for the three months ended 30 June 2008. This was mainly due to an increase in depreciation and amortisation of R8,9 million as well as a 10,6% increase in other operational costs. Included in other operational costs is a once off Richards Bay abortive cost amounting to R5,8 million. Operating costs, excluding depreciation and amortisation, increased by 2,9% when compared to the same period in 2008, even after taking the Richards Bay abortive costs into account.

Depreciation and amortisation for the three months ended 30 June 2009 was R53,8 million, an increase of R8,9 million, or 19,8% from R44,9 million for the three months ended 30 June 2008. This increase is mainly attributable to the expansion and maintenance capex incurred in 2008 and adjustments made in the fourth quarter of 2008, flowing through to the current quarter but not reflected in the second quarter of 2008.

Operating profit before net finance expenses

The resulting operating profit at R171,0 million was R46,2 million, or 21,3% below the prior period.

EBITDA

Under these challenging conditions, EBITDA decreased by 14,2%, from R262,1 million to R224,8 million.

Finance income

Finance income for the three months ended 30 June 2009 was R619,7 million, an increase of R206,0 million from the prior period. The variance to the prior period was mainly due to an unrealised foreign exchange gain of R600,1 million recorded on the translation of the notes liability in the current period, largely as a result of the strengthening of the local currency against the euro. In the prior period there was an amount of R139,6 million included in finance income, being the discount realised on the notes buy-back. The gain is largely offset by the foreign exchange loss described below.

Finance expenses

Finance expenses at R770,6 million reflected an increase of R483,3 million from the prior period charge of R287,3 million. This was largely due to a foreign exchange loss of R524,1 million on the restatement of the FECs and CCSs hedging the notes liability at the end of the second quarter of 2009.

Taxation
The taxation and deferred taxation charge of R9,8 million results mainly from charges at PGPL, PGKZN, PGSH and PGB.

Profit for the period
The resulting profit after taxation at R10,3 million was substantially below the prior period profit of R249,2 million.

Operations

Emperors Palace
The refurbishment of the property's retail and entertainment emporium continued throughout the quarter and had a fairly significant disruptive effect on our guest experience. This, coupled with the pressures on disposable income created by the continued economic recession, had a significant impact on revenues. The disruption due to the refurbishment of the emporium is expected to have less of an effect in the second half of the year but it is only expected to be completed by year end. To a lesser extent revenues were also impacted by problems experienced with the gaming management system. The issues with the gaming management system have been stabilised and no longer have an impact on our guest experience.

Revenue at Emperors Palace decreased by 8,9% to R396,6 million compared to R435,4 million in the same period of the prior year. GGR decreased by 9,8% to R332,6 million. In the second quarter, GGR for Gauteng declined by 3,8% and our market share declined by approximately 1,6% for the quarter to approximately 23,8%.

In contrast to our gaming activities, hotel and resort operations produced good rooms revenue growth. Rooms revenue increased by 12,0% to R30,7 million compared to R27,4 million in the prior period. The new 248 key Peermont Metcourt Hotel contributed positively to the increase in rooms revenue.

Food and beverage revenue decreased to R30,2 million in the three months from R31,2 million in the prior period, a 3,2% decrease.

As a result, EBITDA at Emperors Palace decreased by 17,5% to R146,2 million. The EBITDA margin for the three months declined from 40,7% for the three months to 30 June 2008 to 36,9% for the three months to 30 June 2009.

Graceland
Graceland revenues increased by 2,3% from R34,2 million in 2008 to R35,0 million in the same period in 2009. GGR increased by 4,8% to R26,1 million, however a 4,3% decline in hotel and resort revenue occurred during the quarter. Other income includes an amount of R1,4 million relating to an insurance recovery for the count room theft experienced in 2008. Excluding the effect of the insurance proceeds, overall revenues were approximately 2% below the same period in 2008.

Overhead expenses were well controlled and operating expenses excluding depreciation increased slightly by 1,4% compared to the prior period, resulting in an EBITDA improvement of 27,8% from R7,9 million to R10,1 million. This resulted in an increased margin from 22,6% for the second quarter in 2008 to 29,5% for the same three months in 2009.

Botswana
Revenue at the Botswana operations increased by 5,1% in pula terms from P50,8 million (R54,3 million) for the three months ended 30 June 2008 to P53,4 million (R62,6 million) for the same period in 2009. Gaming revenues improved by 9,7% on the prior period. The newly refurbished and upgraded casino contributed to the improved gaming revenues. Hotel and resort revenue grew by 2,7% to P33,1 million (R40,2 million).

Costs were adversely affected by a theft of cash by staff of approximately P0,7 million (R0,85 million). The staff involved have been charged and are being prosecuted. Although the loss is insured, the recovery will only be recorded when the insurer accepts liability.

Employee costs increased by 18,0% quarter on quarter. This is largely due to positions that were vacant in 2008 now being filled and a wage increase of approximately 10% granted to employees.

EBITDA decreased in pula terms by 3,5% to P16,6 million (2008: P17,2 million) for the quarter. The EBITDA margin declined to 31,1% (2008: 33,9%).

Rio
Rio experienced a quarter on quarter growth in revenue of 1,5% to R34,4 million for the second quarter of 2009. The new Peermont Metcourt Hotel opened on 1 March 2009 and has experienced a slower start than expected with occupancies for the quarter at 29,5%. However, the hotel is expected to contribute positively to revenues for the remainder of the year. The remodelled salon privé was recently completed and is expected to improve the gaming experience for our top end players in the future.

EBITDA decreased from R14,3 million in the second quarter of 2008, to R10,5 million in the second quarter of 2009. This was impacted by an increase in the marketing spend to drive gaming revenue and promote the opening of the new Peermont Metcourt Hotel; an adjustment to VAT and gaming levies; major repairs and maintenance and increased corporate social investment expenditure arising from the commitment to the local gambling board. This resulted in a decline in the EBITDA margin to 30,5% (2008: 42,2%). The corporate social investment expenditure of R1,5 million per annum was accrued for in December 2008 but was not being accrued evenly across the year in 2008. The effect of this cost will be comparable in the full year to December.

Mmabatho Palms

Mmabatho Palms commenced the year with a R20,0 million refurbishment programme to its front of house areas, casino and rooms. This caused disruption at the unit contributing to a decline in both revenue and EBITDA. The unit achieved total revenue of R21,6 million for the period, down 8,9% on the same period in 2008. This decline is attributable to a 9,0% decline in GGR as well as a 7,0% decline in hotel and resort revenue. Included in operating costs was a VAT and gaming levies adjustment of R0,8 million. EBITDA declined by 39,1% from R6,4 million to R3,9 million. EBITDA margins declined from 27,0% to 18,1%.

Khoroni

The unit achieved a strong performance with revenue growth of 12,3% to R17,4 million for the quarter. The increase in revenue was driven by an increase of 16,8% in GGR during the period. Included in operating costs was an adjustment to VAT and gaming levies amounting to R0,8 million. EBITDA at R3,8 million was 8,6% above the R3,5 million for the same period in 2008, resulting in a slight decline of the EBITDA margin to 21,8% (2008: 22,6%).

Tusk Umfolozi

During the quarter a decision was taken not to relocate the casino to the Richards Bay area. This was largely due to the existence of a land claim over the land where the new property was to be situated. In order to expedite the issue of the permanent casino licence, it was decided to complete the remaining required facilities in Empangeni, where the current casino is located.

Revenues at Tusk Umfolozi remained flat at R30,4 million compared to the same period in the prior year.

Once off abortive costs for the termination of the relocation to Richards Bay of R5,8 million were expensed in the quarter. Other costs were well controlled. Consequently, reported EBITDA at R5,3 million was 46,5% down on the prior period. On a comparable basis, EBITDA increased by 12,1% to R11,1 million for the quarter. The comparable adjusted EBITDA margin for the quarter improved to 36,5% compared to 32,6% for the same period in 2008. Despite the low revenue growth at the unit, costs have been well controlled leading to an increased adjusted EBITDA.

Frontier Inn

The unit produced a strong performance during the second quarter, achieving revenues of R10,2 million, an increase of 13,3% on the prior period. This is attributable to an increase of 10,6% in GGR when compared to the prior year period.

EBITDA increased from R1,7 million in the second quarter of 2008 to R2,1 million, a 23,5% increase. The EBITDA margin increased to 20,6% (2008: 18,9%).

Head office and management companies

Head office revenue decreased by 1,4%, from R43,1 million in the second quarter of 2008 to R42,5 million in the second quarter in 2009. The head office revenues are a result of the management, administration and incentive fees received from the operating units, where the overall performances were subdued.

When comparing 2009 to 2008, a property rental saving of R1,0 million was achieved in the 2009 quarter as a result of the purchase of the Head office building in February 2009 and in June 2008 Head office expensed R3,4 million in respect of previously capitalised licence application costs for the Mthatha casino licence application.

Head office EBITDA increased by 3,8% from R23,9 million in 2008 to R24,8 million in the 2009 quarter. Adjusting for the anomolies, head office EBITDA decreased by 12,8% from R27,3 million to R23,8 million.

The six month period ended 30 June 2009 (unaudited) compared to the six month period ended 30 June 2008 (unaudited)

Overview

Group revenue for the period increased by 0,5% from R1 239,9 million to R1 245,5 million. Gaming revenue decreased by 1,1% to R982,4 million and hotel and resort revenue increased by 6,6% to R263,0 million. Operating costs excluding depreciation and amortisation increased by 6,5% to R784,4 million for the six months to June 2009. Under the difficult economic conditions, EBITDA decreased by 7,4% to R466,2 million from R503,2 million in the first half of 2008.

Included in EBITDA for the second quarter is a once off abortive cost of R5,8 million arising from the decision to no longer relocate our Tusk Umfolozi unit to Richards Bay, as well as pre-opening costs for the two new Peermont Metcourt Hotels at Emperors Palace and Rio of R2,0 million. If these costs were excluded, the 2009 first half EBITDA would have decreased by 5,8% to R474,0 million when compared to the same period in 2008.

Depreciation and amortisation increased by 25,8% to R109,1 million, primarily due the maintenance and expansion capex incurred in the 2008 year and adjustments made in fourth quarter of 2008, flowing through to the current half year, but not adjusted in the first six months of 2008.

Revenue at Emperors Palace was affected by our refurbishment programme and decreased by R18,6 million (2,2%) whilst EBITDA decreased by R32,1 million (9,6%) for the six months. Revenue derived from the balance of the group operations grew by R24,1 million (5,9%) while EBITDA decreased by R4,9 million (2,9%). EBITDA growth from the balance of group operations would have been positive if it had not been for the Richards Bay abortive costs mentioned above. In particular, our Botswana and Khoroni operations delivered notable performances over the six months. Revenue in Botswana increased by 11,0%, with EBITDA increasing by 6,5% (in pula terms). Khoroni enjoyed a 13,3% increase in revenue and a 27,1% increase in EBITDA.

Revenue

Our revenue increased by 0,5% from R1 239,9 million for the six months ended 30 June 2008 to R1 245,5 million for the six months ended 30 June 2009. Emperors Palace revenues decreased by 2,2% and both Botswana and Khoroni performed well with a growth of 11,0% (in pula terms) and 13,3%, respectively.

Gaming revenues declined by 1,1% from R993,2 million in the six months ended 30 June 2008 to R982,4 million in June 2009.

Rooms revenues improved by 11,7% over the corresponding six months in the prior year. The opening of the two new Peermont Metcourt Hotels at Rio and Emperors Palace on 1 March 2009, contributed to the increase in rooms revenue.

Operating costs

Operating costs for the six months ended 30 June 2009 were R893,5 million, an increase of R70,1 million, or 8,5%, from R823,4 million for the six months ended 30 June 2008. This was mainly due to an increase in depreciation and amortisation of R22,4 million as well as a 12,2% increase in employee costs. Included in other operational costs are once off Richards Bay abortive costs amounting to R5,8 million, and pre-opening costs for the two new Peermont Metcourt Hotels at Emperors Palace and Rio amounting to R2,0 million. Operating costs, excluding depreciation and amortisation, increased by 6,5% when compared to the same period in 2008 even after taking the Richards Bay abortive costs into account.

Depreciation and amortisation for the six months ended 30 June 2009 was R109,1 million, an increase of R22,4 million, or 25,8% from R86,7 million for the six months ended 30 June 2008. This increase is mainly attributable to the expansion and maintenance capex incurred in 2008 and adjustments made in the fourth quarter of 2008, flowing through to the current half year, but not adjusted in the first six months of 2008.

Operating profit before net finance expenses

The resulting operating profit for the six months at R357,1 million was R59,4 million, or 14,3% below the prior period's R416,5 million.

EBITDA

EBITDA for the six months decreased by 7,4% from R503,2 million to R466,2 million over the comparative prior period.

Finance income

Finance income for the six months ended 30 June 2009 was R913,3 million, a decrease of R580,4 million from the prior period. The variance to the prior period was mainly due to a larger realised foreign exchange gain of R1 322,6 million from the restatement of the FECs and CCSs hedging the notes liability being recorded at June 2008 compared to the unrealised R880,0 million foreign exchange gain on translation of the SSN liability that was recorded at June 2009. The 2009 gain was as a result of the strengthening of the local currency against the euro. These gains are largely offset by the foreign exchange losses described on the next page.

Finance expenses
Finance expenses at R1 251,1 million reflected a decrease of R509,1 million from the prior period charge of R1 760,2 million. This was largely due to a foreign exchange loss of R1 225,2 million being recorded on the translation of the notes liability for the six months ended June 2008, in comparison to the R754,9 million loss on the restatement of the FECs and CCSs hedging the notes liability that was recorded for the six months ended June 2009.

Taxation
The taxation and deferred taxation charge of R13,8 million results mainly from charges at PGPL, PGKZN, PGSH and PGB.

Profit for the period
The resulting profit after taxation at R5,5 million was below the prior period profit of R158,7 million.

Operations

Emperors Palace
The refurbishment of the property's retail and entertainment emporium continued throughout the six months and had a fairly significant disruptive effect on our guest experience. This, coupled with the pressures on disposable income created by the continued economic recession, had a significant impact on revenues. The disruption due to the refurbishment of the emporium is expected to have less of an effect in the last quarter of the year but it is only expected to be completed by year end. To a lesser extent revenues were also impacted by problems experienced with the gaming management system. The issues with the gaming management system have been stabilised and no longer have an impact on our guest experience.

As a result, revenue at Emperors Palace decreased by 2,2% to R819,0 million compared to R837,6 million in the same period of the prior year. GGR decreased by 2,7% to R690,9 million. Year to date, GGR for Gauteng grew by only 1,0% and our market share for the period was approximately 24%.

In contrast to our gaming activities, hotel and resort operations produced good rooms revenue growth. Rooms revenue increased by 10,6% to R60,3 million compared to R54,5 million in the prior period. The new 248 key Peermont Metcourt Hotel contributed positively to the increase in rooms revenue.

Food and beverage revenue increased to R57,2 million in the six months from R55,4 million in the prior period, an overall 3,2% increase.

Tight cost control at the unit resulted in operating costs increasing by only 5,2% when compared to the same period in the prior year.

As a result, EBITDA at Emperors Palace decreased by 9,6% to R302,5 million. The EBITDA margin for the six months declined from 39,9% for the six months to 30 June 2008 to 36,9% for the six months to 30 June 2009.

Graceland
Revenues decreased by 0,2% from R68,1 million in 2008 to R68,0 million in the same period in 2009. GGR increased by 1,2% to R50,3 million. The overall adverse revenue performance was due largely to a decline in hotel and resort revenue of 3,9% to R18,5 million for the period as well as a 22,9% decline in golfing revenues generated by the Country Club. Other income includes an amount of R1,4 million relating to an insurance recovery for the count room theft experienced in 2008.

Tight cost control resulted in overhead and operating expenses excluding depreciation decreasing by 2,7% compared to the prior period, resulting in an EBITDA improvement of 16,7% from R15,5 million to R18,1 million. This resulted in an increased margin from 22,7% for the first six months in 2008, to 26,6% for the first six months in 2009.

Botswana
The Botswana operations produced a strong performance despite the refurbishment of some of the rooms at the Grand Palm complex in the first quarter of the year. Revenue increased by 11,0% in pula terms from P93,4 million (R103,6 million) for the six months ended 30 June 2008 to P103,7 million (R126,0 million) for the same period in 2009. Gaming revenues improved by 13,0% on the prior period with tables contributing a growth of 23,8%. The newly refurbished and upgraded casino contributed to the improved gaming revenues. Hotel and resort revenue grew by 9,9% to P64,5 million (R78,4 million). The northern casinos increased their revenues by P0,9 million (R1,1 million) from P2,7 million (R3,0 million) at June 2008 to P3,6 million (R4,4 million) in the first half of the current year.

Costs were adversely affected by a theft of cash by staff of approximately P0,7 million. The staff involved have been charged and are being prosecuted. Although the loss is insured, the recovery will only be recorded when the insurer accepts liability.

Employee costs at the unit increased by 20,0% when compared to the same period in 2008. This is largely due to positions that were vacant in 2008 being filled and wage increases of approximately 10% being granted to employees.

EBITDA grew in pula terms by 6,5% to P32,6 million (2008: P30,6 million) for the six months. The EBITDA margin declined to 31,4% (2008: 32,8%).

Rio

Rio experienced revenue growth of 2,8% to R69,5 million for the first six months of 2009, this despite a depressed local economy. The new Peermont Metcourt Hotel opened on 1 March 2009 and has experienced a slower start than expected with occupancies for the period at 29,5%. However, the hotel is expected to contribute positively to revenues for the remainder of the year. The remodelled salon privé was recently completed and is expected to improve the gaming experience for our top end players in the future.

EBITDA decreased from R29,6 million in the first six months of 2008, to R21,9 million in the first six months of 2009. This was impacted by an increase in the marketing spend to drive gaming revenue and promote the opening of the new Peermont Metcourt Hotel; major repairs and maintenance; an adjustment to VAT and gaming levies; increased corporate social investment expenditure arising from the commitment to the local gambling board; and, the inclusion of pre-opening expenses for the new hotel, all impacted negatively on EBITDA. The corporate social investment expenditure of R1,5 million per annum, required by the NWGB, was accrued for in December 2008 but was not being accrued evenly across the 2008 year. The effect of this cost will be comparable in the full year to December. Overall this resulted in a decline in the EBITDA margin to 31,5% (2008: 43,8%).

Mmabatho Palms

Mmabatho Palms commenced the year with a R20,0 million refurbishment programme to its front of house areas, casino and rooms. This caused disruption at the unit contributing to a decline in both revenue and EBITDA. The unit achieved total revenue of R42,2 million for the six months, down 5,8% on the same six months in 2008. This decline was mainly due to a decline in GGR of 8,3% to R29,7 million in the first six months of 2009 from R32,4 million in the comparable period of 2008. Included in operating costs was an adjustment for VAT and gaming levies of R0,6 million. There was a decline in EBITDA of 26,8% from R11,2 million to R8,2 million. EBITDA margins declined from 25,0% to 19,4%.

Khoroni

The unit achieved a strong performance with revenue growth of 13,3% to R33,2 million for the six months. The increase in revenue was driven by an increase of 16,6% in GGR over the prior period. Included in operating costs was and adjustment for VAT and gaming levies of R0,8 million. EBITDA at R8,9 million reflected a 27,1% increase on the R7,0 million for the same period in 2008, resulting in an improvement of the EBITDA margin to 26,8% (2008: 23,9%).

Tusk Umfolozi

During the second quarter a decision was taken not to relocate the casino to the Richards Bay area. This was largely due to the existence of a land claim over the land where the new property was to be situated. In order to expedite the issue of the permanent casino licence, it was decided to complete the remaining required facilities in Empangeni, where the current casino is located.

Tusk Umfolozi grew revenue by 0,7% to R60,0 million compared to R59,6 million earned in the same period in the prior year. EBITDA at R16,6 million was 24,5% below the prior period. Once off abortive costs for the termination of the relocation to Richards Bay of R5,8 million were expensed in the second quarter. Other income includes an amount of R0,6 million relating to an insurance recovery for an armed robbery experienced in 2008. On a comparable basis, EBITDA decreased by 0,9% to R21,8 million for the six months. The comparable EBITDA margin decreased slightly for the six months to 36,3% compared to 36,9% for the same period in 2008. Despite the low revenue growth at the unit, costs have been well controlled.

Frontier Inn

The Frontier Inn and Casino achieved revenues of R19,2 million, an increase of 4,9% on the prior comparable period. This is attributed to an increase of 3,0% in GGR when compared to the prior year period, and the increase in revenues due to the insourcing of food and beverage in the current six months. The second quarter revenues were far stronger than the first quarter of 2009, where a 3% decline was recorded, resulting in the overall increased revenues for the first half of the year.

Costs at the unit increased by 7,0% during the period, R1,0 million of these being attributable to the insourcing of the food and beverage department.

EBITDA at R3,1 million was 3,1% less than the comparable six months. The EBITDA margin decreased to 16,2% (2008: 17,5%).

Head office and management companies

Head office revenue decreased by 1,7%, from R83,6 million in the first six months in 2008 to R85,0 million in the first six months in 2009. The Head office revenues are mainly a result of the management, administration and incentive fees received from the operating units, where the overall performances were subdued.

When comparing 2009 to 2008, a property rental saving of R1,3 million was achieved in the 2009 period as a result of the purchase of the Head office building in February 2009 and in June 2008 Head office expensed R3,4 million in respect of previously capitalised licence application costs for the Mthatha casino licence application.

Head office EBITDA increased by 0,6% from R47,8 million in the 2008 half year to R48,1 million in the first half of 2009. Adjusting for the anomolies head office EBITDA decreased by 8,5% from R51,2 million to R46,8 million. The adjusted EBITDA margin reflected a decrease at 56,6% when compared to the 57,2% 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 2008 and 2009, we have provided condensed unaudited consolidated cash flow information for the Peermont Group.

The following table presents our condensed unaudited consolidated cash flows for the periods indicated.

	Six months ended 30 June	
	2009 (unaudited)	2008 (unaudited)
Cash flow data	**R'm**	R'm
Cash flows from operating activities	**468,4**	512,2
Finance income	**24,0**	30,2
Finance expenses	**(346,1)**	(222,3)
Taxation paid	**(24,0)**	(23,0)
Cash flows generated from operating activities	**122,3**	297,1
Cash flows from investing activities	**(130,9)**	(117,9)
Cash flows from financing activities	**5,7**	(17,4)
Net (decrease)/increase in cash and cash equivalents	**(2,9)**	161,8

Cash flows from operating activities

Net cash inflows from operating activities for the period were R468,4 million compared to R512,2 million for the period ended 30 June 2008. This decrease was mainly due to a decrease in cash generated from operations.

Finance income

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

Finance expenses

This is made up predominantly of interest paid on the notes of R333,3 million (2008: R208,7 million), the borrowings by Head Office, PGB and the PGEFSH group. The large increase was due to the expected increased cash flows associated with the CCSs.

Taxation paid
The group made certain taxation payments in the ordinary course of business and certain of the subsidiaries, such as PGSH, PGB, PGKZN and PGEFSH will continue to incur taxation cash flows. Included in taxation paid was a top-up payment of R9,5 million paid in June 2009 for the 2007 tax period. This arose from a revised tax computation and treatment of the unrealised gains on the FECs for the 2007 taxation year.

Cash flows from investing activities
Capital expenditure for the six months was R131,3 million, predominantly on the purchase of a new Head office building (R38,9 million); the completion of the construction of the two new hotels, the Peermont Metcourt Hotel at Rio (R5,9 million) and the Peermont Metcourt Hotel at Emperors Palace (R12,8 million); the refurbishment of the Metcourt Laurel at Emperors Palace (R5,9 million); the refurbishment of the emporium at Emperors Palace (R19,4 million); the purchase of land in Francistown, Botswana (R3,4 million); the refurbishment of Mmabatho Palms (R10,7 million); as well as ongoing refurbishment and replacement of gaming and other equipment.

Cash flows from financing activities
Net cash inflows from financing activities for the period amounted to R5,7 million. This relates largely to the drawdown against the facility granted to Peermont for the new Head office building; offset by the repayment of R11,3 million of the PIK Notes Loan to fund the buy-back of the PIK Notes and the normal course redemption of debt by Head Office, PGB and the PGEFSH group.

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

Cash and cash equivalents
At 30 June 2009 the Peermont Group had R418,1 million (2008: R623,9 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 R41,2 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 2009 and 2008, were R131,3 million and R118,1 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 maintenance capital expenditures in the six months ended 30 June 2009 and 30 June 2008 were R67,6 million and R43,8 million, representing approximately 5,4% and 3,6% 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. The refurbishment of the emporium property division and the emporium operating division at Emperors Palace (R19,4 million), the refurbishment at Mmabatho Palms (R10,7 million), and the refurbishment of the Metcourt Laurel at Emperors Palace (R5,9 million) resulted in abnormally higher levels of maintenance capital expenditure for the period.

Our expansion capital expenditures in the six months ended 30 June 2009 were R63,7 million. This consisted of R38,9 million on the purchase of a new 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.

Our expansion capital expenditures in the six months ended 30 June 2008 were R74,8 million. This consisted of approximately R46,8 million spent on the new Peermont Metcourt Hotel at Emperors Palace; payments made by PGB of R5,0 million for the upgrade and expansion work performed at the Sedibeng and Syringa casinos; R21,7 million spent by Rio on its Peermont Metcourt Hotel; and, R0,8 million incurred on initial costs relating to the relocation of the Tusk Umfolozi complex to Richards Bay.

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 revolving credit facility. At 30 June 2009, of the R400,0 million available under our revolving credit facility for working capital and general corporate purposes, R91,6 million of the facility had been utilised to provide guarantees to various gambling boards and financial institutions, and R308,4 million was available for future borrowings.

Our current revolving credit facility is due to expire in April 2010. The agreements extending the facility to the end of April 2013 have been signed. The agreements are subject to conditions precedent including certain changes being required to be made to the indenture and security agreements. Our legal advisers are in the process of effecting the necessary changes with the Trustee.

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 2009:

	Less than 1 year R'm	1 – 3 years R'm	3 – 5 years R'm	After 5 years R'm	Total R'm
Senior secured notes due 2014[(1)(6)]	79,3	4 473,5	—	—	4 552,8
Deeply subordinated shareholders loans[(2)(6)]	—	2 654,6	—	—	2 654,6
Bank borrowings[(3)]	12,8	25,8	27,0	36,5	102,1
Corporate bond[(4)]	33,2	—	—	—	33,2
Promissory note liabilities	5,3	8,5	—	—	13,8
Finance lease agreements	0,6	1,4	0,2	—	2,2
Shareholder loan[(5)]	4,2	—	—	—	4,2
	135,4	7 163,8	27,2	36,5	7 362,9
Operating lease commitments	8,7	12,9	9,1	65,5	96,2
Total	144,1	7 176,7	36,3	102,0	7 459,1

(1) The amount reflected is €416,1 million disclosed at the current spot rate, plus accrued interest and unamortised issue costs.
(2) The amount reflected includes the capital owing, accrued and capitalised interest on long-term shareholder funding from PGH II.
(3) Bank borrowings comprise secured loan facilities from financial institutions in South Africa and Botswana, the latter disclosed at the closing spot rate.
(4) The corporate bond comprises corporate notes issued to institutions in Botswana, disclosed at the closing spot rate, and due on 31 March 2010.
(5) Shareholder loan to PGEFS Holdings (Proprietary) Limited from an unaffiliated shareholder.
(6) It is currently the company's intention to refinance the majority, if not all, of the deeply subordinated shareholder loans and the notes, in 2011, therefore, these amounts are all classified in the 1 – 3 years period.

Pension plans

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

Off-balance sheet finance arrangements

We have no off-balance sheet arrangements.

Contingent liabilities

SARS has challenged the taxation effect of a R33,8 million gain made by PGERH on the realisation of a foreign currency option contract in 2005. The company obtained two Senior Counsel opinions at the time of submitting the taxation return and consequently treated the gain as non-taxable. SARS assessed the company for taxation and interest. PGERH lodged an objection to the assessment but it was dismissed. PGERH sought to resolve the matter through an alternate dispute resolution mechanism, but this was also unsuccessful. The directors of PGERH are currently assessing the remaining legal options available to the company to resolve the issue. 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.

Events subsequent to quarter end

No material events and circumstances 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 FECs and CCSs for the first four years from date of issue, covering the rand equivalent of the original principal amount of €520,0 million, substantially all of the estimated early settlement premium and interest due under the notes to that date. In May 2008, we repurchased €103,9 million of the notes and revised the hedging arrangements.

The 2008 debt repurchase programme was financed by realising R1 129,2 million (€92,5 million) of value in the FECs used to hedge the original notes exposure. Approximately 77,7% of the value of existing hedges was realised.

The unwound FECs were replaced by entering into CCSs. Approximately 27,8% of the total foreign exchange exposure arising from the notes is now hedged using the original vanilla FECs and the balance of approximately 72,2% of the exposure is hedged using CCSs.

Currency translation effects occur due to the fact that in 2008 we earned 8,9% of our revenue and incurred approximately 9,7% 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.

The table below indicates the exchange rates used in the periods covered in this report:

	Average rate for 3 months	Average rate for 6 months	Closing spot rate
euro/rand	11,46	12,19	10,85
pula/rand	1,21	1,22	1,16

Interest rate risk

We generally 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 $7^{3}/_{4}$% until 2014. The interest on the shareholder loans, the balances of which were R1 057,0 million and R1 597,6 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 2008 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.

Depreciation of buildings

The group has estimated the average useful life of buildings to be approximately 40 years.

Business acquisitions

We account for business acquisitions under the purchase method of accounting. The total value of the consideration paid for acquisitions is allocated to the underlying net assets acquired, based on their respective estimated fair values determined by management using internal and external valuations. We use a number of valuation methods to determine the fair value of assets and liabilities acquired, including discounted cash flow and external market values, and believe that we use the most appropriate measures or combination of measures, to value each asset or liability. We also believe that we use the most appropriate valuation assumptions underlying each of these valuation methods based on the current information available, including discount rates, market risk rates, entity risk rates and cash flow assumptions.

The accounting policy for valuation of business acquisitions is considered critical because the judgements made in determining the estimated fair value and expected useful lives assigned to each class of assets and liabilities acquired can significantly affect the value of the asset or liability, including the effect on deferred taxes, the respective amortisation periods and ultimately net profit. Therefore, the use of other valuation methods, as well as other assumptions underlying these valuation methods, could significantly affect the determination of financial position and results of operations.

Residual value and useful life

We depreciate our assets over their estimated useful lives taking into account residual values, which, following the adoption of International Accounting Standards (IAS) 16 – *Property, plant and equipment (revised)*, are re-assessed on an annual basis. The actual lives and residual values of these assets can vary depending on a variety of factors.

Technological innovation, product life cycles and maintenance programmes impact the useful lives and residual values of assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Income taxes

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

Contingent liabilities

Management applies its judgement to the facts and advice it receives from advisers in assessing if an obligation is probable, more likely than not, or remote. This judgement is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Impairment of intangible assets

We annually test goodwill and indefinite life assets for impairment. This involves using assumptions and judgements regarding future events, such as revenue growth, weighted average costs of capital, increase in maintenance capital expenditure and rates relating to management fees, taxation and gaming levies that principally affect our future cash flows.

Staff incentive scheme costs
The costs associated with certain of our staff incentive schemes are determined using various assumptions and financial estimates.

New accounting interpretations issued and not yet implemented
IFRS 1 (revised 2008) *First-time Adoption of International Financial Reporting Standards* – Measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time – Effective annual periods commencing on or after 1 July 2009

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 – Effective annual periods commencing on or after 1 July 2009

IAS 28 (revised 2008) *Investments in Associates* – Consequential amendments arising from amendments to IFRS 3 and IFRS 1 as well as changes to the disclosures required when investments in associates are accounted for at fair value through profit or loss – Effective annual periods commencing on or after 1 July 2009

IAS 39 (amended 2008) *Financial Instruments: Recognition and Measurement* – Amendment to eligible hedged item; Reclassification of derivatives into or out of the classification of 'at fair value through profit or loss'; Designation and documenting hedges at the segment level; Applicable effective interest rate on cessation of fair value hedge accounting – Effective annual periods commencing on or after 1 July 2009

IFRIC 17 *Distribution of Non-cash Assets to Owners* – Effective annual periods commencing on or after 1 July 2009

IFRIC 18 *Transfer of Assets from Customers* – Effective annual periods commencing on or after 1 July 2009

IFRIC 9 and IAS 39 *Reassessment of Embedded Derivatives* – Effective annual periods commencing on or after 1 July 2009

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
We previously announced that Peermont had been named by the Mauritian State Investment Corporation as the preferred bidder for a 51% controlling shareholding in the Casinos of Mauritius and 100% of the shares in the management company responsible for Casinos of Mauritius. The Casinos of Mauritius comprise five casinos with a combined offering of 543 slot machines and 85 gaming tables.

Should the deal be successfully concluded, and subject to the ruling exchange rates at the time and based on the audited 2008 performance, we expect revenues and EBITDA to be less than 10% of the Peermont 2008 reported comparable figures.

In terms of the proposed deal Peermont and PGB will conclude agreements with the SIC and other remaining minorities for a 51% controlling shareholding in the companies which operate the five casinos. Peermont is expected to enter into new management contracts with the casino operating companies through a new 100% held management company.

We are currently negotiating the detailed terms and conditions and expect to conclude these negotiations imminently.

Tusk Umfolozi casino relocation

During the quarter a decision was taken not to relocate the casino to the Richards Bay area. This was largely due to the existence of a land claim over the land where the new property was to be situated. In order to expedite the issue of the permanent casino licence, it was decided to complete the remaining required facilities in Empangeni, where the current casino is located.

In order to comply with commitments to the KZNGB, it was decided to build a 44 key Peermont Metcourt hotel, a dedicated salon privé, a 200 seater cinema style convention centre and to upgrade the existing restaurant, kitchen and casino interiors at the existing Empangeni site. These changes are subject to the final approval of the KZNGB.

Construction is expected to commence in the fourth quarter of 2009, with the resort planned to open in the fourth quarter of 2010 or early in 2011 at an estimated budgeted cost of R95,0 million.

Emperors emporium upgrade

The upgrade of the emporium commenced early 2009 and is expected to be completed by the end of the 2009 year at a net budgeted cost of R81,8 million. This entails a revision of the restaurant mix, the demolition of the Chariots entertainment centre and the introduction of new upmarket cinemas. We believe that this will revitalise the emporium, create additional conference facilities as the cinemas will double up as additional conference venues, and increase footfall to the complex. Certain of the new restaurants have already opened and we expect the balance of the other new facilities to open by December 2009. The cinemas will be the last part of the upgrade to be completed and this is expected to be completed in time for the December vacation period.

Burgersfort casino licence

The LGB distributed a new request for proposals ("RFP") document to commence the new bidding process for the Burgersfort licence. We have evaluated the RFP and upon updating our market assessment we have decided not to participate in the process.

Rio land and salon privé extension

The company has authorised an offer of R3,0 million to purchase a piece of land adjacent to the property. We expect this to take some time to finalise due to zoning and ownership issues.

The Rio salon privé was extended and upgraded during the last quarter at a cost of R4,2 million. The process was completed in July and the new facility has been very well received.

Mmabatho Palms refurbishment and upgrade

The refurbishment and upgrade of the rooms, public areas and casino, at a total expected cost of approximately R20,0 million, commenced early in 2009. The improvements to the public areas and casino are complete and the rooms refurbishment commenced in May 2009. We expect the process to be completed by the end of September 2009 at the budgeted cost.

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 2009

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Group income statements

for the three months ended 30 June

	Note	2009 R'm	2008 R'm
Revenue		**611,6**	641,8
Gaming		**480,1**	512,1
Rooms		**61,1**	55,9
Food and beverage		**62,3**	60,8
Other		**8,1**	13,0
Other income/(expenses)	1	**3,7**	(0,1)
		615,3	641,7
Operating costs		**(444,3)**	(424,5)
Employee costs		**(125,5)**	(117,5)
VAT and gaming levies on gross gaming revenue		**(96,6)**	(100,6)
Promotions and marketing costs		**(38,5)**	(41,4)
Depreciation and amortisation		**(53,8)**	(44,9)
Property and equipment rentals		**(6,2)**	(8,3)
Other operational costs		**(123,7)**	(111,8)
Operating profit before net finance expenses		**171,0**	217,2
Net finance (expenses)/income		**(150,9)**	126,4
Finance income	2	**619,7**	413,7
Finance expenses	2	**(770,6)**	(287,3)
Profit before taxation		**20,1**	343,6
Taxation		**(9,8)**	(94,4)
Profit for period		**10,3**	249,2
Attributable to:			
Equityholders of Peermont		**6,7**	247,1
Minority shareholders		**3,6**	2,1
		10,3	249,2

Group income statements

for the six months ended 30 June

	Note	2009 R'm	2008 R'm
Revenue		**1 245,4**	1 239,9
Gaming		**982,4**	993,2
Rooms		**122,3**	109,5
Food and beverage		**120,6**	110,0
Other		**20,1**	27,2
Other income	1	**5,2**	—
		1 250,6	1 239,9
Operating costs		**(893,5)**	(823,4)
Employee costs		**(254,6)**	(227,0)
VAT and gaming levies on gross gaming revenue		**(193,3)**	(194,8)
Promotions and marketing costs		**(83,6)**	(84,3)
Depreciation and amortisation		**(109,1)**	(86,7)
Property and equipment rentals		**(13,1)**	(16,3)
Other operational costs		**(239,8)**	(214,3)
Operating profit before net finance expenses		**357,1**	416,5
Net finance expenses		**(337,8)**	(266,5)
Finance income	2	**913,3**	1 493,7
Finance expenses	2	**(1 251,1)**	(1 760,2)
Profit before taxation		**19,3**	150,0
Taxation		**(13,8)**	8,7
Profit for period		**5,5**	158,7
Attributable to:			
Equityholders of Peermont		**(3,8)**	150,0
Minority shareholders		**9,3**	8,7
		5,5	158,7

Group balance sheets

at 30 June

	Note	2009 R'm	2008 R'm
Assets			
Total non-current assets		**8 822,0**	9 176,5
Property, plant and equipment	3	**4 230,2**	4 095,9
Intangible assets	4	**4 565,8**	4 567,2
Amount due by jointly controlled entity		**2,4**	2,8
Derivative instruments		**6,2**	510,3
Deferred taxation asset		**17,4**	0,3
Total current assets		**541,5**	720,1
Inventories		**46,8**	38,9
Trade and other receivables		**61,9**	47,6
Amount due by jointly controlled entity		**0,1**	0,3
Amounts due by related parties		**9,1**	5,0
Current portion of derivative instruments		**—**	1,8
Current taxation assets		**5,5**	2,6
Cash and cash equivalents		**418,1**	623,9
Total assets		**9 363,5**	9 896,6
Equity and liabilities			
Equity			
Capital and reserves		**139,8**	293,2
Minority interest		**41,9**	32,2
Total equity		**181,7**	325,4
Total non-current liabilities		**8 382,9**	8 935,0
Interest-bearing long-term borrowings	5	**7 231,7**	7 540,9
Derivative instruments		**22,0**	—
Amounts due to related parties		**40,1**	42,6
Deferred taxation liabilities		**1 089,1**	1 351,5
Total current liabilities		**798,9**	636,2
Trade and other payables		**302,5**	269,2
Provisions		**8,1**	13,5
Amounts due to related parties		**6,6**	7,9
Current portion of interest-bearing long-term borrowings	5	**131,2**	116,5
Current portion of derivative instruments		**347,1**	217,7
Current taxation liabilities		**3,4**	11,4
Total equity and liabilities		**9 363,5**	9 896,6

Group statements of comprehensive (loss)/income

for the six months ended 30 June

	2009 R'm	2008 R'm
Profit for the period	**5,5**	158,7
Other comprehensive (loss)/income		
Exchange differences on translating foreign operations	**(9,3)**	2,1
Unrealised losses on fair value of cash flow hedge	**(0,7)**	(14,2)
Other comprehensive loss net of tax	**(10,0)**	(12,1)
Total comprehensive (loss)/income	**(4,5)**	146,6
Attributable to:		
Equityholders of Peermont	**(10,0)**	137,9
Minority shareholders	**5,5**	8,7
	(4,5)	146,6

Group statements 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
Group								
Balance at 1 January 2008	0,2	381,0	18,7	(1,7)	(242,1)	156,1	28,6	184,7
Total comprehensive (loss)/income	—	—	(14,2)	1,3	150,0	137,1	8,7	145,8
Dividends paid	—	—	—	—	—	—	(5,1)	(5,1)
Balance at 30 June 2008	0,2	381,0	4,5	(0,4)	(92,1)	293,2	32,2	325,4
Balance at 1 January 2009	0,2	381,0	*	6,1	(237,5)	149,8	46,3	**196,1**
Total comprehensive (loss)/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**

** Less than R50 000*

Group cash flow statements

for the six months ended 30 June

	2009 R'm	2008 R'm
Cash flows from operating activities	**468,4**	512,2
Finance income received	**24,0**	30,2
Finance expenses paid	**(346,1)**	(222,3)
Taxation paid	**(24,0)**	(23,0)
Cash flows generated from operating activities	**122,3**	297,1
Net cash outflows from investing activities	**(130,9)**	(117,9)
Replacement of property, plant and equipment to maintain operations	**(71,0)**	(42,7)
Acquisition of property, plant and equipment to expand operations	**(63,7)**	(74,3)
Replacement of intangible assets to maintain operations	**(0,3)**	(1,5)
Proceeds on disposal of property, plant and equipment	**3,7**	0,4
Repayment of shareholders loan by jointly controlled entity	**0,4**	0,2
Net cash inflows/(outflows) from financing activities	**5,7**	(17,4)
Interest-bearing long-term borrowings raised	**43,6**	—
Interest-bearing long-term borrowings repaid	**(17,4)**	(13,8)
Shareholder PIK Notes Loan repaid	**(11,3)**	—
Dividends paid	**(9,9)**	(5,1)
Decrease in non-current amounts due by related party	**0,7**	—
Cash settlement in respect of derivative instruments	**—**	1 134,9
7¾% SSNs repurchased	**—**	(1 129,2)
Debt buy-back costs paid	**—**	(4,2)
Net (decrease)/increase in cash and cash equivalents	**(2,9)**	161,8
Cash and cash equivalents at beginning of the period	**422,0**	462,1
Effect of exchange rate fluctuations on cash held	**(1,0)**	—
Cash and cash equivalents at end of the period	**418,1**	623,9

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June

		Three months ended 30 June		Six months ended 30 June	
		2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
1	**Other income**				
	Insurance claims received	**1,4**	—	**2,0**	—
	Refunds received	**—**	—	**0,6**	—
	Reversal of previously impaired loan	**0,8**	—	**0,8**	—
	Profit/(loss) on sale of property, plant and equipment	**1,5**	(0,1)	**1,8**	*
		3,7	(0,1)	**5,2**	*
	** Less than R50 000*				
2	**Net finance expenses**				
	Foreign exchange gains on restatement of SSN liability	**600,1**	35,1	**880,0**	—
	Interest received	**9,6**	15,0	**23,1**	30,1
	Gain on waiver of debt	**9,6**	—	**9,6**	—
	Fair value adjustment on derivative asset	**0,4**	1,4	**0,6**	1,4
	Foreign exchange gains on forward contracts to hedge SSN liability	**—**	222,6	**—**	1 322,6
	Discount on 7¾% SSNs repurchased	**—**	139,6	**—**	139,6
	Finance income	**619,7**	413,7	**913,3**	1 493,7
	Foreign exchange loss on forward contracts to hedge SSN liability	**(524,1)**	—	**(754,9)**	—
	Interest paid/payable – SSN	**(119,7)**	(138,8)	**(251,5)**	(272,9)
	Interest payable – PIK Equity Loan	**(69,5)**	(62,7)	**(134,6)**	(117,3)
	Interest payable – PIK Notes Loan	**(49,8)**	(45,7)	**(97,3)**	(92,8)
	Interest paid – other	**(7,5)**	(40,1)	**(12,8)**	(52,0)
	Foreign exchange loss on restatement of SSN liability	**—**	—	**—**	(1 225,2)
	Finance expenses	**(770,6)**	(287,3)	**(1 251,1)**	(1 760,2)

3 Property, plant and equipment

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
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**
30 June 2008			
Land	179,9	—	179,9
Freehold buildings	3 466,8	(108,1)	3 358,7
Leasehold buildings	158,8	(4,9)	153,9
Furniture, fittings and equipment	354,1	(81,3)	272,8
Capital work in progress	130,6	—	130,6
	4 290,2	(194,3)	4 095,9

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June (continued)

		2009 R'm	2008 R'm
3	**Property, plant and equipment** (continued)		
	Land and freehold buildings comprise the following properties:		
	– Stand 64, Jones Road, Kempton Park	**3 056,4**	3 023,3
	– Portions 25, 28, 38, 41 and 71 of the farm Driehoek 275 IS, and erven 8438 and 5869 Secunda Extension 16	**170,2**	174,3
	– Erf 101 San Lameer, Registration Division ET, Province of KwaZulu-Natal in extent 6 933 metres	**38,9**	39,6
	– Lot 16145, Francistown, Botswana	**16,8**	21,1
	– Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem	**62,5**	64,2
	– Erven 995 and 996, Meiringspark Ext 8, Klerksdorp	**168,4**	116,8
	– Erf 20, Thohoyandou	**67,5**	70,4
	– Portion 1 of Erf 113, Kuleka, Empangeni	**7,9**	7,9
	– Farm Leeuwvallei 297 KT, Burgersfort	**21,0**	21,0
	– Portion 20 of Erf 45 Bryanston Township	**38,9**	—
		3 648,5	3 538,6

4 Intangible assets

	Cost R'm	Accumulated amortisation R'm	Carrying value R'm
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**
30 June 2008			
Goodwill	1 385,3	—	1 385,3
Casino licences	2 765,0	(0,4)	2 764,6
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	7,7	(4,4)	3,3
Franchise costs	3,3	(0,7)	2,6
Right of use of buildings	13,0	(4,0)	9,0
	4 576,7	(9,5)	4 567,2

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June (continued)

		2009 R'm	2008 R'm
5	**Interest-bearing long-term borrowings**		
	South African – secured		
	ABSA term loans – PGEFS and PGEFSH	**64,2**	74,8
	Nedbank property loan	**37,9**	—
	South African – unsecured		
	Deeply subordinated shareholders' loans	**2 654,6**	2 417,3
	Promissory note liabilities	**13,8**	19,0
	Minority shareholder of PGEFSH	**4,2**	3,7
	Retention creditors	**—**	11,7
	Foreign – secured		
	SSNs	**4 552,8**	5 090,7
	First National Bank of Botswana Limited	**—**	9,7
	Foreign – unsecured		
	Corporate bond – Botswana	**33,2**	27,8
	Finance leases		
	Iskhus Power (Proprietary) Limited	**2,2**	2,7
	Total interest-bearing long-term liabilities	**7 362,9**	7 657,4
	Current portion included in current liabilities	**(131,2)**	(116,5)
		7 231,7	7 540,9

Notes to the group financial statements

for the period ended 30 June (continued)

6 Segmental analysis

	Three months ended 30 June				Six months ended 30 June			
	Revenue 2009 R'm	Revenue 2008 R'm	**EBITDA 2009 R'm**	EBITDA 2008 R'm	**Revenue 2009 R'm**	Revenue 2008 R'm	**EBITDA 2009 R'm**	EBITDA 2008 R'm
Emperors Palace	**396,6**	435,4	**146,2**	177,2	**819,0**	837,6	**302,5**	334,6
Graceland – 97%	**34,0**	33,2	**9,8**	7,7	**65,9**	66,1	**17,6**	15,0
Botswana#	**62,6**	54,3	**19,4**	18,4	**126,1**	103,6	**39,6**	33,9
Frontier Inn	**10,2**	9,0	**2,1**	1,7	**19,2**	18,3	**3,1**	3,2
Mmabatho Palms	**21,6**	23,7	**3,9**	6,4	**42,2**	44,8	**8,2**	11,2
Rio	**34,4**	33,9	**10,5**	14,3	**69,5**	67,6	**21,9**	29,6
Khoroni	**17,4**	15,5	**3,8**	3,5	**33,2**	29,3	**8,9**	7,0
Tusk Umfolozi	**30,4**	30,4	**5,3***	9,9	**60,0**	59,6	**16,6***	22,0
Other	**4,4**	6,4	**(1,0)**	(0,9)	**10,3**	12,9	**(0,3)**	(1,1)
Head office	**42,5**	43,1	**24,8**	23,9	**85,0**	83,6	**48,1**	47,8
Inter-company	**(42,5)**	(43,1)	**—**	—	**(85,0)**	(83,5)	**—**	—
Peermont Group	**611,6**	641,8	**224,8**	262,1	**1 245,4**	1 239,9	**466,2**	503,2

 # Average exchange rate (Rand/Pula) 1,2153 (2008: 1,1091) for the six months and 1,2091 (2008: 1,1563) for the three months applied to the revenue and EBITDA figures.

** Included in EBITDA are once off abortive costs for the termination of the relocation to Richards Bay amounting to R5,8 million. On a comparable basis, the EBITDA for the three and six months ended 30 June 2009 would be R11,1 million and R22,4 million respectively.*

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