

# QUARTERLY REPORT

*for the three and six months ended 30 June 2012*

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

*18% Payment-In-Kind Notes due 2015*



**PEERMONT**

HOTELS CASINOS RESORTS

**PEERMONT GLOBAL HOLDINGS II PROPRIETARY LIMITED**

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

**DATE: 29 AUGUST 2012**



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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 7<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due 2014 (“the notes”), issued by PGH II’s direct wholly owned subsidiary, PeerMont Global Proprietary Limited (“PeerMont” or the “issuer”). The guarantee is secured by all of the ordinary shares of PeerMont.

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

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

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

A copy of the offering memorandum dated 18 April 2007, prepared in connection with the offering of the PIK Notes 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. PGH II may redeem the PIK Notes, in whole or in part, at any time on or after 30 October 2011 at 101,5%, or after 30 October 2012 at 100,0%.

The PIK Notes are listed on the Irish Stock Exchange and traded on its Global Exchange 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.

### **Deeply subordinated shareholder loans**

#### *Deeply subordinated shareholder loan from PGH I to PGH II*

In 2007, PGH I advanced the proceeds of its PIK Equity Loan to the company. This loan was and remains deeply subordinated in favour of the creditors of PGH II. In terms of the deeply subordinated shareholder loan agreement, the loan does not require any amortisation or other payment of interest or principal, nor may the loan holders declare any event of default, place PGH II into liquidation or take any enforcement action prior to the settlement of all senior debt claims and/or claims by the creditors of PGH II.

#### *Deeply subordinated shareholder loans from PGH II to PeerMont*

PGH II advanced the proceeds of the deeply subordinated PIK Equity Loan received by it from PGH I, as well as the proceeds of the issue of the PIK Notes in 2007 to its 100% subsidiary, PeerMont, in the form of deeply subordinated shareholder loans. In terms of the PGH II deeply subordinated shareholder loans agreement, the loans do not require any amortisation or other payment of interest or principal before 27 April 2037, nor may the loan holders declare any event of default or take any enforcement action prior to that date.

## REPORTING

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



## ANNEXURE A

### PeerMont Global Holdings II Proprietary Limited

#### CONDENSED UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION

at 30 June 2012

	2012 R'm	2011 R'm
<b>Assets</b>		
<b>Total non-current assets</b>	<b>2 934,5</b>	2 868,1
Investment in subsidiary, less impairments	—	—
Amounts due by subsidiary, less impairments	<b>2 934,5</b>	2 868,1
<b>Total current assets</b>	<b>*</b>	3,2
Trade and other receivables	<b>*</b>	<b>*</b>
Current taxation asset	—	3,2
<b>Total assets</b>	<b>2 934,5</b>	2 871,3
<b>Equity and liabilities</b>		
<b>Equity</b>		
Capital and reserves	<b>(1 495,9)</b>	(833,1)
<b>Total non-current liabilities</b>	<b>4 409,2</b>	3 688,6
Interest-bearing long-term borrowings	<b>4 402,4</b>	3 679,8
PIK Notes liability	<b>1 719,1</b>	1 425,5
Deeply subordinated shareholder loan	<b>2 683,3</b>	2 254,3
Deferred taxation liability	<b>6,8</b>	8,8
<b>Total current liabilities</b>	<b>21,2</b>	15,8
Amounts due to subsidiary	<b>19,7</b>	15,8
Current taxation liability	<b>1,5</b>	—
<b>Total equity and liabilities</b>	<b>2 934,5</b>	2 871,3

\* Less than R50 000.

# QUARTERLY REPORT

*for the three and six months ended 30 June 2012*

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

*7<sup>3</sup>/<sub>4</sub>% Senior Secured Notes due 2014*



**PEERMONT**

HOTELS CASINOS RESORTS

**Peermont Global Proprietary Limited**

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

**DATE: 29 AUGUST 2012**



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## DEFINITIONS

B-BBEE	Broad-based Black Economic Empowerment
BPC	Botswana Power Corporation
CASA	Casino Association of South Africa
Casinos of Mauritius	The companies which operate five casinos in Mauritius
€ or Euro	European Euro, legal tender of the European Union
EBITDA	Earnings before interest, taxation, depreciation, amortisation and other non-cash items
EBITDAR	Earnings before interest, taxation, depreciation, amortisation, rentals and other non-cash items
Emperors Palace	A division of Peermont, trading as Emperors Palace Hotel Casino Convention Resort
FECs	Forward Exchange Contracts
GGR	Gross gaming revenues
Guarantors	Consist of PGH II, Peermont, PGNW, PGKZN, PGLim, PGMNW&L and PGMKZN
Head office	The head office function of Peermont
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg interbank agreed rate
KZNGBB	KwaZulu-Natal Gambling and Betting 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)
Mmabatho Palms	A division of PGNW, trading as Mmabatho Palms Casino Convention Resort
Mondazur	A division of Peermont, trading as Mondazur Resort Estate Hotel
NACM	Nominal annual compounded monthly
NACS	Nominal annual compounded semi-annually
NWGB	North West Gambling Board
P or Pula	Botswana Pula, legal tender of the Republic of Botswana
Peermont 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 and its subsidiaries
PGB	Peermont Global (Botswana) Limited, a public limited liability company incorporated under the laws of the Republic of Botswana (Registration number 95/414), including all operations based in Botswana, namely the Grand Palm Hotel Casino Convention Resort, Mondior 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	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)
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) (in liquidation)
PGERH	PGER Holdings Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/001006/07)
PGH I	Peermont Global Holdings I Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/023109/07)
PGH II	Peermont Global Holdings II Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/006232/07)
PGIL	Peermont Global Investments Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1995/004449/06)
PGKZN or Umfolozi	Peermont Global (KZN) Proprietary Limited, trading as Umfolozi Hotel Casino Convention Resort, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/029290/07)
PGLim or Khoroni	Peermont Global (Limpopo) Proprietary Limited, trading as Khoroni Hotel Casino Convention Resort, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/034446/07)
PGMKZN	Peermont Global Management (KZN) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/000558/07)



## DEFINITIONS (continued)

PGMNW&L	Peermont Global Management (NW&L) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/029265/07)
PGNW	Peermont Global (North West) Proprietary Limited, a limited liability company incorporated under the Laws of the Republic of South Africa (Registration number 2006/028470/07), which includes the divisions of Mmabatho Palms, Rio and Taung
PGSH or Graceland	Peermont Global (Southern Highveld) Proprietary Limited, trading as Graceland Hotel, Casino and Country Club, 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 18,0% PIK Notes due 2015, issued by PGH II, listed on the Global Exchange Market of the Irish Stock Exchange
PIK Notes Loan	PIK Notes Loan raised by Peermont from the proceeds of an issue of PIK Notes by PGH II
R or Rand	South African Rand, legal tender of the Republic of South Africa
RCF	Revolving Credit Facility
Rio	A division of PGNW, trading as Rio Hotel Casino Convention Resort
RMB	Rand Merchant Bank, a division of FirstRand Bank Limited
S&P	Standard and Poor's Financial Services LLC, a subsidiary of McGraw-Hill Companies, Inc.
SARS	South African Revenue Service
Securities Act	The U.S. Securities Act of 1933, as amended
Security SPV	Maxitrade 85, a special purpose vehicle
SIC	The State Investment Corporation Limited, a public company limited by shares incorporated under the laws of the Republic of Mauritius (Registration number 4482)
SRSs	Symmetrical Recovery Swaps
SSNs or the notes	The original €520 million 7¾% Senior Secured Notes due 2014, issued on 24 April 2007, listed on the Global Exchange Market of the Irish Stock Exchange
Taung	A division of PGNW, trading as Taung Hotel Convention Resort
The indenture	An indenture under which the notes were issued and guaranteed
The Offering Memorandum	The Offering Memorandum dated 18 April 2007, prepared in connection with the offering of the notes
The Trustee	BNY Corporate Trustee Services Limited, as trustee
TRESS	Tusk Resorts Employee Share Scheme trust
Tubatse	Peermont Global (Tubatse) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/010949/07)
Tusk Resorts	Tusk Resorts Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/010949/07)
UST	Umfolozi Staff Trust
VAT	Value added taxation



## INTRODUCTION

Peermont is a South African based group of companies which operates in the gaming, hotel and convention businesses in southern Africa. Peermont holds seven casino licences in South Africa and three in neighbouring Botswana. The group operates a total of 14 properties, nine in South Africa and five in Botswana. Collectively, these 14 properties offer 3 251 slot machines, 147 gaming tables and 1 675 hotel rooms. Our flagship property is Emperors Palace Hotel Casino Convention Resort, which is strategically located in the Johannesburg metropolitan area. In addition to Emperors Palace, our property portfolio includes seven other casino resorts, two stand-alone casinos and four stand-alone hotels. Certain of our larger casino resorts also feature convention and other facilities.

## ORGANISATIONAL INFORMATION

The Peermont Group consists predominantly of:

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

The business address of Peermont is Peermont Place, Block 1 Northdowns Office Park, 17 Georgian Crescent West, Bryanston, Johannesburg, South Africa, and its primary telephone number is +27 (11) 557 0557. We maintain an internet website at [www.peermont.com](http://www.peermont.com). Except for the "Risk Factors" set out below, information on our internet website does not form part of this report.

## PRESENTATION OF FINANCIAL INFORMATION

We have prepared the condensed unaudited consolidated financial statements contained in this quarterly report in accordance with IFRS. We present our financial statements in Rand, the legal currency of the Republic of South Africa. In this quarterly report, unless otherwise indicated, all amounts are expressed in Rand millions.

The accounting policies of Peermont as set out in the 2011 annual financial statements have been consistently applied.

## RISK FACTORS

The "Risk Factors" set out on the company's website detail the risk related to our business, the gaming industry, the notes and the risk related to our operations in both South Africa and Botswana are incorporated herein by reference.



## 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” placed on the company’s website. Among the key factors that could have a direct impact on our operations, prospects and results are the following:

- ◆ changes in gaming, advertising, smoking and taxation laws and the wider regulatory and legal environment in southern Africa;
- ◆ general economic conditions that impact growth trends in disposable income and discretionary consumer spending;
- ◆ the impact of our indebtedness;
- ◆ 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 flows;
- ◆ competition from other entertainment businesses in Gauteng Province and other regions of southern Africa;
- ◆ our ability to maintain our casino licences; and
- ◆ our ability to develop new casino projects.

The list above should be considered in relation to this report and the effect that these could have on the group’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

### **Indebtedness**

#### ***The notes***

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

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

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

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

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

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

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

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

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

#### ***The PIK Notes Loan***

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

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

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



### **The PIK Equity Loan**

On 23 April 2007 PGH I raised R1 086,3 million under an amended and restated PIK Equity Loan agreement dated 10 January 2007.

The proceeds of the PIK Equity Loan were onlent to PGH II, which in turn onlent the amount to PeerMont in the format of a deeply subordinated shareholders loan.

### **Deeply subordinated shareholder loans**

In April 2007 the company received the proceeds of the abovementioned loans raised by PGH I and PGH II in the form of deeply subordinated shareholder loans. The loans are subordinated in favour of all other creditors of PeerMont. In terms of the deeply subordinated shareholder loan agreement, the loans do not require any amortisation or other payment of interest or principal before April 2037, nor may the loan holder declare any event of default or take any enforcement action.

### **Technical insolvency**

The liabilities of the group exceed the assets fairly valued, therefore the group is in a net deficit position. PGH II has subordinated its loan to the company of R4 479,3 million as at 30 June 2012 (2011: R3 737,0 million). Considering the effect of the deeply subordinated shareholder loans above, and that the directors believe the company is able to meet its liabilities as these fall due, the quarterly report is prepared on a going concern basis.

### **Financial statements discussed**

For the three and six month periods ended 30 June 2012 and the prior year comparative periods, we have provided condensed unaudited consolidated financial information which is derived from the condensed unaudited consolidated financial statements of the PeerMont Group.

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

### **Staff Trusts**

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

### **B-BBEE shareholding in PGNW**

As a condition of the approval of the acquisition by the group of the interests in Tusk Resorts (and subsequently PGNW), as well as the acquisition by PeerMont of the business of PGIL, PeerMont was required to sell 10% of the shares in the new entity operating the business of Mmabatho Palms, Taung and Rio to local B-BBEE partners.

PeerMont identified a local B-BBEE partner to whom it intends to sell the required 10% of the shares in PGNW and entered into agreements with the party. The NWGB has approved the B-BBEE party as a shareholder of PGNW, subject to certain amendments being made to the composition of the shareholding. The sale of the shares in PGNW will be concluded once the conditions set by the NWGB have been addressed.

### **Restructure costs**

In the current year the group has incurred costs of approximately R5,5 million for financial and legal advice in connection with the capital restructure process. This brings the total costs incurred to date to approximately R22,5 million. These costs have been deferred, as the intention is to offset these costs against the capital to be raised as part of the capital structure review process.

### **Key income statement items**

#### **Revenue**

Our revenue consists of gaming revenue, rooms revenue, food and beverage revenue and other revenue. For the year ended 31 December 2011, we generated 77,2% of our total revenue from gaming, 10,1% from rooms, 10,6% from food and beverage and 2,1% from other revenue.



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

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

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

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

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

#### ***Other income***

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

#### ***Operating costs***

Our operating costs consist of employee costs; other operational costs; property costs; consumables and services; VAT and gaming levies on gross gaming revenues; promotions and marketing costs; depreciation and amortisation and property and equipment rentals. These represented 29,4%, 7,0%, 5,3%, 14,4%, 21,6%, 8,6%, 12,5% and 1,2% of total operating costs, respectively, for the year ended 31 December 2011.

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

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

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

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

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

Property costs consists of utility costs and property taxes.

Consumables and services consist primarily of cost of sales of food and beverage; cash handling costs; credit card commissions; security and public safety costs; property cleaning costs; and, other service contracts.

Other operational costs consist primarily of maintenance costs; information technology support and maintenance costs; corporate social investment costs; insurance costs; and, training costs.



## Results of operations of PeerMont

### General

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

	(unaudited) 2012	%	(unaudited) 2011
Income statement data	R'm	change	R'm
for the three months ended 30 June			
<b>Revenue</b>	<b>691,4</b>	6,6	648,3
Gaming	530,9	5,2	504,5
Rooms	72,7	11,7	65,1
Food and beverage	74,4	12,0	66,4
Other	13,4	8,9	12,3
Other income	1,9	*	0,3
<b>Operating costs</b>	<b>(498,3)</b>	(8,0)	(461,6)
<b>Operating profit before net finance expenses</b>	<b>195,0</b>	4,3	187,0
Finance income	104,3	(5,2)	110,0
Finance expenses	(565,4)	1,4	(573,4)
<b>Loss before taxation</b>	<b>(266,1)</b>	3,7	(276,4)
Taxation	69,6	(11,3)	78,5
<b>Loss for the period</b>	<b>(196,5)</b>	0,7	(197,9)
<b>Attributable to:</b>			
Equity holders of PeerMont	(203,4)		(209,8)
Non-controlling interests	6,9		11,9
	<b>(196,5)</b>		<b>(197,9)</b>
<b>EBITDA<sup>(1)</sup> reconciliation</b>			
Operating profit	195,0		187,0
Add: Depreciation and amortisation	60,0		59,0
<b>EBITDA</b>	<b>255,0</b>	3,7	246,0
Add: Rental charges	5,9		5,3
<b>EBITDAR<sup>(1)</sup></b>	<b>260,9</b>	3,8	251,3
<b>EBITDA margin</b>	<b>36,9%</b>		37,9%
<b>EBITDAR margin</b>	<b>37,7%</b>		38,8%

<sup>(1)</sup> We define EBITDA as earnings before interest, taxation, depreciation, amortisation and other non-cash items. EBITDAR is EBITDA before rental payments. We believe that EBITDA/R serves as a useful supplementary financial indicator to investors since it is commonly reported and widely accepted by analysts and investors in measuring a company's/group's ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDA/R is a widely accepted indicator in comparing a company's/group's underlying operating profitability with that of other companies/groups in the same industry. EBITDA/R is not an IFRS measure and you should not consider EBITDA/R as alternative to measures of net profit/(loss) as indicators of operating performance, as measures of cash flow from operations or as indicators of liquidity under IFRS. Funds depicted by this measure may not be available for our discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDA/R is not a uniform or standardised measure and the calculation of EBITDA/R, accordingly, may vary significantly from entity to entity, and by itself our presentation and calculation of EBITDA/R may not be comparable to that of other companies/groups. A reconciliation of EBITDA/R to operating profit for the three months ended 30 June 2011 and 30 June 2012 is provided above.

\* Greater than 100%.



	(unaudited) 2012	%	(unaudited) 2011
Income statement data	R'm	change	R'm
for the six months ended 30 June			
<b>Revenue</b>	<b>1 355,3</b>	6,7	1 269,7
Gaming	1 044,9	5,3	992,0
Rooms	140,8	12,2	125,5
Food and beverage	140,1	11,5	125,6
Other	29,5	10,9	26,6
Other income	2,1	*	0,3
<b>Operating costs</b>	<b>(983,5)</b>	(5,8)	(929,6)
<b>Operating profit before net finance expenses</b>	<b>373,9</b>	9,8	340,4
Finance income	35,8	(87,8)	294,0
Finance expenses	(815,7)	31,7	(1 194,5)
<b>Loss before taxation</b>	<b>(406,0)</b>	27,5	(560,1)
Taxation	(64,9)	*	161,1
<b>Loss for the period</b>	<b>(470,9)</b>	(18,0)	(399,0)
<b>Attributable to:</b>			
Equity holders of Peermont	(482,2)		(417,7)
Non-controlling interests	11,3		18,7
	(470,9)		(399,0)
<b>EBITDA<sup>(1)</sup> reconciliation</b>			
Operating profit	373,9		340,4
Add: Depreciation and amortisation	120,1		123,4
<b>EBITDA</b>	<b>494,0</b>	6,5	463,8
Add: Rental charges	11,5		11,6
<b>EBITDAR<sup>(1)</sup></b>	<b>505,5</b>	6,3	475,4
<b>EBITDA margin</b>	<b>36,4%</b>		36,5%
<b>EBITDAR margin</b>	<b>37,3%</b>		37,4%

<sup>(1)</sup> We define EBITDA as earnings before interest, taxation, depreciation, amortisation and other non-cash items. EBITDAR is EBITDA before rental payments. We believe that EBITDA/R serves as a useful supplementary financial indicator to investors since it is commonly reported and widely accepted by analysts and investors in measuring a company's/group's ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDA/R is a widely accepted indicator in comparing a company's/group's underlying operating profitability with that of other companies/groups in the same industry. EBITDA/R is not an IFRS measure and you should not consider EBITDA/R as alternative to measures of net profit/(loss) as indicators of operating performance, as measures of cash flow from operations or as indicators of liquidity under IFRS. Funds depicted by this measure may not be available for our discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDA/R is not a uniform or standardised measure and the calculation of EBITDA/R, accordingly, may vary significantly from entity to entity, and by itself our presentation and calculation of EBITDA/R may not be comparable to that of other companies/groups. A reconciliation of EBITDA/R to operating profit for the three months ended 30 June 2011 and 30 June 2012 is provided above.

\* Greater than 100%.





## **Commentary on the results for the period**

***The three month period ended 30 June 2012 (unaudited) compared to the three month period ended 30 June 2011 (unaudited)***

### **Overview**

Group revenue increased by 6,6% from R648,3 million to R691,4 million. Gaming revenue increased by 5,2% from R504,5 million to R530,9 million. Hotel and resort revenue increased by 11,6% to R160,5 million.

Cash costs increased by 8,9% to R438,3 million for the quarter to June 2012. This was largely driven by increased staff, marketing and maintenance costs at Emperors Palace.

EBITDA increased by 3,7% from R246,0 million in the second quarter of 2011 to R255,0 million for the same period in 2012. The group EBITDA margin decreased from 37,9% to 36,9% for the current quarter.

Revenue at Emperors Palace increased by R26,6 million or 6,6% for the period, while EBITDA decreased by R4,0 million or 2,7% as compared to the same period in the prior year. Revenue for the rest of the group grew by R16,5 million or 6,8%, while EBITDA increased by R13,0 million or 13,7%. In particular, our Frontier, Khoroni and Rio operations delivered good performances during the quarter.

### **Revenue**

Group revenue increased by 6,6% from R648,3 million for the three months ended 30 June 2011 to R691,4 million for the three months ended 30 June 2012. During the current quarter all our operations generated revenue growth as compared to the same period in the prior year. Emperors Palace revenues increased by 6,6%. Frontier, Khoroni and Rio operations performed well with revenue growth of 11,1%, 10,6% and 10,4% respectively.

Gaming revenues increased by 5,2% from R504,5 million in the quarter ended 30 June 2011 to R530,9 million in the second quarter of 2012.

Hotel and resort revenues increased by 11,6% as compared to the corresponding three months in the prior year. Rooms revenue increased by 11,7% to R72,7 million due to the increased hotel occupancies achieved in the quarter as compared to the same period in the prior year. Food and beverage revenues increased by 12,0% to R74,4 million largely due to increased groups and convention business.

### **Operating costs**

Operating costs for the three months ended 30 June 2012 were R498,3 million, an increase of R36,7 million or 8,0% from R461,6 million for the three months ended 30 June 2011. Cash costs increased by 8,9% as compared to the same period in 2011. The most significant increases related to Emperors Palace and included increased labour requirements to service the increased levels of business, particularly conferencing, increased marketing activity and planned maintenance costs.

Depreciation and amortisation for the quarter ended 30 June 2012 was R60,0 million, in line with the R59,0 million for the three months ended 30 June 2011.

### **Operating profit before net finance expenses**

The resulting operating profit at R195,0 million was R8,0 million or 4,3% above the comparable period in 2011.

### **EBITDA**

EBITDA increased by 3,7% from R246,0 million to R255,0 million for the quarter to June 2012. The group EBITDA margin decreased from 37,9% for the comparable quarter to June 2011 to 36,9% in the second quarter of 2012.

### **Finance income**

Finance income for the three months ended 30 June 2012 was R104,3 million, a decrease of R5,7 million from the prior period which relates to a smaller gain on the forward contracts to hedge the SSN liability compared to the prior year quarter.



### **Finance expenses**

Finance expenses at R565,4 million reflected a decrease of R8,0 million from the prior period charge of R573,4 million. This was a result of a smaller foreign exchange loss on the restatement of the SSN liability, which was offset by an increase in the hedged interest accrued on the SSNs and the shareholder loans, as well as a smaller foreign exchange loss on the SSN coupon repayment.

### **Taxation**

The taxation and deferred taxation credit of R69,6 million results mainly from the effect of deferred taxation credits as a result of estimated taxation losses arising at Peermont and certain of its subsidiaries.

### **Loss for the period**

The resulting loss after taxation amounted to R196,5 million as compared to the prior period loss of R197,9 million.

## **Operations**

### ***Emperors Palace***

Revenue at Emperors Palace increased by 6,6% to R432,0 million as compared to R405,4 million in the same period of the prior year.

GGR increased by 4,6% to R355,9 million. In the second quarter, GGR for Gauteng grew by approximately 3,0%. Our market share increased to approximately 23,6% as compared to 23,3% in the comparable period in 2011.

Hotel and resort revenues for the quarter increased by 16,5% from the prior year period. Food and beverage revenue increased by 24,5% to R34,1 million in the quarter from R27,4 million in the comparable prior year period. The increase was largely due to exceptional conferencing revenues generated during the current quarter. Rooms revenue increased by 9,9% to R33,3 million from R30,3 million in the comparable period. The overall complex rooms occupancies for the quarter at 84,9% were significantly higher than the 75,8% achieved in the quarter to June 2011.

Cash costs increased by 12,3% to R285,8 million in the quarter. This was primarily driven by increases in promotions, marketing, employee and maintenance costs.

Promotions and marketing costs increased by 10,4% to R36,1 million as a result of various marketing initiatives aimed at increasing footfall to the complex. Maintenance costs increased by 44,0% mainly as a result of a planned project undertaken to resurface sections of the parking at the complex. Employee costs increased by 9,7% mainly due to increased labour requirements to service the increased business, particularly conferencing, and other staff related costs.

As a result of the 6,6% increase in revenue and the 12,3% increase in cash costs, EBITDA at Emperors Palace decreased by 2,7% to R146,9 million. The EBITDA margin for the three months decreased from 37,2% as at 30 June 2011 to 34,0% for the quarter ended 30 June 2012.

### ***Botswana***

The Botswana revenue in Pula terms increased by 0,6% from P61,6 million (R64,8 million) for the three months ended 30 June 2011 to P62,0 million (R68,9 million) for the same period in 2012. Gaming revenues increased by 2,7% on the prior period mainly attributable to increased slots revenues. Tables revenues declined during the quarter, largely due to a continued lower privé tables win. Hotel and resort revenue declined by 0,5% to P38,9 million (R43,2 million).

Cash costs were well contained and increased by 0,7% as compared to the same quarter in 2011. Heat pumps were installed at the properties in May 2012 and these have contributed to the 4,0% decrease in utility costs at the properties.

EBITDA increased in Pula terms by 1,0% to P20,3 million (R22,3 million) from P20,1 million (R21,0 million) for the prior year quarter. The EBITDA margin increased slightly to 32,7% (2011: 32,6%).

The weakening of the Rand from R1,06:P1 in the quarter to June 2011 to R1,09:P1 in the comparable quarter in 2012 resulted in a Rand based revenue increase of 6,3% and a Rand based EBITDA increase of 6,2%.





### **Graceland**

Graceland revenues increased by 3,1% from R39,2 million in 2011 to R40,4 million in the same period in 2012. GGR increased by 3,4% to R30,2 million from R29,2 million in the second quarter of 2011. Hotel and resort revenue increased by 2,0%.

Cash costs decreased by 3,1% compared to the prior period in 2011. Utility costs have decreased by 8,8% as compared to the same quarter in the prior year as a result of the energy savings initiatives implemented at the property.

EBITDA increased by 19,0% from R10,0 million to R11,9 million. The EBITDA margin for the quarter increased to 29,5% from 25,5% for the same quarter in 2011.

### **Umfolazi**

Revenues increased by 6,3% to R40,8 million from R38,4 million in the second quarter of 2011. GGR increased by 6,6% to R37,4 million for the current quarter. Hotel and resort revenues increased to R3,4 million from R3,3 million in the prior period.

Cash costs increased by 5,5% from R25,4 million to R26,8 million in the current quarter. EBITDA at R14,1 million was 8,5% above the prior period quarter. The EBITDA margin increased to 34,6% as compared to 33,9% for the same period in 2011.

### **Rio**

Revenue at Rio for the second quarter of 2012 increased by 10,4% to R40,2 million, as compared to the same period in 2011. GGR increased by 9,3% to R35,3 million in the second quarter of 2012 due to increases in both slots and tables revenue. Hotel and resort revenue increased by 19,5% to R4,9 million for the quarter. The increase can be attributed to increased rooms revenue resulting from increased occupancies and improved room rates in the current quarter.

Cash costs were well controlled and increased by 4,9% on the prior period quarter. EBITDA at R14,7 million increased by 20,5% from R12,2 million in the prior period quarter, mainly due to the effects of the revenue increases. The EBITDA margin increased to 36,6% from 33,5% in the second quarter of 2011.

### **Mmabatho Palms**

The resort generated total revenue of R25,3 million for the quarter, an increase of 2,0% as compared to the same period in the prior year. GGR decreased by 3,5% to R16,6 million for the quarter to June 2012, mainly as a result of a decrease in slots revenues. Hotel and resort revenues increased by 14,4% mainly as a result of a 35,5% increase in rooms revenues driven by improved occupancies and room rates as compared to the same quarter in 2011.

The lease contract for the Mmabatho Palms staff complex, which was operated by the resort expired in November 2011. The resort holds an option to acquire 50,0% of the company owning the staff complex property, which is still to be exercised. The current quarter includes 50,0% of the revenue and expenses relating to the staff complex on a jointly controlled basis. On a comparable basis, revenue increased by 4,0%.

Cash costs decreased by 6,0% to R20,3 million, due to savings in most cost line items through the implementation of several cost saving initiatives, including savings on staff costs, advertising and consumable expenses. On a comparable basis cash costs decreased by 4,6%.

EBITDA increased by 54,5% from R3,3 million to R5,1 million. The EBITDA margin increased to 20,2% (2011: 13,3%). On a comparable basis EBITDA increased to R5,3 million and the comparable EBITDA margin increased to 20,5%.



### **Khoroni**

Khoroni continued its trend of strong revenue growth and achieved revenue growth of 10,6% from R21,7 million to R24,0 million for the quarter. GGR increased by 11,9%, mainly due to an increase in slots revenues. Hotel and resort revenue increased by 7,0%.

Other income in the current quarter includes an amount of R0,2 million profit on the sale of property, plant and equipment.

EBITDA at R7,2 million is 10,8% above the R6,5 million for the same period in 2011. The EBITDA margin at 30,0% remained in line with the prior year quarter.

### **Frontier**

Frontier generated revenues of R14,0 million, an increase of 11,1% on the prior period. GGR increased by 10,2% over the prior period quarter, mainly due to growth in slots revenue. Hotel and resort revenue increased by 16,7% as compared to the comparable quarter in 2011.

EBITDA at R3,8 million was 18,8% above the prior period quarter. The EBITDA margin increased to 27,1% (2011: 25,4%).

### **Head office and management companies**

Head office revenue increased by 10,0%, from R43,0 million in the second quarter of 2011 to R47,3 million in the second quarter in 2012. The head office revenues are a result of the management, administration and incentive fees received from the operating units. The current quarter also includes rental income of R0,7 million relating to rental received on the 152 Bryanston Drive property.

Head office EBITDA increased by 12,6% from R26,9 million in 2011 to R30,3 million in the second quarter of 2012.

### ***The six month period ended 30 June 2012 (unaudited) compared to the six month period ended 30 June 2011 (unaudited)***

#### **Overview**

Group revenue for the period increased by 6,7% from R1 269,7 million to R1 355,3 million. Gaming revenue increased by 5,3% to R1 044,9 million. Hotel and resort revenue increased by 11,8% to R310,4 million.

Cash costs increased by 7,1% to R863,4 million for the six months to June 2012.

EBITDA increased by 6,5% to R494,0 million in 2012 as compared to R463,8 million for the six months to June 2011.

Emperors Palace revenues increased by 7,0% and EBITDA increased by 3,5%. Revenue generated by the balance of the group increased by 6,4% while EBITDA increased by 11,1%. In particular, our Frontier, Khoroni and Rio properties performed well.

#### **Revenue**

Group revenue increased by 6,7% from R1 269,7 million for the six months ended 30 June 2011 to R1 355,3 million for the six months ended 30 June 2012. For the six months to June 2012, all of our operations generated revenue growth as compared to the same period in the prior year. In particular our Frontier, Khoroni and Rio properties performed well with revenue growth of 17,2%, 13,4% and 9,4% respectively.

Gaming revenues increased by 5,3% from R992,0 million in the six months ended 30 June 2011 to R1 044,9 million in June 2012.





Hotel and resort revenues increased by 11,8% as compared to the corresponding six months in the prior year. Rooms revenues increased by 12,2% to R140,8 million, mainly as a result of the increased occupancies achieved in the current year. Our overall room occupancies for the six months were 72,3% significantly above the national average and above the 67,8% reported for the same period in 2011. Year to date food and beverage revenues increased by 11,5% to R140,1 million. Other revenue increased by 10,9% to R29,5 million, attributable to increased rental received from the tenants occupying space in the Emporium at Emperors Palace and the current year includes rental income received on the 152 Bryanston Drive property.

#### ***Operating costs***

Operating costs for the six months ended 30 June 2012 were R983,5 million, an increase of R53,9 million or 5,8%, from R929,6 million for the six months ended 30 June 2011. Cash costs increased by 7,1% when compared to the same period in 2011.

Depreciation and amortisation for the six months ended 30 June 2012 was R120,1 million, a decrease of R3,3 million, or 2,7% from R123,4 million for the six months ended 30 June 2011.

#### ***Operating profit before net finance expenses***

The resulting operating profit for the six months at R373,9 million was R33,5 million or 9,8% above the prior period's R340,4 million.

#### ***EBITDA***

EBITDA increased by 6,5% to R494,0 million from R463,8 million in the six months to June 2011. The group EBITDA margin decreased slightly to 36,4% from 36,5% in June 2011.

#### ***Finance income***

Finance income for the six months ended 30 June 2012 was R35,8 million, a decrease of R258,2 million from the prior period. The variance to the prior period was mainly due to a larger gain on the forward contracts to hedge the SSN liability of R290,6 million in the six months ended 30 June 2011, as compared to a combination of the foreign exchange gain of R25,5 million on restatement of the SSN liability and to the gain of R3,7 million on the forward contracts to hedge the SSN liability recorded in the current period.

#### ***Finance expenses***

Finance expenses at R815,7 million reflected a decrease of R378,8 million from the prior period charge of R1 194,5 million. This decrease was as a result of the reduction in foreign exchange loss of R447,9 million on restatement of the SSN liability recorded in the six months ended June 2011, being partially offset by increases in the interest accrued on the PIK Equity Loan and the PIK Notes Loan.

#### ***Taxation***

The taxation and deferred taxation charge of R64,9 million results mainly from the increase of the capital gains taxation rate for companies in South Africa from an effective 14,0% to 18,6% as announced by the Minister of Finance during February 2012, offset by deferred taxation credits as a result of estimated taxation losses arising at Peermont and certain of its subsidiaries.

#### ***Loss for the period***

The resulting loss after taxation at R470,9 million was greater than the prior period loss of R399,0 million.

### **Operations**

#### ***Emperors Palace***

Revenue at Emperors Palace increased by 7,0% to R848,3 million as compared to R793,0 million in the same period of the prior year.

GGR increased by 5,6% to R700,6 million. Year to date, GGR for Gauteng grew by approximately 5,2% and our market share at 23,3% remained in line with the prior year. This is an improvement from the 22,7% market share reported for the three months to March 2012, which can be attributed to various marketing initiatives during the second quarter of 2012 aimed at increasing footfall to the complex.





Hotel and resort revenues for the six months increased by 13,8% as compared to the prior year. Rooms revenue increased by 11,2% to R64,6 million in 2012, attributable to increased occupancies. The overall complex occupancies for the six months to June 2012 were 82,2% significantly above the 74,0% reported for the six months to June 2011.

Food and beverage revenue increased by 17,1% to R62,9 million in the six months from R53,7 million in the prior year period boosted by exceptional conferencing revenues generated during the current year.

Cash costs increased by 9,0% to R561,6 million in the current year, primarily driven by increases in promotions, marketing, employee and maintenance costs in the second quarter of the current year.

EBITDA increased by 3,5% to R287,4 million. The EBITDA margin for the six months ended June 2012 decreased to 33,9% as compared to 35,0% for the half year ended 30 June 2011.

#### ***Botswana***

Revenue in Pula terms decreased by 0,6% from P123,1 million (R129,7 million) for the six months ended 30 June 2011 to P122,3 million (R135,0 million) for the same period in 2011. Gaming revenues decreased by 7,8% on the prior period, mainly attributable to decreased tables revenues, partially offset by growth in slots revenue.

Hotel and resort revenue grew by 4,5% to P75,0 million (R82,8 million) with both rooms and food and beverage revenues contributing to the increase.

Cash costs increased by 2,4% as compared to the same period in 2011. The BPC increased electricity usage costs by 30% effective 1 June 2011, which negatively impacted costs during the current year. However, since the installation of heat pumps at the properties in May 2012, there has been a decrease in utility costs.

EBITDA declined in Pula terms by 6,4% to P38,0 million (R41,9 million) for the first six months of 2012, from P40,6 million (R42,7 million) for the six months to June 2011. The EBITDA margin decreased to 31,0% (2011: 32,9%).

The weakening of the Rand in the current year from R1,05:P1 in 2011 to R1,10:P1 resulted in a Rand based revenue increase of 4,1% and an EBITDA decrease of 1,9%.

#### ***Graceland***

Revenues at Graceland increased by 5,6% from R74,6 million in 2011 to R78,8 million in the same period in 2012. GGR increased by 6,5% to R59,1 million from R55,5 million in 2011. Hotel and resort revenues increased by 3,1% as compared to the prior period.

Cash costs increased marginally by 0,2% compared to the same period in 2011. Property costs have decreased by 11,1% as compared to the prior period largely due to energy savings initiatives implemented at the property.

EBITDA increased by 22,3% from R18,4 million to R22,5 million. This resulted in an increased margin from 24,7% for the six months to June 2011 to 28,6% in the current year.

#### ***Umfolazi***

Revenues increased by 2,6% to R76,2 million and GGR increased by 2,5% as compared to the same period in the prior year. Hotel and resort revenues increased to R6,3 million from R6,0 million in the comparable prior period.

Cash costs were tightly controlled and increased by 1,6% to R51,1 million as compared to the prior year.

EBITDA at R25,2 million was 5,0% above the prior period. The EBITDA margin increased to 33,1% as compared to 32,3% for the same period in 2011.





### **Rio**

Rio generated revenue of R80,4 million for the six months ended 30 June 2012, a growth of 9,4% on the prior year period. GGR increased by 8,4% to R70,8 million, the increase being attributable to increases in both slots and tables revenues. Hotel and resort revenue increased by 17,1% to R9,6 million, mainly attributable to improved room rates for the six months to June 2012.

Cash costs increased by 6,0% as compared to the prior year, primarily due to increased promotions and marketing spend.

EBITDA increased by 15,4% from R25,4 million in 2011 to R29,3 million in 2012. The EBITDA margin increased to 36,4% from 34,6% in 2011.

### **Mmabatho Palms**

The resort generated revenue of R50,1 million for the six months, an increase of 0,8% as compared to the same period in 2011. GGR decreased by 4,1% to R33,0 million from R34,4 million in 2011, due to a decline in slots revenue for the period. Hotel and resort revenues increased by 4,6% as compared to the prior year.

The lease contract for the Mmabatho Palms staff complex, which was operated by the resort expired in November 2011. The resort holds an option to acquire 50,0% of the company owning the staff complex property, which is still to be exercised. The current quarter includes 50,0% of the revenue and expenses relating to the staff complex on a jointly controlled basis. On a comparable basis, revenue increased by 3,0%.

Cash costs decreased by 3,1% to R40,3 million in the current period. On a comparable basis cash costs decreased by 1,9% through the implementation of several cost saving initiatives, including savings on staff costs, advertising and entertainment expenses.

EBITDA increased by 19,5% from R8,2 million to R9,8 million in 2012. The EBITDA margin increased from 16,5% to 19,6%. On a comparable basis EBITDA increased by 26,8% to R10,4 million.

### **Khoroni**

Khoroni continued its trend of strong revenue and EBITDA growth. The unit achieved revenue growth of 13,4% from R41,8 million to R47,4 million for the six months to June 2012. GGR increased by 15,8% from R31,0 million to R35,9 million in the current year to date, due to growth in slots revenue.

Other income in the current quarter includes an amount of R0,2 million profit on the sale of property, plant and equipment.

Cash costs increased by 10,7% to R33,1 million compared to the prior year period. This can largely be attributed to increased gaming levies in the current year. EBITDA at R14,4 million was 20,0% above the R12,0 million for the same period in 2011, resulting in an increase in the EBITDA margin to 30,4% (2011: 28,7%).

### **Frontier**

Frontier performed well and generated revenues of R27,3 million, an increase of 17,2% as compared to the prior year. GGR increased by 15,3%, both slots and tables contributing to the increase. Hotel and resort revenue increased by 29,0% as compared to the prior period, as a result of growth in both rooms and food and beverage revenue.

Other income in the period includes an amount of R0,4 million which relates to a refund received from the local municipality in respect of overbilling on electricity relating to 2011.

Cash costs increased by 11,5% largely as a result of increased hotel and resort activity.

EBITDA at R7,2 million was 41,2% above the comparable six months in the prior year. The EBITDA margin increased to 26,4% (2011: 21,9%). On a comparable basis EBITDA increased by 33,3% and the comparable EBITDA margin increased to 24,9%.





### **Head office and management companies**

Head office revenue increased by 8,6%, from R84,0 million in the first six months of 2011 to R91,2 million in the first six months of 2012. The head office revenues are mainly as a result of management, administration and incentive fees received from operating units. The period also includes rental income of R0,7 million relating to rental received on the 152 Bryanston Drive property.

Head office EBITDA increased by 11,5% from R52,0 million in 2011 to R58,0 million in the first half of 2012. The EBITDA margin reflected an increase at 63,6% when compared to the 61,9% 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 RCF.

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

### **Cash flows**

The following table sets out our condensed unaudited consolidated cash flows for the periods ended 30 June 2011 and 2012:

	(unaudited) 2012	(unaudited) 2011
	R'm	R'm
<b>Cash flow data</b>		
for the six months ended 30 June		
Cash flows from operating activities	<b>500,1</b>	460,1
Finance income received	<b>6,2</b>	3,2
Finance expenses paid	<b>(381,7)</b>	(384,3)
Taxation paid	<b>(15,4)</b>	(12,2)
Net cash flows from operating activities	<b>109,2</b>	66,8
Cash flows used in investing activities	<b>(84,9)</b>	(50,2)
Cash flows used in financing activities	<b>(17,7)</b>	(20,2)
Net increase/(decrease) in cash and cash equivalents	<b>6,6</b>	(3,6)

### **Cash flows from operating activities**

Net cash inflows from operating activities for the period were R500,1 million compared to R460,1 million for the period ended 30 June 2011.

#### *Finance income*

This consists mainly of interest received on cash deposits at financial institutions which has increased in comparison to the prior period. The increase is attributable to increased cash balances on hand.

#### *Finance expenses*

This is made up of hedged interest paid on the SSNs of R337,5 million (2011: R337,1 million), interest paid on the deferred hedging loan of R30,7 million (2011: R31,4 million), as well as the borrowings by head office and PGEFS.

#### *Taxation paid*

The group made certain taxation payments in the ordinary course of business and certain of the subsidiaries, such as PGSH, PGB and PGMKZN will continue to incur taxation cash flows.





### ***Cash flows used in investing activities***

Net capital expenditure for the six months was R84,9 million. This includes costs of R33,1 million spent on slots replacement throughout the group; R17,2 million on equipment in preparation for the new gaming system; and, P2,6 million (R2,9 million) relating to refurbishment at the Metcourt Hotel in Francistown. The balance consists of normal maintenance expenditure.

### ***Cash flows used in financing activities***

Net cash outflows from financing activities for the period amounted to R17,7 million. This includes R12,3 million relating to the redemption of the non-controlling shareholders' portion of the preference shares in PGB as well as the normal redemption of debt by head office and PGEFS.

### ***Cash and cash equivalents***

At 30 June 2012 the group had a net RCF utilisation of R35,0 million, consisting of R195,2 million cash utilisation of the RCF, offset by cash held of R160,2 million. Details of the R122,7 million cash not available to the group for third party flows is presented later in the report.

### ***Capital expenditures***

Our net capital expenditures in the six months ended 30 June 2012 and 2011 were R83,9 million and R50,2 million respectively. Cash used for capital expenditures consists primarily of (a) cash used for the replacement of gaming equipment and hotel furniture, fittings and equipment and property refurbishment as well as other assets used for the maintenance of our properties, plant and equipment net of proceeds received from the sale of property, plant and equipment ("maintenance capital expenditure"); and, (b) cash used to expand (other than by way of acquisitions) our business capacity to increase revenue and profitability ("expansion capital expenditure"). Expansion capital expenditure includes the purchase of additional gaming equipment, expansion of existing properties and the development of new properties.

Our net maintenance capital expenditures in the six months ended 30 June 2012 and 2011 were R83,9 million and R50,2 million, representing approximately 6,2% and 4,0% of total revenue, respectively. Our maintenance capital expenditures for both periods reflected ordinary course maintenance and replacement of gaming equipment. Our maintenance capital expenditure during the year to date consisted of approximately R33,1 million spent on slots replacement throughout the group; R17,2 million on equipment in preparation for the new gaming system, P2,6 million (R2,9 million) relating to refurbishment at the Metcourt Hotel in Francistown; and, the balance on normal maintenance expenditure. In 2011 our maintenance capital expenditure consisted of approximately R30,0 million spent on slots replacement; P5,6 million (R5,9 million) on the refurbishment of the third floor of the Walmart Hotel in Gaborone; and, the balance on normal maintenance expenditure.

There was no material expansion capital expenditure incurred in the six months to June 2012 or June 2011.

### ***Available capital resources***

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

All required conditions precedent to the extension of the company's R550,0 million RCF facility to 27 December 2013, have been concluded.

At 30 June 2012, of the R550,0 million available under our RCF for working capital and general corporate purposes, R59,1 million of the facility had been utilised to provide guarantees to various gambling boards and financial institutions, and an additional R195,2 million was drawn in cash. This was offset by cash held of R160,2 million. Cash included in the reported balances but not available to the group consists of approximately R49,0 million required for operational and cash floats, R40,0 million reserved for community development infrastructure at Emperors Palace and R33,7 million held on behalf of trust beneficiaries. After adjustment for the above, capacity of R333,2 million was available for group requirements at 30 June 2012.



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

If our working capital requirements exceed our projections, or if our operating cash flow is lower than expected, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic conditions; the availability of credit from banks, other financial institutions and in the capital markets; restrictions in instruments governing our indebtedness; and, our general financial performance. Our inability to obtain the funding necessary for our working capital requirements could adversely affect our ability to service our debt obligations and adequately fund our operations. See “Risk Factors” set out in this report and on the company’s website. Our business may be adversely affected as a result of our substantial indebtedness, which requires the use of a significant portion of our cash flow to service our debt obligations and may limit access to additional capital. Our ability to generate sufficient cash in the future depends on many factors, some of which are beyond our control.

### **Scheduled repayments of our current obligations**

Set out below is a summary of amounts due and committed under our contractual cash obligations at 30 June 2012:

	Less than			After	Total
	1 year	1 – 3 years	3 – 5 years	5 years	
	R'm	R'm	R'm	R'm	R'm
Second priority SSNs <sup>(1)(3)</sup>	56,3	4 166,2	—	—	4 222,5
Deferred hedging loan	11,0	—	400,0	—	411,0
Deeply subordinated shareholder loans	—	—	—	4 479,3	4 479,3
PIK Notes Loan <sup>(2)(3)</sup>	—	—	—	1 770,4	1 770,4
PIK Equity Loan <sup>(2)(3)</sup>	—	—	—	2 708,9	2 708,9
Bank borrowings <sup>(4)</sup>	8,4	18,8	9,1	8,8	45,1
Finance lease	0,2	—	—	—	0,2
	75,9	4 185,0	409,1	4 488,1	9 158,1
Operating lease commitments	11,6	13,9	11,4	131,2	168,1
<b>Total</b>	<b>87,5</b>	<b>4 198,9</b>	<b>420,5</b>	<b>4 619,3</b>	<b>9 326,2</b>

<sup>(1)</sup> The amount reflected is €416,1 million disclosed at the current spot rate, less unamortised issue costs and discounts, plus accrued interest, the capital of which is due in April 2014.

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

<sup>(3)</sup> It is currently the group’s objective to refinance/restructure the majority, if not all, of the PIK Equity Loan (contractually due 2106), the PIK Notes Loan (contractually due 2015), the SSNs (contractually due 2014) and the deferred hedging loan (contractually due 2017) in or before April 2014. In terms of the deeply subordinated shareholder loan agreement, these loans do not require any amortisation or other payment of interest or principal before 27 April 2037, nor may the loan holder declare any event of default or take any enforcement action prior to that date. See “Update on discussions regarding capital structure” presented later in this report.

<sup>(4)</sup> Bank borrowings comprise secured loan facilities from financial institutions in South Africa. This does not reflect amounts outstanding under, or that may in future be borrowed under, the RCF.

### **Pension plans**

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

### **Off-balance sheet arrangements**

We have no off-balance sheet arrangements.





### Contingent liabilities

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

### Legal proceedings

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

### Events subsequent to quarter end

No material events and circumstances have occurred subsequent to the quarter end up to the date of this report.

### Market risk

#### Foreign currency risk

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

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

Currency translation effects occur due to the fact that in 2011 we earned 10,2% of our revenue and incurred approximately 10,7% of our total costs in Pula. We do not hedge this exposure. Currency translation effects occur due to the fact that our Botswana operations earned all of their revenue in Pula and also prepared their financial statements in this currency. For group consolidation purposes these financial statements are translated to Rand, the group's reporting currency.

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

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

	Average for 3 months		Average for 6 months		Closing spot rate	
	2012	2011	2012	2011	2012	2011
Euro/Rand	<b>10,42</b>	9,75	<b>10,29</b>	9,66	<b>10,38</b>	9,82
Pula/Rand	<b>1,09</b>	1,06	<b>1,10</b>	1,05	<b>1,10</b>	1,06

#### Interest rate risk

We have a policy of managing our exposure to changes in floating interest rates on our borrowings.

The notes interest is fixed at 7¾% until 2014 and the related foreign currency risk is fully hedged. The interest on the shareholder loans, the balances of which are R1 770,4 million and R2 708,9 million at 30 June 2012 is set at 18,2% and 18,4% respectively. The deferred hedging loan bears interest at a rate of JIBAR plus 9,75%, which is reset at each coupon payment date.



## **Critical accounting policies and use of estimates**

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

Details of accounting policies, which were consistently applied, and significant estimates made were set out in our audited annual financial statements for the year ended 31 December 2011. Please refer to these for more detail.

## **New accounting interpretations issued and not yet effective**

Management has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to the date of this report, which would be effective for the group's accounting period on or after 1 July 2012. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the group's results.

## **New and ongoing developments**

### ***Fourth Gaborone casino licence***

The casino licence for the Masa Casino in Gaborone was granted in principle by the Botswana Casino Control Board on 6 June 2012, subject to the Board's normal inspection procedures. PGB resolved to challenge this decision and the necessary affidavits were filed for an application to review the award of the licence. Sun International and the Gaborone Hotel approached the Court for an interdict to prevent Masa Casino from opening until such time as the review application had been heard. The interdict matter was heard at the High Court in Lobatse on 16 and 17 August 2012 and the presiding judge extended the temporary relief granted to Sun International and the Gaborone Hotel until 13 September 2012, when he intends to deliver his judgment.

### ***Gaming system upgrade***

The Bally gaming system remains the chosen gaming system for the group. Bally is developing the software and adapting it for southern African application and is seeking approval from the various regulatory authorities. The roll-out is currently planned to begin at our Botswana properties in September 2012 and at our South African properties in the first quarter of 2013.

### ***Thaba Moshate Hotel Casino and Convention Resort***

Although the local municipality has approved the rezoning of the land earmarked for the development of the casino and other facilities, a land claim is still pending on this property. The matter has been referred to the Land Claims Court and we are awaiting a proposal from the Land Claims Commissioner on a possible resolution of the claim. In addition, Peermont continues to defend the High Court application brought by a property developer regarding the original property establishment. Developments are being monitored and action taken as appropriate.

### ***Peermont 2012 S&P rating release***

S&P's rating services announced in June that it had reviewed Peermont's corporate credit rating and the rating on the company's SSNs and that the rating was lowered from "B- with a stable outlook" to "B- with a negative outlook". The recovery rating on senior secured debt remained unchanged at "3".

### ***Umfoloji permanent casino licence***

Our Umfolozi casino has been operating in terms of a temporary casino licence issued by the KZNGBB. The KZNGBB has notified PGKZN that it has awarded it a permanent casino licence for the operation of the Umfolozi casino.





### ***152 Bryanston Drive offices***

The company has entered into an agreement to dispose of the previous head office premises at 152 Bryanston Drive to an unrelated party for a consideration of R48 million. The conditions precedent to the agreement were not fulfilled. This was due to changes to the property required by the tenant, which affected the zoning of the property. Peermont is currently negotiating an extension of the property sale agreement to accommodate the required rezoning requirements, which, if successfully concluded, will extend the transaction timetable. If the transaction is finally implemented, the proceeds will be used, inter alia, to settle the outstanding mortgage liability of approximately R29,3 million at 30 June 2012.

### ***Update on discussions regarding our capital structure***

The Board and its advisors continue to engage with key stakeholders and/or their advisors regarding its proposal to de-gear and improve the group's balance sheet. There can be no assurances that the Board's current proposal, or any other proposal, will lead to a definitive agreement and/or successful completion of any transaction involving the company's capital structure.



## ANNEXURE A

# CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF **Peermont Global Proprietary Limited and its subsidiaries**

for the three months and six months ended 30 June 2012

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## PeerMont Global Proprietary Limited and its subsidiaries

### GROUP INCOME STATEMENT

for the three months ended 30 June

	Note	2012 R'm	2011 R'm
<b>Revenue</b>		<b>691,4</b>	648,3
Gaming		530,9	504,5
Rooms		72,7	65,1
Food and beverage		74,4	66,4
Other		13,4	12,3
Other income	1	1,9	0,3
		<b>693,3</b>	648,6
<b>Operating costs</b>		<b>(498,3)</b>	(461,6)
Employee costs		(147,7)	(134,5)
VAT and gaming levies on gross gaming revenue		(105,7)	(99,9)
Promotions and marketing		(46,3)	(42,4)
Depreciation and amortisation		(60,0)	(59,0)
Property and equipment rentals		(5,9)	(5,3)
Property costs		(25,0)	(22,8)
Consumables and services		(72,2)	(68,3)
Other operational costs		(35,5)	(29,4)
<b>Operating profit before net finance expenses</b>		<b>195,0</b>	187,0
<b>Net finance expenses</b>		<b>(461,1)</b>	(463,4)
Finance income	2	104,3	110,0
Finance expenses	2	(565,4)	(573,4)
<b>Loss before taxation</b>		<b>(266,1)</b>	(276,4)
Taxation		69,6	78,5
<b>Loss for the period</b>		<b>(196,5)</b>	(197,9)
<b>Attributable to:</b>			
Equity holders of PeerMont		(203,4)	(209,8)
Non-controlling interests		6,9	11,9
		<b>(196,5)</b>	(197,9)

### GROUP STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 30 June

	2012 R'm	2011 R'm
<b>Loss for the period</b>	<b>(196,5)</b>	(197,9)
<b>Other comprehensive income</b>		
Exchange differences on translating foreign operations	2,1	(0,2)
<b>Total comprehensive income</b>	<b>(194,4)</b>	(198,1)
<b>Attributable to:</b>		
Equity holders of PeerMont	(202,1)	(209,9)
Non-controlling interests	7,7	11,8
	<b>(194,4)</b>	(198,1)



## PeerMont Global Proprietary Limited and its subsidiaries

### GROUP INCOME STATEMENT

for the six months ended 30 June

	Note	2012 R'm	2011 R'm
<b>Revenue</b>		<b>1 355,3</b>	1 269,7
Gaming		1 044,9	992,0
Rooms		140,8	125,5
Food and beverage		140,1	125,6
Other		29,5	26,6
Other income	1	2,1	0,3
		<b>1 357,4</b>	1 270,0
<b>Operating costs</b>		<b>(983,5)</b>	(929,6)
Employee costs		(294,2)	(278,2)
VAT and gaming levies on gross gaming revenue		(208,1)	(195,8)
Promotions and marketing		(88,1)	(84,4)
Depreciation and amortisation		(120,1)	(123,4)
Property and equipment rentals		(11,5)	(11,6)
Property costs		(50,0)	(45,5)
Consumables and services		(139,8)	(126,1)
Other operational costs		(71,7)	(64,6)
<b>Operating profit before net finance expenses</b>		<b>373,9</b>	340,4
<b>Net finance expenses</b>		<b>(779,9)</b>	(900,5)
Finance income	2	35,8	294,0
Finance expenses	2	(815,7)	(1 194,5)
<b>Loss before taxation</b>		<b>(406,0)</b>	(560,1)
Taxation		(64,9)	161,1
<b>Loss for the period</b>		<b>(470,9)</b>	(399,0)
<b>Attributable to:</b>			
Equity holders of PeerMont		(482,2)	(417,7)
Non-controlling interests		11,3	18,7
		<b>(470,9)</b>	(399,0)

### GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June

	2012 R'm	2011 R'm
<b>Loss for the period</b>	<b>(470,9)</b>	(399,0)
<b>Other comprehensive income</b>		
Exchange differences on translating foreign operations	(2,9)	1,5
<b>Total comprehensive income</b>	<b>(473,8)</b>	(397,5)
<b>Attributable to:</b>		
Equity holders of PeerMont	(483,9)	(416,8)
Non-controlling interests	10,1	19,3
	<b>(473,8)</b>	(397,5)





GROUP STATEMENT OF FINANCIAL POSITION

at 30 June

	Note	2012 R'm	2011 R'm
<b>Assets</b>			
<b>Total non-current assets</b>		<b>8 814,4</b>	8 877,0
Property, plant and equipment	3	4 183,3	4 272,6
Intangible assets	4	4 583,3	4 587,2
Non-current asset held for sale		36,1	—
Deferred taxation assets		7,7	6,4
Derivative instruments		—	5,4
Investment		3,6	4,1
Loans and receivables		0,4	1,3
<b>Total current assets</b>		<b>353,2</b>	337,9
Inventories		57,2	53,5
Trade and other receivables		89,3	91,4
Loans and receivables		0,9	0,4
Current portion of derivative instruments		9,9	—
Amounts due by related parties		33,0	25,7
Current taxation assets		2,7	0,7
Cash and cash equivalents		160,2	166,2
<b>Total assets</b>		<b>9 167,6</b>	9 214,9
<b>Equity and liabilities</b>			
<b>Equity</b>			
Capital and reserves		(1 544,7)	(868,8)
Non-controlling interests		87,5	81,8
<b>Total equity</b>		<b>(1 457,2)</b>	(787,0)
<b>Total non-current liabilities</b>			
Interest-bearing long-term borrowings	5	9 082,2	8 042,2
Deferred taxation liabilities		564,2	593,6
Derivative instruments		24,5	359,3
Amounts due to related parties		28,7	32,9
<b>Total current liabilities</b>		<b>925,2</b>	973,9
Trade and other payables		314,7	304,1
Current portion of derivative instruments		327,8	286,5
Bank overdraft		195,2	298,7
Current portion of interest-bearing long-term borrowings	5	75,9	74,6
Amounts due to related parties		11,1	9,9
Current taxation liabilities		0,5	0,1
<b>Total equity and liabilities</b>		<b>9 167,6</b>	9 214,9



## PeerMont Global Proprietary Limited and its subsidiaries

### GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June

	Share capital R'm	Share premium R'm	Translation reserve R'm	Retained earnings R'm	Sub-total R'm	Non- controlling interest R'm	Total equity R'm
Balance at 1 January 2011	0,2	381,0	(8,2)	(825,0)	(452,0)	82,5	(369,5)
Total comprehensive income	—	—	0,9	(417,7)	(416,8)	19,3	(397,5)
Preference shares issued	—	—	—	—	—	33,9	33,9
Dividends paid	—	—	—	—	—	(53,9)	(53,9)
<b>Balance at 30 June 2011</b>	<b>0,2</b>	<b>381,0</b>	<b>(7,3)</b>	<b>(1 242,7)</b>	<b>(868,8)</b>	<b>81,8</b>	<b>(787,0)</b>
Balance at 1 January 2012	0,2	381,0	(4,0)	(1 439,3)	(1 062,1)	93,6	<b>(968,5)</b>
Total comprehensive income	—	—	(1,7)	(482,2)	(483,9)	10,1	<b>(473,8)</b>
Interest paid to PGB non-controlling interest	—	—	—	—	—	(0,5)	<b>(0,5)</b>
Redemption of PGB preference shares	—	—	—	—	—	(12,3)	<b>(12,3)</b>
Acquisition of non-controlling interest	—	—	—	1,3	1,3	(2,3)	<b>(1,0)</b>
Dividends paid	—	—	—	—	—	(1,1)	<b>(1,1)</b>
<b>Balance at 30 June 2012</b>	<b>0,2</b>	<b>381,0</b>	<b>(5,7)</b>	<b>(1 920,2)</b>	<b>(1 544,7)</b>	<b>87,5</b>	<b>(1 457,2)</b>

### GROUP STATEMENT OF CASH FLOWS

for the six months ended 30 June

	2012 R'm	2011 R'm
<b>Cash flows from operating activities</b>	<b>500,1</b>	460,1
Finance income received	<b>6,2</b>	3,2
Finance expenses paid	<b>(381,7)</b>	(384,3)
Taxation paid	<b>(15,4)</b>	(12,2)
<b>Net cash flows from operating activities</b>	<b>109,2</b>	66,8
<b>Cash flows used in investing activities</b>	<b>(84,9)</b>	(50,2)
Replacement of property, plant and equipment to maintain operations	<b>(83,4)</b>	(50,1)
Replacement of intangible assets to maintain operations	<b>(1,1)</b>	(0,5)
Proceeds on disposal of property, plant and equipment	<b>0,6</b>	0,4
Acquisition of non-controlling interests	<b>(1,0)</b>	—
<b>Cash flows used in financing activities</b>	<b>(17,7)</b>	(20,2)
Redemption of minority pref shares	<b>(12,3)</b>	—
Interest-bearing long-term borrowings repaid	<b>(4,4)</b>	(7,2)
Increase in non-current amounts due by related parties	<b>(1,2)</b>	(0,6)
Dividends paid	<b>(0,1)</b>	(12,6)
Enterprise development loans repaid	<b>0,3</b>	0,2
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,6</b>	(3,6)
Cash and cash equivalents at the beginning of the period	<b>(41,3)</b>	(129,3)
Effect of exchange rate fluctuations on cash held	<b>(0,3)</b>	0,4
<b>Cash and cash equivalents at the end of the period</b>	<b>(35,0)</b>	(132,5)





## PeerMont Global Proprietary Limited and its subsidiaries

### NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June

	Three months ended 30 June		Six months ended 30 June	
	2012 R'm	2011 R'm	2012 R'm	2011 R'm
<b>1 Other income</b>				
Refunds received – Thetha	1,1	0,3	1,2	0,3
Refunds received – Dihlabeng municipality	0,4	—	0,4	—
Profit/(loss) on disposal of property, plant and equipment	0,4	(0,3)	0,5	(0,3)
Other income	*	0,1	—	0,1
Insurance claims received	—	0,2	—	0,2
	<b>1,9</b>	<b>0,3</b>	<b>2,1</b>	<b>0,3</b>
<b>2 Net finance expenses</b>				
Foreign exchange gain on forward contracts to hedge SSN liability	100,8	108,7	3,7	290,6
Interest received	3,3	1,0	6,3	2,9
Foreign exchange gains – realised	0,2	0,3	0,3	0,5
Foreign exchange gains on restatement of SSN liability	—	—	25,5	—
<b>Finance income</b>	<b>104,3</b>	<b>110,0</b>	<b>35,8</b>	<b>294,0</b>
Foreign exchange loss on SSN coupon payment	(172,2)	(180,5)	(172,2)	(180,5)
Interest payable – PIK Equity Loan	(117,9)	(98,9)	(228,2)	(191,4)
Interest paid/payable – SSN	(105,0)	(96,7)	(206,9)	(191,1)
Interest payable – PIK Notes Loan	(82,4)	(68,2)	(159,7)	(132,2)
Foreign exchange loss on restatement of SSN liability	(62,5)	(102,8)	—	(447,9)
Interest paid/payable – Deferred hedging loan	(15,2)	(15,6)	(30,8)	(31,1)
Interest paid – other	(10,2)	(10,7)	(17,9)	(20,3)
<b>Finance expenses</b>	<b>(565,4)</b>	<b>(573,4)</b>	<b>(815,7)</b>	<b>(1 194,5)</b>

\* Less than R50 000.



## PeerMont Global Proprietary Limited and its subsidiaries

### NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June 2012 (continued)

#### 3 Property, plant and equipment

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
<b>30 June 2012</b>			
Land	194,3	—	194,3
Freehold buildings	3 915,9	(501,0)	3 414,9
Leasehold buildings	204,3	(27,4)	176,9
Furniture, fittings and equipment	887,7	(521,1)	366,6
Capital work in progress	30,6	—	30,6
	<b>5 232,8</b>	<b>(1 049,5)</b>	<b>4 183,3</b>
<b>30 June 2011</b>			
Land	197,6	—	197,6
Freehold buildings	3 947,9	(401,2)	3 546,7
Leasehold buildings	187,7	(18,1)	169,6
Furniture, fittings and equipment	772,1	(432,7)	339,4
Capital work in progress	19,3	—	19,3
	5 124,6	(852,0)	4 272,6
		<b>2012 R'm</b>	2011 R'm
Land and freehold buildings comprise the following properties:			
– Stand 64, Jones Road and Erf 569, Jet Park Extension 28, Gauteng		<b>2 904,4</b>	2 982,1
– Portion 1 of the farm Graceland 593; remainder of the farm Graceland 593 IS (excluding Portions 1 and 2); Portion 42 (a portion of Portion 37) of the Farm Driehoek 275; remaining extent of Erf 8438 Secunda Extension 16; and remaining extent of Erf 5869 Secunda Extension 16, Mpumalanga		<b>269,5</b>	276,5
– Erven 995 and 996, Meiringspark Ext 8, Klerksdorp; and Portion 605 (portion of Portion 604) of the farm Townlands, Klerksdorp, North West		<b>160,5</b>	165,6
– Portion 1 of Erf 113, Kuleka, Empangeni, KwaZulu-Natal		<b>81,4</b>	83,0
– Erf 20, Thohoyandou – D, Venda, Limpopo		<b>63,5</b>	59,5
– Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem, Free State		<b>56,9</b>	64,6
– Erf 101 San Lameer, Registration Division ET, KwaZulu-Natal		<b>39,0</b>	39,9
– Farm Leeuwvallei 297 KT, Burgersfort, Limpopo		<b>21,5</b>	21,5
– Lot 16145 and 16147, Francistown, Botswana		<b>12,5</b>	14,8
– Portion 20 of Erf 45, Bryanston, Johannesburg, Gauteng		—	36,8
		<b>3 609,2</b>	3 744,3





## PeerMont Global Proprietary Limited and its subsidiaries

### NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June (continued)

#### 4 Intangible assets

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
<b>30 June 2012</b>			
Goodwill	1 385,3	(2,8)	1 382,5
Casino licences	2 797,6	(2,4)	2 795,2
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	21,9	(19,2)	2,7
Franchise costs	6,1	(5,6)	0,5
Right of use of buildings	7,1	(7,1)	—
	<b>4 620,4</b>	<b>(37,1)</b>	<b>4 583,3</b>
<b>30 June 2011</b>			
Goodwill	1 385,3	—	1 385,3
Casino licences	2 797,5	(1,8)	2 795,7
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	18,9	(17,2)	1,7
Franchise costs	6,0	(5,0)	1,0
Right of use of buildings	7,1	(6,0)	1,1
	4 617,2	(30,0)	4 587,2



## PeerMont Global Proprietary Limited and its subsidiaries

### NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 June 2012 (continued)

	2012 R'm	2011 R'm
<b>5 Interest-bearing long-term borrowings</b>		
<b><i>South African – secured</i></b>		
Deferred hedging loan	411,0	410,6
ABSA term loan – PGEFS	15,8	20,6
Nedbank property loan	29,3	32,4
<b><i>South African – unsecured</i></b>		
Deeply subordinated shareholder loans	4 479,3	3 737,0
Promissory notes liability	—	2,7
<b><i>Foreign – secured</i></b>		
SSNs	4 222,5	3 912,6
<b><i>Finance leases</i></b>		
Iskhus Power Proprietary Limited	0,2	0,9
<b>Total interest-bearing long-term liabilities</b>	<b>9 158,1</b>	<b>8 116,8</b>
Current portion included in current liabilities	(75,9)	(74,6)
	<b>9 082,2</b>	<b>8 042,2</b>

### 6 Segmental analysis

	Three months ended 30 June				Six months ended 30 June			
	Revenue	Revenue	EBITDA	EBITDA	Revenue	Revenue	EBITDA	EBITDA
	2012 R'm	2011 R'm	2012 R'm	2011 R'm	2012 R'm	2011 R'm	2012 R'm	2011 R'm
Emperors Palace	432,0	405,4	146,9	150,9	848,3	793,0	287,4	277,8
Botswana <sup>‡</sup>	68,9	64,8	22,3	21,0	135,0	129,7	41,9	42,7
Head office	47,3	43,0	30,3	26,9	91,2	84,0	58,0	52,0
Umfolozi	40,8	38,4	14,1	13,0	76,2	74,3	25,2	24,0
Graceland	40,4	39,2	11,9	10,0	78,8	74,6	22,5	18,4
Rio	40,2	36,4	14,7	12,2	80,4	73,5	29,3	25,4
Mmabatho Palms	25,3	24,8	5,1	3,3	50,1	49,7	9,8	8,2
Khoroni	24,0	21,7	7,2	6,5	47,4	41,8	14,4	12,0
Frontier	14,0	12,6	3,8	3,2	27,3	23,3	7,2	5,1
Other	5,1	4,9	(1,3)	(1,0)	11,1	9,7	(1,7)	(1,8)
Inter-company	(46,6)	(42,9)	—	—	(90,5)	(83,9)	—	—
<b>PeerMont Group</b>	<b>691,4</b>	<b>648,3</b>	<b>255,0</b>	<b>246,0</b>	<b>1 355,3</b>	<b>1 269,7</b>	<b>494,0</b>	<b>463,8</b>

<sup>‡</sup> Average exchange rate (Rand/Pula) R1,09:P1 (2011: R1,06:P1) for the three months and R1,10:P1 (2011: R1,05:P1) for the six months applied to the revenue and EBITDA figures.



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