Quarterly Report

for the three months ended 31 March 2009

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

18% Payment-In-Kind Notes due 2015

DATE: 26 May 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.

Effective from 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 II, utilising one of the available restricted payment baskets. In addition, a portion of the deeply subordinated shareholders loan owed by Peermont was waived, reducing Peermont's obligations by a further R47,3 million.

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

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

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

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

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

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

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 entire Peermont quarterly report is included as Annexure A and the unconsolidated unaudited balance sheet of PGH II is included as Annexure B.

Peermont Global Holdings II (Proprietary) Limited

CONDENSED UNAUDITED COMPANY BALANCE SHEET

at 31 March 2009

	2009 R'm	2008 R'm
Assets		
Total non-current assets	**2 695,4**	2 690,4
Investment in subsidiary	**137,5**	381,5
Amounts due by subsidiary	**2 557,9**	2 308,9
Total assets	**2 695,4**	2 690,4
Equity and liabilities		
Equity		
Capital and reserves	**138,7**	383,1
Total non-current liabilities	**2 556,2**	2 307,0
Interest-bearing long-term borrowings – PIK Notes liability	**1 029,2**	1 025,7
Interest-bearing long-term borrowings – Shareholders loan	**1 522,6**	1 279,2
Amounts due to fellow subsidiary company	**4,4**	2,1
Total current liabilities	**0,5**	0,3
Taxation liability	**0,5**	—
Trade and other payables	*	0,3
Total equity and liabilities	**2 695,4**	2 690,4

** Less than R50 000*

Annexure B

Quarterly Report

for the three months ended 31 March 2009

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

7¾% Senior Secured Notes due 2014

DATE: 26 May 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
BEE	Black economic empowerment
BBBEE	Broad based BEE
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
FCTR	Foreign currency translation reserve
FECs	Foreign 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 agreed 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
Mondazur	A division of Peermont, trading as Mondazur Resort Estate Hotel
MSH	Merang (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)
NACM	Nominal annual compounded monthly
NACS	Nominal annual compounded semi-annually
Nedbank	Nedbank Group Limited
NWGB	North West Gambling Board
Peermont, successor, 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 or Botswana	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 or Old Peermont Global	Peermont Global Investments Limited, a 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 Tusk Mmabatho, Rio and Tusk Trading
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
PIK Notes Loan	PIK Notes Loan due 2015 raised by Peermont from PGH II from the proceeds of an issue of PIK Notes, listed on the Irish Stock Exchange
P or pula	Botswana pula, legal tender of the Republic of Botswana
R or rand	South African rand, legal tender of the Republic of South Africa
Rio	A division of PGNW, trading as Rio Hotel, Casino and Convention Resort
RMB	Rand Merchant Bank, a division of FirstRand Bank Limited
SARS	South African Revenue Service
Securities Act	The U.S. Securities Act of 1933, as amended
Security SPV	Maxitrade 85, a special purpose vehicle
SSNs or the notes	The original €520 million Senior Secured Notes, due 2014, issued on 24 April 2007
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 Mmabatho	A division of PGNW, trading as Tusk Mmabatho Casino Resort
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.

Effective from 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 year. 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 interests 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 the aforementioned capital stock and assets. 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 U.S. Trust Indenture Act of 1939, as amended.

Effective from 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, 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 shareholders loan by the repayment of 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.

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, Tusk Mmabatho 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.

The accounting policies of Peermont are set out in Annexure B.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- The downturn in the world markets and the global economy is now in full effect and has impacted on the South African economy. This has had a negative impact on consumer spending which has slowed revenue growth over the last 18 months. The global economic crisis has adversely affected and will continue to have an adverse effect on our total revenue, profitability and cash flow.

- The rand depreciated significantly against the euro (by up to 32,1% in 2008), making our ability to service our foreign currency denominated debt, including the euro interest payments on the notes, more challenging. In light of such a deterioration 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, 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.

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 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 offering memorandum, should be considered in relation to this report and the effect that these could have on the company's position and results in the future.

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

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

Overview

Peermont holds seven casino licences in South Africa and three in neighbouring Botswana. We operate a total of 15 properties, 10 in South Africa and five in neighbouring Botswana. Together, as at the date of this report, these included 3 272 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 month period ended 31 March 2009 and the prior year comparative period, we have provided condensed unaudited consolidated financial information which is derived from the condensed unaudited consolidated financial statements of Peermont.

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 financial statements 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 of which 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") at a nominal value. 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.

If these changes are approved, PGSH will become our subsidiary and, accordingly, we will fully consolidate its results of operations, assets and liabilities in our condensed unaudited consolidated 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 14,0% 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 and marketing 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.

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 the Tusk Resorts, Khoroni and Tusk Umfolozi, and subsequently the acquisition by Peermont of the business of old Peermont, Peermont was required to sell 10% of the shares in each of the new entities operating the businesses of Khoroni (PGLim), Tusk Mmabatho 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 to each other, 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 as these are presented on the same basis, i.e. proportionately consolidated at 97%, 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 R7,2 million (2008: R7,5 million) and EBITDA by R1,8 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.

Income statement data for the period ended 31 March	**(unaudited)** **2009** **R'm**	(unaudited) 2008 R'm
Revenue	**633,8**	598,0
Gaming	**502,3**	481,1
Rooms	**61,2**	53,5
Food and beverage	**58,3**	49,2
Other	**12,0**	14,2
Other income	**1,4**	0,1
Operating costs	**(449,2)**	(399,8)
Operating profit	**186,0**	198,3
Finance income	**293,6**	1 302,5
Finance expenses	**(480,5)**	(1 695,4)
Loss before taxation	**(0,9)**	(194,6)
Taxation	**(3,9)**	103,1
Loss for the period	**(4,8)**	(91,5)
Attributable to:		
Equityholders of Peermont	**(10,5)**	(98,1)
Minority shareholders	**5,7**	6,6
	(4,8)	(91,5)
EBITDA[1] Reconciliation		
Operating profit	**186,0**	198,3
Add: Depreciation and amortisation	**55,3**	41,8
EBITDA	**241,3**	240,1
EBITDA margin	**38,1%**	40,2%

[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 months ended 31 March 2008 and 31 March 2009 is provided above.*

Commentary on the results for the period

The three month period ended 31 March 2009 (unaudited) compared to the three month period ended 31 March 2008 (unaudited)

Overview

Group revenue for the period increased by 6,0% from R598,0 million to R633,8 million. Gaming revenue increased by 4,4% to R502,3 million and hotel and resort revenue increased by 12,5% to R131,5 million. Operating costs excluding depreciation and amortisation increased by 10,0% to R393,9 million for the quarter. Under challenging conditions due to the continued economic decline, EBITDA increased slightly by 0,5% to R241,3 million. Depreciation and amortisation increased by 32,3% to R55,3 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 adjusted in the first quarter 2008.

Revenue

Our revenue increased by 6,0% from R598,0 million for the three months ended 31 March 2008 to R633,8 million for the three months ended 31 March 2009. Emperors Palace revenues grew by 5,0% and both PGB and Khoroni performed well with a growth of 17,8% (in pula terms) and 14,5%, respectively. In 2009, there was one less day in the quarter when compared to the same period in 2008, resulting in approximately 1,0% less revenue. Had the number of days been the same, we would have reported an increase of about 7,0% in revenue for the quarter.

Gaming revenues improved by 4,4% from R481,1 million in the quarter ended 31 March 2008 to R502,3 million in March 2009.

Rooms revenues improved by 14,4% over the corresponding three months in the prior year. The room rates increased by an average of 16,2% over the period. The opening of the two new Peermont Metcourt hotels at Rio and Emperors Palace, on 1 March 2009, also contributed to the increase in rooms revenue. Overall occupancies declined from 74,2% in the first quarter of 2008 to 69,2% in the first three months of 2009. The decline is predominantly due to a decline in demand from the corporate sector.

Operating costs

Operating costs for the three months ended 31 March 2009 were R449,2 million, an increase of R49,4 million, or 12,4%, from R399,8 million for the three months ended 31 March 2008. This was mainly due to an increase in depreciation and amortisation of R13,5 million as well as a 12,1% increase in employee costs, largely attributable to annual salary and wage increases and an increase in employee numbers at Emperors Palace, Rio and PGB. The increase in head count is a result of the insourcing of food and beverage at Rio and Frontier Inn, and the new hotels at Rio and Emperors Palace. Group operating costs were impacted by increased utility costs, increased enterprise development costs at Emperors Palace, and pre-opening costs for the Peermont Metcourt hotels at Emperors Palace and Rio. Operating costs, excluding depreciation and amortisation, increased by 10,0% when compared to the same period in 2008.

Depreciation and amortisation for the quarter ended 31 March 2009 was R55,3 million, an increase of R13,5 million, or 32,3% from R41,8 million for the three months ended 31 March 2008. This increase is mainly attributable to the expansion capex incurred in 2008 and adjustments made in the fourth quarter of 2008, flowing through to the current quarter, but not adjusted in the first quarter of 2008.

Operating profit

The resulting operating profit at R186,0 million was R12,3 million, or 6,2% below the prior period.

EBITDA

Under these challenging conditions, EBITDA increased by 0,5% from R240,1 million to R241,3 million over the prior period.

Finance income

Finance income for the three months ended 31 March 2009 was R293,6 million, a decrease of R1 008,9 million from the prior period. The variance to the prior period was mainly due to a large unrealised foreign exchange gain of R1 287,4 million in the three months ended March 2008. The 2008 gain arose as a result of the restatement of FECs hedging the notes liability where the local currency had weakened considerably against the euro in that quarter. In comparison, for the quarter ended March 2009 there was a foreign exchange gain of R279,9 million recorded on the translation of the notes liability largely as a result of the strengthening of the local currency against the euro.

Finance expenses

Finance expenses at R480,5 million reflected an improvement of R1 214,9 million from the prior period charge of R1 695,4 million. This was largely due to a foreign exchange loss of R1 447,7 million being recorded on the translation of the notes liability for the quarter ended March 2008, in comparison to a loss of R230,8 million on the restatement of the FECs and CCSs hedging the notes liability at the end of the first quarter of 2009.

Taxation

The taxation charge of R3,9 million results mainly from taxation charges at PGKZN, PGSH and PGB. The prior year credit of R103,1 million was mainly due to a taxation credit of R116,6 million which was previously recognised directly in equity as a result of gains made on the FECs during the prior period. As a result of the decision to discontinue hedge accounting for the notes, this was released to the income statement in the first quarter of 2008. The increase in taxation charge is also attributable to once off prior year credits arising from the change in corporate taxation rate from 29% to 28%, the resultant change in rate for the opening deferred taxation balance and the reversal of deferred taxation liabilities due to the utilisation of taxation losses at various units, primarily Emperors Palace.

Loss for the period

The resulting loss after taxation at R4,8 million was below the prior period loss of R91,5 million. The overall variance to prior period was mainly due to a decrease in the net finance expenses.

Operations

Emperors Palace

Revenue at Emperors Palace grew by 5,0% to R422,4 million compared to R402,4 million in the same period of the prior year. GGR grew by 4,9% to R358,3 million. This subdued growth was as a result of the pressures on disposable income created by the continued economic downturn. In the first quarter of 2009 GGR for Gauteng grew by only 6,1%. We managed to maintain our market share for the quarter at approximately 25%.

Rooms revenue increased by 9,2% to R29,6 million compared to R27,1 million in the prior period. The new 248 key Peermont Metcourt Hotel was opened on the 1 March 2009 at the budgeted cost of R170,0 million. This contributed R2,9 million to the increase in rooms revenue, indicating a decline of R0,4 million in revenues from the previously existing rooms capacity. This reduction is attributed to reduced occupancy levels, which declined to 78,7% from 86,4% in the comparable quarter.

Food and beverage revenue increased by 12,0% to R27,0 million in the quarter from R24,1 million in the prior period. This increase is mainly due to the insourcing of the Queen of the Nile restaurant from March 2008; the current quarter including revenues from the new hotel's food and beverage outlets; an increase in the scale of certain repeated functions; and an increase in food prices implemented at the unit from January 2009.

EBITDA at Emperors Palace decreased by 0,5% to R156,3 million. This decrease in EBITDA was predominately due to the low revenue increases; increase in payroll costs resulting from general wage increases; increased maintenance costs at the unit as well as the enterprise development expenditure required for the BBBEE scorecard requirements.

As a result, the EBITDA margin declined for the quarter from 39,0% as at 31 March 2008 to 37,0% as at 31 March 2009.

Graceland

Graceland revenues decreased by 2,9% from R33,9 million in 2008 to R32,9 million in the same period in 2009. The adverse performance was due to a decline in GGR which at R24,2 million, was 2,4% lower than the prior period, as well as a 24,0% decline in golfing revenues generated by the Country Club. The changes were mainly attributed to the economic climate in the region and the continued road works on the N17 highway.

Overhead expenses were well contained and operating expenses excluding depreciation decreased by 4,6% compared to the prior period, resulting in an EBITDA improvement of 5,3% from R7,6 million to R8,0 million. This resulted in an increased margin from 22,4% for the first quarter in 2008, to 24,3% for the first quarter in 2009.

Botswana

The Botswana operations produced an exceptional performance despite the refurbishment of some of the rooms at the Grand Palm complex which was completed during the quarter. Revenue increased by 17,8% in pula terms from pula 42,7 million (R49,3 million) for the quarter ended 31 March 2008 to pula 50,3 million (R63,5 million) for the same period in 2009. Gaming revenues improved by 17,4%, in pula terms, on the prior period with tables

contributing growth of 49,0%. The newly refurbished and upgraded casino contributed to the improved gaming revenues. Hotel and resort revenue grew by 18,0% to pula 31,4 million. The northern casinos increased their revenues by pula 0,5 million from pula 1,2 million at March 2008 to pula 1,7 million in the current quarter.

EBITDA grew in pula terms by 19,4% to pula 16,0 million (2008: pula 13,4 million) for the quarter. The EBITDA margin improved to 31,8% (2008: 31,4%).

Rio

Rio reported a growth in revenue of 3,9% to R35,0 million for the first quarter of 2009. The new Peermont Metcourt Hotel opened on 1 March 2009 and is expected to gradually build its contribution to revenues from the next quarter.

EBITDA decreased from R15,3 million in the first quarter of 2008, to R11,6 million in the first quarter of 2009. An increase in the marketing spend to drive gaming revenue and promote the opening of the new Peermont Metcourt Hotel; as well as an increase in administrative expenses; corporate and social investment expenditure arising from the commitment to the local gambling board; an increase in employee costs due to a larger number of employees; and, the inclusion of pre-opening expenses for the new hotel all impacted negatively on EBIDTA, resulting in a decline in the EBITDA margin to 33,1% (2008: 45,4%). The corporate and social investment expenditure of R1,5 million per annum was accrued for in December 2008 but was not accrued evenly across the year. The effect of this cost will be comparable in the full year to December.

Tusk Mmabatho

Tusk Mmabatho commenced with a R20,0 million refurbishment programme to its front of house areas and casino during the quarter. This caused significant disruption at the unit contributing to a decline in both revenue and EBITDA. The unit achieved total revenue of R20,6 million for the quarter, down 2,4% on the same quarter in 2008. This decline was mainly due to a decline in GGR of 6,4% to R14,7 million in the first quarter of 2009 from R15,7 million in the comparable period of 2008. The unit experienced an 8,4% increase in cash operating costs resulting in a decline in EBITDA of 8,3% from R4,8 million to R4,4 million. EBITDA margins declined from 22,8% to 21,2%.

Khoroni

The unit achieved an exceptional performance with revenue growth of 14,5% to R15,8 million for the quarter. The increase in revenue was driven by an increase of 15,6% in GGR over the prior period. EBITDA at R5,0 million was well above the R3,5 million for the same period in 2008, resulting in an improvement of the EBITDA margin to 31,8% (2008: 25,4%). The improved performance was on the back of a poor first quarter in 2008, mainly as a result of delayed spending by the local Government after a national strategy session held in the quarter, and the reversal of excess accruals of R0,5 million made in the prior year.

Tusk Umfolozi

Tusk Umfolozi grew revenue by 1,2% to R29,6 million compared to the same period in the prior year. EBITDA at R11,3 million was 2,3% up on the prior period, boosted by an insurance recovery of R0,6 million relating to the loss from the armed robbery in 2008. The EBITDA margin improved slightly for the quarter to 38,1% compared to 37,7% for the same period in 2008. Despite the low revenue growth at the unit, costs have been well controlled leading to an increased EBITDA.

Frontier Inn

The Frontier Inn and casino achieved revenues of R9,0 million, a decline of 3,3% on the prior period. This is attributed to a decrease of 5,0% in GGR when compared to the prior year period. The main reason behind the decline was the poor performance at the tables department where hold percentages were particularly low.

EBITDA at R1,1 million was 34,0% less than the comparable 2008 quarter. The EBITDA margin decreased to 11,7% (2008: 17,2%).

Head office and management companies (head office)

Head office revenue decreased by 0,5%, from R40,5 million in the first quarter in 2008 to R40,3 million in the first quarter in 2009. The head office revenues are mainly driven by the management, administration and incentive fees received from the operating units which overall reflected a subdued performance.

Head office EBITDA increased by 2,2% from R22,8 million in the 2008 quarter to R23,3 million in the 2009 quarter. The EBITDA margin reflected an increase at 57,8% when compared to the 56,3% 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 three month period ended 31 March 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.

Cash flow data for the period ended 31 March	**(unaudited)** **2009** **R'm**	(unaudited) 2008 R'm
Cash flows from operating activities	**217,0**	224,3
Finance income received	**13,9**	15,1
Finance expenses paid	**(5,0)**	(4,9)
Taxation paid	**(5,7)**	(2,8)
Cash flows generated from operating activities	**220,2**	231,7
Net cash outflows from investing activities	**(84,3)**	(31,1)
Net cash inflows from financing activities	**26,7**	2,1
Net increase in cash and cash equivalents	**162,6**	202,7

Cash flows from operating activities

Net cash inflows from operating activities for the period were R217,0 million compared to R224,3 million for the period ended 31 March 2008. This decrease was mainly due to a decrease in cash generated from operations, as well as large VAT payments being made by Peermont and PGSH during the current quarter.

Finance income

This consists mainly of interest received on cash deposits at financial institutions which has decreased in comparison to the prior period.

Finance expenses

This is made up predominantly of interest paid on the borrowings by PGB and the PGEFSH Group. No cash flows related to the notes took place during the quarter.

Taxation paid

Peermont and PGB made certain tax 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.

Cash flows from investing activities

Capital expenditure for the three months was R84,5 million, predominantly on the purchase of the previously leased head office building (R38,4 million), and the construction of the two new hotels, the Peermont Metcourt Hotel at Rio (R6,3 million) and the Peermont Metcourt Hotel at Emperors Palace (R6,5 million), the refurbishment of the Emporium Property division and Emporium operating division of Emperors Palace (R10,5 million), the refurbishment of Tusk Mmabatho (R6,2 million), and the ongoing refurbishment and replacement of gaming equipment.

Cash flows from financing activities
Net cash inflows from financing activities for the period amounted to R26,7 million. This relates largely to the drawdown against the facility granted to Peermont for the head office building, offset by the normal redemption of debt by the PGEFSH Group and PGB.

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

Cash and cash equivalents
At 31 March 2009 the Peermont Group had R584,5 million (2008: R665,2 million) in cash resources available to service debt, working capital requirements and new projects. Approximately R40,0 million of this is required for operational and casino floats at the various properties and approximately R41,2 million is controlled on behalf of the beneficiaries of the trusts, consolidated for accounting purposes, as mentioned earlier.

Capital expenditure
Our capital expenditures in the three months ended 31 March 2009 and 31 March 2008, were R88,2 million and R31,7 million, respectively, representing approximately 13,9% and 5,3% of total revenue for those periods. 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 three months ended 31 March 2009 and 31 March 2008 were R34,8 million and R5,1 million, representing approximately 5,5% and 0,9% 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 (R10,5 million), the refurbishment at Tusk Mmabatho (R6,2 million), the refurbishment of the casino and hotel at the Grand Palm (R4,8 million) and the refurbishment of the Metcourt Laurel at Emperors Palace (R3,6 million) resulted in abnormally higher levels of maintenance capital expenditure for the quarter.

Our expansion capital expenditures in the three months ended 31 March 2009 were R53,4 million. This consisted of R38,4 million on the purchase of a new head office building; R6,5 million spent on the new Peermont Metcourt Hotel at Emperors Palace; R2,2 million spent on gaming expansion at Emperors Palace; and, R6,3 million spent by Rio on its Peermont Metcourt Hotel and ancillary facilities.

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 31 March 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 revolver facility is due to expire in April 2010. We have commenced negotiations with the provider and other banks to extend the facility beyond April 2010.

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 they 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 31 March 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
First priority senior secured notes due 2014 [1][6]	221,3	5 145,2	—	—	5 366,5
Deeply subordinated shareholders loans[2][6]	—	2 565,1	—	—	2 565,1
Bank borrowings[3]	17,0	25,6	26,4	46,3	115,3
Corporate bond[4]	—	31,4	—	—	31,4
Promissory note liabilities	5,8	9,2	—	—	15,0
Finance lease agreements	0,6	1,3	0,4	—	2,3
Shareholder loan[5]	—	—	—	4,1	4,1
	244,7	7 777,8	26,8	50,4	8 099,7
Operating lease commitments	9,7	13,7	8,9	71,4	103,7
Total	254,4	7 791,5	35,7	121,8	8 203,4

[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 3 – 5 years period.

Pension plans

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

Off-balance sheet arrangements

We have no significant 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. As a result, the company is currently seeking to resolve the matter through an alternate dispute resolution mechanism. Should the SARS interpretation prove to be correct, the group may be exposed to an additional unprovided taxation liability of approximately R9,8 million.

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.

Market risk

Foreign currency risk

Our condensed unaudited consolidated financial statements are affected by currency transactions and translation effects resulting from fluctuations in the exchange rates between the rand and other currencies, principally the euro, Botswana 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 91,1% of our revenue in rand 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.

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 7¾% until 2014. The interest on the shareholder loans, the balances of which were R1 037,0 million and R1 528,1 million at period end, is set at 18,2% and 18,4% respectively.

Critical accounting policies and use of estimates

The Group's accounting policies are set out in Annexure B and 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.

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.

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

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 30 June 2009

The company 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 company's accounting period on or after 1 April 2009. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the company's results.

New and ongoing developments

New Peermont Metcourt Hotel at Emperors Palace

The new 248 room Peermont Metcourt Hotel, the fourth hotel at the group's Emperors Palace resort, was completed within the budgeted cost of R170 million and opened on 1 March 2009. The hotel has been well received to date.

Burgersfort Casino licence

The LGB distributed a new request for proposals ("RFP") document to commence the new bidding process for the Burgersfort licence on 14 April 2009. Peermont has acquired the land required for this project and is therefore well placed to submit a revised bid should local economic conditions permit. We are currently evaluating the RFP and updating our market assessment to assist us in making a decision whether or not to participate in the process.

Tusk Umfolozi Casino relocation

The relocation of the Tusk Umfolozi Casino at Empangeni to the Richards Bay waterfront area, at a revised expected cost of R263,0 million is progressing slowly. We have been informed by the Land Claims Commissioner that the land claim over our proposed property has not been satisfactorily resolved. We will only finalise the transfer of the land and will commence the development of the site when, and if, satisfactory confirmation is received. Given the uncertainty surrounding the land claim issue we are unable to reliably estimate a construction commencement date.

Rio Hotel

The construction of the 70 key Peermont Metcourt Hotel, a 400 seat conference centre, a new restaurant and an enlarged kitchen to serve the increased requirements of the complex has been completed. The total budgeted cost of this project remained at R73,5 million. An additional R4,5 million has been approved to extend the salon privé in the casino and R3,0 million has been approved to purchase a piece of land adjacent to the new hotel. The hotel and conference centre opened on 1 March 2009 and is gradually building a presence in the market place.

PGB refurbishment

During the second quarter of 2008 the Grand Palm complex commenced with a partial hotel, casino and restaurant refurbishment programme. The construction work on the Grand Palm casino was completed in December 2008, at a cost of pula 17,1 million. The refurbishment of the Mokolwane Bistro at a budgeted cost of pula 2,7 million, was completed by the end of November 2008. The upgrade of the fifth floor of the Walmont Ambassador hotel, including bathrooms, the corridor, lounge and boardroom, was completed early in the current quarter, at an expected cost of pula 5,0 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 R81,7 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. We expect to open all of the restaurant facilities by the end of August and the cinemas in December 2009.

Tusk Mmabatho 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 is expected to commence in May 2009.

Annexure A

CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF:

Peermont Global (Proprietary) Limited
and its subsidiaries

for the three months ended on and as at 31 March 2009

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Group income statements

for the three months ended 31 March

	Note	2009 R'm	2008 R'm
Revenue		**633,8**	598,0
Gaming		**502,3**	481,1
Rooms		**61,2**	53,5
Food and beverage		**58,3**	49,2
Other		**12,0**	14,2
Other income	1	**1,4**	0,1
		635,2	598,1
Operating costs		**(449,2)**	(399,8)
Employee costs		**(129,1)**	(115,2)
VAT and gaming levies on gross gaming revenue		**(96,7)**	(94,2)
Promotions and marketing costs		**(45,1)**	(40,0)
Depreciation and amortisation		**(55,3)**	(41,8)
Property and equipment rentals		**(7,0)**	(8,0)
Other operational costs		**(116,0)**	(100,6)
Operating profit before net finance expenses		**186,0**	198,3
Net finance expenses		**(186,9)**	(392,9)
Finance income	2	**293,6**	1 302,5
Finance expenses	2	**(480,5)**	(1 695,4)
Loss before taxation		**(0,9)**	(194,6)
Taxation		**(3,9)**	103,1
Loss for period		**(4,8)**	(91,5)
Attributable to:			
Equityholders of Peermont		**(10,5)**	(98,1)
Minority shareholders		**5,7**	6,6
		(4,8)	(91,5)

Group balance sheets

at 31 March

	Note	2009 R'm	2008 R'm
Assets			
Total non-current assets		**9 213,5**	10 377,5
Property, plant and equipment	3	**4 249,5**	4 064,6
Intangible assets	4	**4 567,0**	4 570,4
Amount due by jointly controlled entity		**2,7**	2,9
Derivative instruments		**390,3**	1 739,3
Deferred taxation asset		**4,0**	0,3
Total current assets		**717,7**	868,2
Inventories		**47,2**	40,1
Trade and other receivables		**62,4**	56,0
Amounts due by jointly controlled entity		**0,1**	0,1
Amounts due by related parties		**17,7**	7,9
Current portion of derivative instruments		**—**	98,7
Current taxation assets		**5,8**	0,2
Cash and cash equivalents		**584,5**	665,2
Total assets		**9 931,2**	11 245,7
Equity and liabilities			
Equity			
Capital and reserves		**137,5**	349,7
Minority interest		**41,4**	35,2
Total equity		**178,9**	384,9
Total non-current liabilities		**8 897,5**	10 345,9
Interest-bearing long-term borrowings	5	**7 855,0**	8 925,2
Derivative instruments		**0,3**	—
Amounts due to related parties		**40,0**	42,2
Deferred taxation liabilities		**1 002,2**	1 378,5
Total current liabilities		**854,8**	514,9
Trade and other payables		**278,4**	262,1
Provisions		**9,1**	13,4
Amounts due to related parties		**6,8**	7,1
Current portion of interest-bearing long-term borrowings	5	**244,7**	206,9
Current portion of derivative instruments		**229,0**	—
Current taxation liabilities		**86,8**	25,4
Total equity and liabilities		**9 931,2**	11 245,7

Group statement of comprehensive income

for the three months ended 31 March

	2009 R'm	2008 R'm
Loss for the period	**(4,8)**	(91,5)
Other comprehensive income		
Exchange differences on translating foreign operations	**(1,7)**	(6,6)
Unrealised losses/(gains) on fair value of cash flow hedge	**(1,1)**	401,7
Income taxation relating to components of other comprehensive income	**0,3**	(116,6)
Other comprehensive (loss)/income, net of tax	**(2,5)**	291,7
Total comprehensive (loss)/income	**(7,3)**	200,2
Attributable to:		
Equityholders of Peermont	**(12,3)**	193,6
Minority shareholders	**5,0**	6,6
	(7,3)	200,2

Group statement of changes in equity

for the three months ended 31 March 2008 and 31 March 2009

	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 income	—	—	285,1	6,6	(98,1)	193,6	6,6	**200,2**
Balance at 31 March 2008	0,2	381,0	303,8	4,9	(340,2)	349,7	35,2	**384,9**
Balance at 1 January 2009	0,2	381,0	—	6,1	(237,5)	149,8	46,3	**196,1**
Total comprehensive income	—	—	(0,8)	(1,0)	(10,5)	(12,3)	5,0	**(7,3)**
Dividends paid	—	—	—	—	—	—	(9,9)	**(9,9)**
Balance at 31 March 2009	**0,2**	**381,0**	**(0,8)**	**5,1**	**(248,0)**	**137,5**	**41,4**	**178,9**

Group cash flow statements

for the three months ended 31 March

	2009 R'm	2008 R'm
Cash flows from operating activities	**217,0**	224,3
Finance income received	**13,9**	15,1
Finance expenses paid	**(5,0)**	(4,9)
Taxation paid	**(5,7)**	(2,8)
Cash flows generated from operating activities	**220,2**	231,7
Net cash outflows from investing activities	**(84,3)**	(31,1)
Replacement of property, plant and equipment to maintain operations	**(34,8)**	(5,1)
Acquisition of property, plant and equipment to expand operations	**(53,4)**	(26,6)
Proceeds on disposal of property, plant and equipment	**3,7**	0,6
Repayment of shareholders loan by jointly controlled entity	**0,2**	—
Net cash inflows from financing activities	**26,7**	2,1
Interest-bearing long-term borrowings raised	**43,6**	5,9
Interest-bearing long-term borrowings repaid	**(7,5)**	—
Increase in non-current amounts due by related party	**0,5**	—
Cash settlement in respect of derivative instruments	**—**	0,2
Dividends paid	**(9,9)**	(4,0)
Net increase in cash and cash equivalents	**162,6**	202,7
Cash and cash equivalents at beginning of the period	**422,0**	462,0
Effect of exchange rate fluctuations on cash held	**(0,1)**	0,5
Cash and cash equivalents at end of the period	**584,5**	665,2

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the three months ended 31 March 2009

		2009 R'm	2008 R'm
1	**Other income**		
	Insurance claims received	**0,6**	—
	Refunds received	**0,5**	—
	Profit on sale of property, plant and equipment	**0,3**	0,1
		1,4	0,1
2	**Net finance expenses**		
	Foreign exchange gains on restatement of SSN liability	**279,9**	—
	Foreign exchange gain on forward contracts to hedge SSN liability	—	1 287,4
	Interest received	**13,5**	15,1
	Fair value adjustment on derivative asset	**0,2**	—
	Finance income	**293,6**	1 302,5
	Foreign exchange loss on forward contracts to hedge SSN liability	**(230,8)**	—
	Foreign exchange loss on restatement of SSN liability	—	(1 447,7)
	Interest payable – SSN	**(131,9)**	(130,2)
	Interest payable – PIK Equity Loan	**(65,1)**	(64,3)
	Interest payable – PIK Notes Loan	**(47,5)**	(47,1)
	Interest paid – other	**(5,2)**	(6,1)
	Finance expenses	**(480,5)**	(1 695,4)

3 Property, plant and equipment

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
31 March 2009			
Land	**180,1**	**—**	**180,1**
Freehold buildings	**3 734,2**	**(177,3)**	**3 556,9**
Leasehold buildings	**195,6**	**(26,3)**	**169,3**
Furniture, fittings and equipment	**519,2**	**(244,1)**	**275,1**
Capital work in progress	**68,1**	**—**	**68,1**
	4 697,2	**(447,7)**	**4 249,5**
31 March 2008			
Land	180,1	—	180,1
Freehold buildings	3 464,7	(85,1)	3 379,6
Leasehold buildings	163,5	(2,7)	160,8
Furniture, fittings and equipment	327,2	(65,6)	261,6
Capital work in progress	82,5	—	82,5
	4 218,0	(153,4)	4 064,6

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the three months ended 31 March 2009 (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	**3 127,9**	3 041,5
	– Portions 25, 28, 38, 41 and 71 of the farm Driehoek 275 IS, and erven 8438 and 5869 Secunda Extension 16	**171,3**	175,3
	– Erf 101 San Lameer, Registration Division ET, Province of KwaZulu-Natal in extent 6 933 metres	**39,0**	40,0
	– Lot 16145, Francistown, Botswana	**14,9**	23,1
	– Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem	**63,0**	64,6
	– Erven 995 and 996, Meiringspark Ext 8, Klerksdorp	**185,5**	117,7
	– Erf 20, Thohoyandou	**67,8**	68,6
	– 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	**38,7**	—
		3 737,0	3 559,7

4 Intangible assets

	Cost R'm	Accumulated amortisation R'm	Carrying value R'm
31 March 2009			
Goodwill	**1 385,3**	**—**	**1 385,3**
Casino licences	**2 765,3**	**(0,9)**	**2 764,4**
Right to receive management fees	**382,4**	**—**	**382,4**
Trademarks	**20,0**	**—**	**20,0**
Computer software	**14,6**	**(10,3)**	**4,3**
Franchise costs	**6,6**	**(3,1)**	**3,5**
Right of use of buildings	**12,0**	**(4,9)**	**7,1**
	4 586,2	**(19,2)**	**4 567,0**
31 March 2008			
Goodwill	1 385,3	—	1 385,3
Casino licences	2 768,4	(0,4)	2 768,0
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	6,9	(3,8)	3,1
Franchise costs	3,5	(0,5)	3,0
Right of use of buildings	12,2	(3,6)	8,6
	4 578,7	(8,3)	4 570,4

Notes to the group financial statements

for the three months ended 31 March 2009 (continued)

		2009 R'm	2008 R'm
5	**Interest-bearing long-term borrowings**		
	South African – secured		
	ABSA term loans – PGEFS	**67,0**	77,3
	Nedbank property loan	**43,5**	—
	South African – unsecured		
	Deeply subordinated shareholders' loans	**2 565,1**	2 308,9
	Promissory note liabilities	**15,0**	20,5
	Minority shareholder of PGEFSH	**4,1**	3,5
	Retention creditors	**—**	11,5
	Foreign – secured		
	SSNs	**5 366,5**	6 656,5
	First National Bank of Botswana Limited	**4,8**	20,9
	Foreign – unsecured		
	Corporate bond – Botswana	**31,4**	30,1
	Finance leases		
	Iskhus Power (Proprietary) Limited	**2,3**	2,9
	Total interest-bearing long-term liabilities	**8 099,7**	9 132,1
	Current portion included in current liabilities	**(244,7)**	(206,9)
		7 855,0	8 925,2

Peermont Global (Proprietary) Limited Group
Quarterly report for the three months ended 31 March 2009

Group accounting policies

Peermont Global (Proprietary) Limited is a company registered in South Africa. The accounting policies have been applied consistently by group entities.

Statement of compliance

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

Basis of preparation

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

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

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

Basis of consolidation

Investment in subsidiaries

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

Investment in jointly controlled entities

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

Transactions eliminated on consolidation

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

Principles of consolidation

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

Revenue

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

Expenses

Operating lease payments

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

Finance lease payments

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

Finance income and finance expenses

Finance income comprises interest income on funds invested, dividend income, foreign exchange gains and gains on hedging instruments recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the group's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

Finance expenses comprise interest expense on borrowings calculated using the effective interest method, dividends on redeemable preference shares, foreign exchange losses, and losses on hedging instruments that are recognised in the income statement. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

Taxation

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

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

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

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

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

Foreign currency

Foreign currency transactions

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

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

Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are recognised directly in equity. They are released into the income statement upon disposal. To the extent that the hedge is ineffective, such differences are recognised in profit or loss.

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

Leasehold buildings are depreciated over the remaining leasehold periods.

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

Intangible assets

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

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

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

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

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

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

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense, as incurred.

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

Goodwill	Indefinite
Casino licences	Indefinite/licence period
Right of use of buildings	Lease period
Licence application costs	Indefinite
Computer software	33,3% – 50,0%
Franchise costs	Lease period
Management contracts	Indefinite

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

Impairment

Financial assets

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

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

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

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

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

Financial guarantee contracts

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

Derivative financial instruments

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

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

The fair value of interest-rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of FECs and CCSs is their quoted market price at the balance sheet date, being the present value of the estimated forward price discounted using a South African rand yield curve.

Non-derivative financial instruments

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

Hedging

Cash flow hedges

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

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

Hedge of monetary assets and liabilities

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

Inventories

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

Cash and cash equivalents

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

Share capital

Ordinary share capital

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

Preference share capital

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

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

Repurchase of share capital

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

Dividends

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

Provisions

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

Employee benefits

Short-term employee benefits

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

Long-term employee benefits

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

Retirement benefits

Obligations for contributions to defined contribution provident and pension plans are recognised as an expense in the income statement as incurred. The group does not incur any liability for post-employment medical aid benefits.

Offset

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

Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the group's business segments. Inter-segment pricing is determined on an arms length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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