AUDITED ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2012



HOTELS CASINOS RESORTS

PEERMONT GLOBAL PROPRIETARY LIMITED



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Prepared under the supervision of: William Grant Robinson Group Financial Director

The financial statements of Peermont Global Proprietary Limited have been audited in compliance with section 30 of the Companies Act of South Africa.



ABSA ABSA Bank Limited

Aldabri 435 Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2010/000648/07) Aldabri

BBBEE Broad-based Black Economic Empowerment BDC Botswana Development Corporation Limited

BPD Bethlehem Property Development Proprietary Limited

CEO Chief executive officer

South African Companies Act No. 71 of 2008, as amended Companies Act

€ or Euro European Euro, legal tender of the European Union

Earnings before interest, taxation, depreciation, amortisation and other non-cash items **EBITDA EBITDAR** Earnings before interest, taxation, depreciation, amortisation, rentals and other non-cash

Emperors Palace A division of Peermont, trading as Emperors Palace Hotel Casino Convention Resort

Eskom Electricity Supply Commisssion by the government of South Africa

EPCCT Ekurhuleni Peermont Chambers of Commerce Trust

FCTR Foreign currency translation reserve

FECs Forward exchange contracts

FIDCT Frontier Inn Dihlabeng Community Trust

FNB First National Bank, a division of FirstRand Bank Limited

Consist of PGH II, Peermont, PGNW, PGKZN, PGLim, PGMNW&L and PGMKZN Guarantors

Head office The head office function of Peermont International Accounting Standards Board **IASB**

IFRIC International Financial Reporting Interpretations Committee

IFRS International Financial Reporting Standards JIBAR Johannesburg inter-bank agreed rate

King III The revised King Code and Report on Governance for South Africa, 2009

Maxitrade 85 Maxitrade 85 Security Holding Company Proprietary Limited, a limited liability company

incorporated under the laws of the Republic of South Africa (Registration number

2006/025081/07)

Maxshell Maxshell 114 Investments Proprietary Limited, a limited liability company incorporated under

the laws of the Republic of South Africa (Registration number 2006/024982/07)

MIC Leisure Proprietary Limited, a limited liability company incorporated under the laws of MIC Leisure

the Republic of South Africa (Registration number 1996/001460/07)

Mmabatho Palms A division of PGNW, trading as Mmabatho Palms Hotel Casino Convention Resort

Mondazur A division of Peermont, trading as Mondazur Hotel and Spa

NACM Nominal annual compounded monthly Nominal annual compounded semi-annually NACS

Nedbank Nedbank Limited

P or Pula Botswana Pula, legal tender of the Republic of Botswana **PCC** A division of Peermont, trading as Peermont Coronet Club

PCT Peermont Children's Trust

Peermont Global Proprietary Limited, a limited liability company incorporated under the Peermont or the company

laws of the Republic of South Africa (Registration number 2006/006340/07)

Peermont group or the group Peermont and its subsidiaries PET **Peermont Education Trust**

PGB Peermont Global (Botswana) Limited, a limited liability company incorporated under the

laws of the Republic of Botswana (Registration number 95/414), including all operations based in Botswana, namely the Grand Palm Hotel Casino Convention Resort, the Mondior Hotel, the Peermont Metcourt Inn, the Gaborone International Convention Centre, all in Gaborone, Peermont Metcourt Hotel and Sedibeng Casino in Francistown and Syringa

Casino in Selebi-Phikwe



PGH II

PGIL

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)

PGEFSH PGEFS Holdings Proprietary Limited, a limited liability company incorporated under the

laws of the Republic of South Africa (Registration number 2004/013887/07) (In liquidation)

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 1997/015805/07)

PGH I Peermont Global Holdings I Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/023109/07)

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)

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)

PKZNST Peermont (KZN) Staff Trust (formerly Umfolozi Staff Trust)

PGLim or Khoroni Peermont Global (Limpopo) Proprietary Limited, trading as Khoroni Hotel Casino

Convention Resort, a limited liability company incorporated under the laws of the Republic

of South Africa (Registration number 2006/034446/07)

PGMKZN Peermont Global Management (KZN) Proprietary Limited, a limited liability company

incorporated under the laws of the Republic of South Africa (Registration number

2006/000558/07)

PGMNW&L Peermont Global Management (NW&L) Proprietary Limited, a limited liability company

incorporated under the laws of the Republic of South Africa (Registration number

2006/029265/07)

PGNW Peermont Global (North West) Proprietary Limited, a limited liability company incorporated under

the laws of the Republic of South Africa (Registration number 2006/028470/07), which includes

the divisions of Mmabatho Palms, Rio and 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 África (Registration number 1995/004452/07)

PGSHIH PGSH Investment Holdings Proprietary Limited, a limited liability company incorporated

under the laws of the Republic of South Africa (Registration number 2005/031301/07)

PGTH Peermont Global Tusk Holdings Proprietary Limited, a limited liability company

incorporated under the laws of the Republic of South Africa (Registration number

2005/038280/07)

PSHST Peermont Southern Highveld Staff Trust

PIK Payment-in-kind

PIK Equity Loan, due 2106 raised in 2007 by PGH I and onlent to Peermont

PIK Notes The original R887,0 million 18% PIK Notes due 2015, issued by PGH II, listed on the

Global Exchange Market of the Irish Stock Exchange

PIK Notes Loan PIK Notes Loan due 2015 raised by Peermont from the proceeds of an issue of PIK Notes by

PGH II

PSMT Peermont Senior Management trust

R or Rand South African Rand, legal tender of the Republic of South Africa

RCF Revolving credit facility

Richard Ellis CB Richard Ellis Proprietary Limited, a registered valuer under the Valuers' Act

Rio A division of PGNW, trading as Rio Hotel Casino Convention Resort

SARS South African Revenue Service

SSNs or the notes The original €520 million Senior Secured Notes, due 2014, issued on 24 April 2007, listed

on the Global Exchange Market of the Irish Stock Exchange

SRSs Symmetrical recovery swaps

Taung A division of PGNW, trading as Taung Hotel Convention Resort

TRESS Tusk Resorts Employee Share Scheme trust

Tubatse Peermont Global (Tubatse) Proprietary Limited, a limited liability company incorporated

under the laws of the Republic of South Africa (Registration number 2006/019823/07)

US\$ United States Dollar, legal tender of the United States of America

Valuers Act Property Valuers Profession Act 47 of 2000

VAT Value added tax



DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of the group and company annual financial statements, comprising the statements of financial position at 31 December 2012 and the group income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended, the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with IFRS and in the manner required by the Companies Act of South Africa.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group's and company's ability to continue as going concerns and have no reason to believe the company and its subsidiaries will not be going concerns in the year ahead.

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

Approval of the annual financial statements

The group annual financial statements and the company annual financial statements were approved by the board of directors on 26 March 2013 and are signed on its behalf by:

AE Puttergill

Group chief executive officer

WG Robinson

Group financial director

DECLARATION BY COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, that for the year ended 31 December 2012, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of the Companies Act and that all such returns are true, correct and up to date.

DL Petzer

Company secretary



REPORT OF THE AUDIT AND RISK COMMITTEE for the year ended 31 December 2012

This report is provided by the audit and risk committee of Peermont Global Holdings I Proprietary Limited and its subsidiaries ("the committee") in compliance with the Companies Act, and as recommended by King III.

Membership

Membership of the committee comprises P Langeni (Chairman), K Pillay and ZA Dlamini, each of whom are independent non-executive directors and who have the requisite financial skills and experience to contribute to the committee's deliberations. The committee met four times during the year with the group financial director, chief operating officer: South African operations, representatives from internal audit and external audit and other representatives, attending the meeting by invitation.

Mandate and terms of reference

The committee has an approved charter that has been adapted and modified in terms of the Companies Act and King III.

Statutory duties

The internal and external auditors have unfettered access to the committee and its members. Both present formal reports to the committee.

The committee, excluding management invitees, meets with both the external and internal auditors on an annual basis in order to discuss any issues relevant to the audit, as well as to consider the resources and adequacy of the internal audit function.

The chairman of the committee meets privately with the internal audit manager at least three times per annum.

The committee manages and discharges its responsibilities under the Companies Act, King III and its own charter. In this regard, the committee can report the following:

- the committee has considered the independence of the company's external auditors, KPMG Inc. and is satisfied that, for the year under review, the external auditors were independent;
- the appointment of audit firm KPMG Inc. and audit partner Giuseppina Aldrighetti to be the group's auditors for the 2012 financial year was approved by shareholders at a general meeting;
- no reportable irregularities were identified or reported on by the external auditors;
- the committee is satisfied that the group's accounting policies were appropriately and consistently applied throughout the financial period;
- the nature and extent of non-audit fees provided by external auditors is reviewed annually to ensure that such fees do not become so significant that they could be seen to be compromising the auditor's independence; and
- furthermore, the extent to which external auditors may provide non-audit services is properly governed and documented.

Internal control

The committee has:

- reviewed the effectiveness of the group's system of internal financial controls including receiving assurance from management, internal audit and external audit;
- reviewed significant issues raised by the external auditors in their reports; and
- reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, the committee believes that the significant internal controls are effective.

Expertise and experience of the group financial director and the finance function

The committee is satisfied that WG Robinson has the appropriate expertise and experience to meet the responsibilities of his appointed position as group financial director.

The committee is satisfied that the resources within the finance function are adequate and appropriate to provide the necessary support to the group financial director.

Integrated reporting

The integrated report includes the following:

- corporate report including information on sustainability;
- supplementary information to the annual report; and
- the annual financial statements.

Following our review, and having regard to all material factors and risks that may impact the integrated report, we accordingly recommend the integrated report and company and group annual financial statements of Peermont Global Proprietary Limited for the year ended 31 December 2012 to the board of directors for approval on 26 March 2013.

On behalf of the audit and risk committee

Chairman of the committee

26 March 2013



The directors present their report, for the year ended 31 December 2012.

Business activities

The group's objective is to develop, own and operate a desirable portfolio of quality gaming and hospitality businesses offering exciting and relaxing products and services, to create and maximise value for all our stakeholders.

The group's operations currently consist of:

- Peermont, a holding and management company in Bryanston, Gauteng. The Emperors Palace Hotel Casino Convention Resort adjacent to the OR Tambo International Airport, Gauteng; the Mondazur Hotel and Spa at San Lameer in KwaZulu-Natal Province; and, the Peermont Coronet Club are divisions of Peermont;

 PGB, trading as The Grand Palm Hotel Casino Convention Resort in Gaborone (including the Peermont Metcourt
- Inn), the Mondior Hotel and the Gaborone International Convention Centre in Gaborone, the Peermont Metcourt Hotel and Sedibeng Casino in Francistown, and the Syringa Casino in Selebi-Phikwe, all in Botswana; PGSH, trading as Graceland Hotel Casino and Country Club in Mpumalanga Province;

- PGEFS, trading as Frontier Inn and Casino in the Free State Province;
 PGKZN, trading as Umfolozi Hotel Casino Convention Resort in KwaZulu-Natal Province;
- PGNW, trading as Mmabatho Palms Hotel Casino Convention Resort, Taung Hotel Convention Resort and Rio Hotel Casino Convention Resort in the North West Province;
- PGLim, trading as Khoroni Hotel Casino Convention Resort in the Limpopo Province;
- PGMNW&L, a company providing management services to PGNW and PGLim; and
- PGMKZN, a company providing management services to PGKZN.

Review of operations

The performance of the group is set out in the annual financial statements. All subsidiary investments were consolidated.

The group's and company's current liabilities exceed their current assets and both entities are in shareholder deficit positions. The directors have considered structural subordination of the shareholder loans, the cash flow projections of the company and the ability of the company to continue as a going concern and believe that it is appropriate to continue to use the going concern basis in the preparation of the financial statements. The going concern status of the group and company is described in more detail in note 28 of the group and company annual financial statements respectively.

RCF

The term of the group's R550 million RCF expires on 27 December 2013. Current cash flow projections estimate that the facility will not have a cash drawdown against it at the maturity date. A facility will be required for existing guarantees issued of approximately R60 million at the facility's maturity. As part of the ongoing restructuring negotiations, the company is engaging with local banks on obtaining a new reduced facility to match its needs after the debt restructuring has taken place and will negotiate the required guarantee facility when it is needed.

No dividends were declared by the company during the year, and none are recommended (2011: Rnil).

Share capital

Details of the authorised and issued share capital and share premium are contained in notes 16 and 17 to the group annual financial statements and notes 17 and 18 of the company annual financial statements.

Details of the company's investments in subsidiaries are contained in note 10 to the company annual financial statements.

Holding company

The holding company is PGH II, which holds 100% of the shares in the company. The ultimate holding company is Maxshell.



Directors

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

Chief executive officer

AE Puttergill ET Mokoena Group development and compliance director

WG Robinson Group financial director

Non-executive

AP Nkuna Chairman

MS Bomela (appointed 25 April 2012)

ZA Dlamini CO Elk DG Field P Langeni

(resigned 25 April 2012)

HM Madima K Pillay MT Tabata

Secretary

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

Registered address Peermont Place Block 1 Northdowns Office Park **Postal address** PO Box 98670 Sloane Park 2152

17 Georgian Crescent West

Bryanston 2021

Auditors

Giuseppina Aldrighetti of KPMG Inc. is the group and company's auditor in terms of the Companies Act, 2008, as amended.

Events subsequent to year end

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



To the shareholder of Peermont Global Proprietary Limited

We have audited the group annual financial statements and the company annual financial statements of Peermont Global Proprietary Limited, which comprise the statements of financial position at 31 December 2012, and the group income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 79.

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Peermont Global Proprietary Limited at 31 December 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2012, we have read the directors' report, the report of the audit and risk committee and the declaration by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

Per G Aldrighetti Chartered Accountant (SA)

leddrighetti

Registered Auditor

Director

26 March 2013



Reporting entity

Peermont is a company domiciled in South Africa.

Basis of preparation

Statement of compliance

The annual financial statements have been prepared in accordance with IFRS, interpretations of these standards adopted by the IASB and the requirements of the Companies Act of South Africa.

Basis of measurement

The annual financial statements are prepared on the historical cost basis, except for interests in derivative financial instruments that are measured at fair value.

Functional and presentation currency

The annual financial statements are presented in Rand which is the company's functional currency. All financial information presented in Rand has been rounded to the nearest million, except where otherwise indicated.

Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements is included in the appropriate notes.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements, and have been applied consistently by all group entities.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

The group measures goodwill at the acquisition date as:

the fair value of the consideration transferred; plus

the recognised amount of any non-controlling interest in the acquiree; plus

if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less the net recognised (generally fair value) amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.



Basis of consolidation (continued)

Business combinations (continued)

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are charged to profit or loss as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. The adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Investment in subsidiaries

Subsidiaries are entities controlled by the group. The annual financial statements of subsidiaries are included in the consolidated annual financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

In the company annual financial statements, investments are accounted for at cost less accumulated impairment losses.

Staff trusts which are controlled by the group are included in the consolidated annual financial statements from the date that control commences until the date that control ceases. The assets vesting under the control of the trustees of the trusts are recognised and the resulting trust equity is recognised as a liability. Any distributions/dividends are recognised as a reduction to the liability in the period these are accrued or paid.

Loss of control

On the loss of control, the group derecognises the assets and liabilities of the subsidiary, any non-controlling interests, and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

Investments in jointly controlled entities (equity-accounted investees)

Jointly controlled entities are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated annual financial statements include the group's share of profit or loss and other comprehensive income of equity accounted investees from the date that joint control commences until the date that joint control ceases.

When the group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated annual financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



Basis of consolidation (continued)

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the group at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the foreign exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the foreign exchange rate ruling at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Rand at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Rand at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on retranslation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Financial instruments

Non-derivative financial assets

The group initially recognises loans and receivables and deposits on the date that these are originated. All other financial assets are recognised on the trade date, which is the date that the group becomes party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained in the group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.



Financial instruments (continued)

Non-derivative financial assets (continued)

Held-to-maturity financial assets

If the group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition held-to-maturity assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

Held-to-maturity financial assets comprise investments in preference shares.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise trade and other receivables and amounts due by related parties.

Cash and cash equivalents

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, such assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified as profit or loss.

Non-derivative financial liabilities

The group initially recognises debt securities issued and subordinated liabilities on the date that these are originated. All other financial liabilities are recognised initially on trade date, which is the date that the group becomes party to the contractual provisions of the instrument.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise interest-bearing long-term borrowings, amounts due to related parties and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Derivative financial instruments

In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value with any gain or loss on re-measurement to fair value recognised immediately in profit or loss.



Offset

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

Financial guarantee contracts

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

Share capital

Ordinary shares

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

Preference share capital

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

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

Repurchase and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any taxation effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Property, plant and equipment Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour; any other costs directly attributable to bringing the assets to a working condition for their intended use; the costs of dismantling and removing the items and restoring the site on which these are located; and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

When parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.



Property, plant and equipment (continued)

Subsequent costs

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

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Depreciation is based on cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately. Depreciation is not provided on land or capital work in progress.

Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the group will obtain ownership by the end of the lease term.

Items of property, plant and equipment are depreciated from the date that these are installed and are ready for use, or, in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Current depreciation rates for each category of property, plant and equipment are as follows:

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

The depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Intangible assets

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition refer to the accounting policy for business combinations.

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

Other intangible assets

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

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

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure, including expenditure on internally generated goodwill and brands, is recognised when incurred.



Intangible assets (continued)

Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite, from the date these are available for use. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date these are available for use. The current estimated useful lives per category of intangible assets are as follows:

Goodwill Indefinite

Casino licences Indefinite/licence period

Right of use of buildings Lease period

Computer software 33,3% – 50,0% Franchise costs Lease period Trademarks Indefinite

Management contracts Indefinite/contract period

The basis of amortisation, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the group's statement of financial position.

Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that these will be recovered primarily through sale rather than through continuing use.

Immediately before classification as held-for-sale, the assets are remeasured in accordance with the group's other accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Impairment

Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of the asset that can be reliably estimated.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions that correlate with defaults or the disappearance of an active market.



Impairment (continued)

Financial assets measured at amortised cost

The group considers evidence of impairment for financial assets measured at amortised cost at both specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar credit risk characteristics.

In assessing for collective impairment, the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against the asset. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to a present value using a pretaxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

BBBEE transactions

Where the group receives BBBEE credentials and other benefits from BBBEE partners and equity instruments were issued as consideration, the transaction is recognised as a share-based payment transaction, even when the group cannot specifically identify the services rendered. The difference between the fair value of the equity instruments and the fair value of cash and other assets received is recognised in profit or loss.

Provisions

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



Revenue

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

The group has a customer loyalty programme whereby customers are awarded redeemable credits entitling customers to the right to purchase goods or receive benefits from the group. The amount allocated to the loyalty points liability is deferred and revenue is recognised when the loyalty points are redeemed and the group has fulfilled its obligations to supply the goods or benefits. Deferred revenue is also released to revenue when it is no longer probable that the loyalty points will be redeemed.

Employee benefits

Retirement benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution provident and pension plans are recognised as an expense in profit or loss as incurred. The group does not incur any liability for post-employment medical aid benefits.

Long-term employee benefits

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

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted cost basis and are expensed in profit or loss during the period in which the employee renders the related service. A liability for employee entitlement to wages, salaries and annual leave represent the amount which the group has a present legal or constructive obligation to pay as a result of employees' services provided, and the obligation can be estimated reliably. The liabilities have been calculated based on wage and salary rates at the reporting date.

Leases

Lease payments

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

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

Determining whether an arrangement contains a lease

At the inception of an arrangement, the group determines whether such arrangement is or contains a lease. This will be the case if the following two criteria are met:

the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and the arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the group separates payments and other consideration required by such agreement into those for the lease and those for other elements on the basis of their relative fair values. If the group concludes for a finance lease that it is impracticable to separate payments reliably, then the asset and liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the group's incremental borrowing rate.

Finance income and finance expenses

Finance income comprises interest income on funds invested, dividend income, foreign exchange gains, changes in fair value of financial assets at fair value through profit or loss and gains on hedging instruments recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Dividend income is recognised in profit or loss on the date the group's right to receive payment is established, which in the case of quoted securities is usually the ex-dividend date.



Finance income and finance expenses (continued)

Finance expenses comprise interest expenses and transaction costs on borrowings calculated using the effective interest method, dividends on redeemable preference shares classified as liabilities, foreign exchange losses, and losses on hedging instruments that are recognised in profit or loss. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Taxation

Income taxation comprises current and deferred taxation. Current taxation and deferred taxation is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current taxation is the expected taxation payable or receivable on the taxable income or loss for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years. Current taxation payable also includes any taxation liability arising from the declaration of dividends.

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries or jointly controlled entities to the extent that it is
 probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

Deferred taxation is measured at the taxation rates that are expected to be applied to the temporary differences when these reverse, using the taxation rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred taxation the group takes into account the impact of uncertain taxation positions and whether additional taxes and interest may be due. Accruals for taxation liabilities for all open taxation years are based on assessment of many factors, including interpretations of taxation law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the group to change its judgement regarding the adequacy of existing taxation liabilities. Such changes to taxation liabilities will impact taxation expense in the period such a determination is made.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities and assets, and these relate to income taxation levied by the same taxation authority on the same taxable entity, or on different taxable entities, but the entities intend to settle current taxation liabilities and assets on a net basis.

A deferred taxation asset is recognised for unused taxation losses, taxation credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available in the foreseeable future against which the asset can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

Segment reporting

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



GROUP INCOME STATEMENT

for the year ended 31 December 2012

		G	roup
	Note	2012 R'm	2011 R′m
Revenue		2 856,9	2 668,7
Gaming		2 199,1	2 061,3
Rooms		288,9	268,4
Food and beverage		305,9	282,4
Other		63,0	56,6
Other income	1	5,3	7,7
		2 862,2	2 676,4
Operating costs		(2 049,2)	(1 893,8
Employee costs	2	(619,0)	(567,8
VAT and gaming levies on gross gaming revenues	3	(440,5)	(409,5
Promotions and marketing costs		(182,2)	(162,3
Depreciation and amortisation	4	(248,1)	(236,2
Property and equipment rentals		(27,8)	(22,9
Property costs		(106,9)	(101,2
Consumables and services		(297,0)	(272,0
Other operational costs		(127,7)	(121,9
Operating profit before net finance expenses	4	813,0	782,6
Net finance expenses		(1 535,8)	(1 587,0
Finance income	5	396,3	593,4
Finance expenses	5	(1 932,1)	(2 180,4
Loss before taxation		(722,8)	(804,4
Taxation	6	32,0	228,5
Loss for the year		(690,8)	(575,9
Attributable to:			
Equity holders of Peermont		(715,5)	(614,3
Non-controlling interests		24,7	38,4
		(690,8)	(575,9

GROUP STATEMENT OF COMPREHENSIVE INCOME

Loss for the year	(690,8)	(575,9)
Other comprehensive income		
Exchange differences on translating foreign operations	(1,0)	7,0
Total comprehensive income for the year	(691,8)	(568,9)
Attributable to:		
Equity holders of Peermont	(716,1)	(610,1)
Non-controlling interests	24,3	41,2
	(691,8)	(568,9)



GROUP STATEMENT OF FINANCIAL POSITION

at 31 December 2012

		G	roup
	Note	2012 R'm	2011 R'm
Assets	Note	KIII	KIII
Total non-current assets		9 105,1	8 854,2
Property, plant and equipment	7	4 147,3	4 256,4
Intangible assets	8	4 585,4	4 583,7
Investments	10	5,0	4,3
Loans and receivables	11	0,7	1,1
Derivative instruments	12	354,4	1,1
Deferred taxation assets	13	12,3	8,7
Total current assets	13	458,6	350,5
Non-current assets held for sale	9	36,6	330,3
Inventories	14		
Trade and other receivables		56,6	56,1
	15	127,4	91,9
Amounts due by related parties Loans and receivables	24.3	43,1	31,3
	11	0,6	0,4
Current portion of derivative instruments	12	_	9,2
Taxation receivable	25.6	5,1	1,0
Cash and cash equivalents	25.6	189,2	160,6
Total assets		9 563,7	9 204,7
Equity and liabilities			
Equity			
Capital and reserves		(1 776,9)	(1 062,1)
Non-controlling interests	19	101,7	93,6
Total equity		(1 675,2)	(968,5)
Total non-current liabilities	-	10 292,4	9 285,9
Interest-bearing long-term borrowings	20	9 805,7	8 680,0
Derivative instruments	12	<u> </u>	62,4
Amounts due to related parties	24.4	27,3	29,9
Deferred taxation liabilities	13	459,4	513,6
Total current liabilities		946,5	887,3
Trade and other payables	21	362,4	302,4
Current portion of derivative instruments	12	328,7	293,6
Bank overdraft	25.6	134,8	202,0
Current portion of interest-bearing long-term borrowings	20	103,3	78,3
Amounts due to related parties	24.4	17,1	10,4
Taxation payable		0,2	0,6
Total equity and liabilities		9 563,7	9 204,7

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital R'm	Share premium R'm	Trans- lation reserve R'm	Accumu- lated loss R'm	Capital and reserves R'm	Non- control- ling interests 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 for the year							
Loss for the year		_	_	(614,3)	(614,3)	38,4	(575,9)
Other comprehensive income		_	4,2	_	4,2	2,8	7,0
Transactions with owners accounted directly in equity							
Preference shares issued by PGB		_		_	_	33,9	33,9
Redemption of PGB preference shares	_	_	_	_	_	(10,2)	(10,2)
Dividends paid		_	_	_	_	(53,8)	(53,8)
Balance at 31 December 2011	0,2	381,0	(4,0)	(1 439,3)	(1 062,1)	93,6	(968,5)
Total comprehensive income for the year							
Loss for the year	_	_	_	(715,5)	(715,5)	24,7	(690,8)
Other comprehensive income	_	_	(0,6)	_	(0,6)	(0,4)	(1,0)
Transactions with owners accounted directly in equity							
Preference share dividends paid to PGB non-controlling interest	_	_	_	_	_	(0,5)	(0,5)
Redemption of PGB preference shares	_	_	_	_	_	(12,3)	(12,3)
Acquisition of non-controlling interest	_	_	_	1,3	1,3	(2,3)	(1,0)
Dividends paid	_	_	_	_	_	(1,1)	(1,1)
Balance at 31 December 2012	0,2	381,0	(4,6)	(2 153,5)	(1 776,9)	101,7	(1 675,2)



GROUP STATEMENT OF CASH FLOWS

		Gr	oup
	Note	2012 R'm	2011 R'm
Cash flows from operating activities	25.1	1 080,2	996,9
Finance income received	25.2	14,2	8,7
Finance expenses paid	25.3	(767,2)	(717,3)
Taxation paid	25.4	(31,1)	(27,9)
Net cash flows from operating activities		296,1	260,4
Cash flows used in investing activities		(177,7)	(133,9)
Replacement of property, plant and equipment to maintain operations		(161,8)	(138,1)
Acquisition of property, plant and equipment to expand operations		(10,9)	(2,2)
Replacement of intangible assets to maintain operations		(5,1)	(1,7)
Proceeds on disposal of property, plant and equipment		1,1	8,1
Acquisition of non-controlling interests		(1,0)	_
Cash flows used in financing activities	_	(22,7)	(40,4)
Redemption of PGB preference shares – non-controlling interest		(12,3)	(10,2)
Interest-bearing long-term borrowings repaid		(8,7)	(14,3)
Decrease in non-current amounts due to related parties		(1,7)	(3,5)
Dividends paid to non-controlling interests	25.5	(0,1)	(12,8)
Enterprise development loans receivable repaid		0,1	0,4
Net increase in cash and cash equivalents		95,7	86,1
Cash and cash equivalents at beginning of the year		(41,4)	(129,3)
Effect of exchange rate fluctuations on cash held		0,1	1,8
Cash and cash equivalents at end of the year	25.6	54,4	(41,4)



NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

		Gre	oup	
		2012	2011	
		R'm	R'm	
•	Other income			
	Refunds received	2,7	_	
	Insurance claims received	0,9	1,1	
	Gain on sale of right to acquire investment	0,9	_	
	Prescription income	0,6	0,5	
	Profit on disposal of property, plant and equipment	0,2	6,1	
		5,3	7,7	
	Employee costs			
	Salaries and wages	542, 5	500,4	
	Provident fund contributions	45,2	43,6	
	Increase in leave liability	5,5	2,7	
	Unemployment Insurance Fund	2,6	2,5	
	Pension fund contributions	2,7	2,5	
	Directors' emoluments (refer to note 3 in the company annual financial	20.5	1.6.1	
	statements)	20,5	16,1	
		619,0	567,8	
	In the previous financial year, an amount of R11,3 million relating to			
	an accrual of staff bonuses in terms of the Phantom bonus scheme at			
	Emperors Palace was disclosed in the other operational costs line in the			
	statement of comprehensive income. This cost has been reallocated			
	to employee costs and the comparative figures in the statement of			
	comprehensive income have been restated accordingly. The restatement			
	does not affect the operating profit of the group and does not have any			
	taxation implications.			
	VAT and gaming levies on gross gaming revenues			
	VAT on gross gaming revenues	247,3	231,	
	Gaming levies	193,2	178,0	
		440,5	409,	
	Operating profit before net finance expenses			
	Operating profit before net finance expenses is stated after taking			
	into account:			
	Auditors' remuneration	5,7	5,	
	Audit fee	5,0	4,	
	 current year 	4,9	4,	
	– expenses	0,1	0,	
	Other services – fees paid	0,7	0,	
	Cost of sales – food and beverage	94,7	85,	
	Depreciation and amortisation	248,1	236,2	
	- freehold buildings	103,5	104,	
	 leasehold buildings and improvements 	7,1	5,	
	- furniture, fittings and equipment	134,0	121,	
	- right of use of buildings	_	2,	
	- intangible assets	3,5	2,	
	Consulting fees	11,3	8,0	
	Service fees paid to related parties	6,9	6,3	
	Increase in allowance for impairment of trade receivables	0,4	2,	



for the year ended 31 December 2012

	G	roup
	2012	201
	R'm	R'r
Net finance expenses		
Foreign exchange gains on SRSs to hedge SSN liability and related coupon		
payments	381,7	580,
Interest received/receivable	13,7	7,
Foreign exchange gains – realised	0,6	0,
Preference dividends receivable	0,3	0,
Fair value gain on derivative asset		3,
Finance income	396,3	593,
Interest payable – deeply subordinated shareholder PIK Equity Loan	(471,9)	(400)
Interest paid/payable – SSNs	(425,2)	(399)
Interest payable – deeply subordinated shareholder PIK Notes Loan	(333,5)	(277)
Foreign exchange losses on SSN coupon payments	(329,2)	(290)
Foreign exchange losses on restatement of SSN liability	(275,1)	(710)
Interest paid/payable – deferred hedging loan	(62,0)	(62)
Other interest paid	(35,2)	(38)
Finance expenses	(1 932,1)	(2 180
Taxation		
Current taxation		
- current year	(22,7)	(26
prior year over provision	(<i>ZZ,7</i>)	0
Deferred taxation		U
	202.2	2.40
- current year	203,2	248
– change in taxation rate	(146,3)	-
– prior year over provision	0,9	0
Dividends withholding tax		
- current year	*	(0
Withholding taxation offset	(3,1)	5
Total taxation credit	32,0	228
Reconciliation of effective taxation rate	%	
South African standard taxation rate	28,0	28
Tax effect of reconciling items:		
Utilisation of previously unrecognised taxation assets	0,8	-
Effect of taxation rates in foreign jurisdictions	0,5	0
Exempt income	0,1	2
Capital gains Prior year over provision	0,1	0
Prior year over provision Release of deferred taxation on buildings	0,1 0,1	0
Change in taxation rate	(20,2)	-
Deferred taxation asset not (utilised)/recognised	(2,7)	0
Non-deductible expenses	(1,9)	(3)
Withholding taxation offset	(0,4)	0,
Additional taxation allowances	(0,1)	0,
Dividends withholding tax	*	
Effective taxation rate	4,4	28,

The estimated taxation loss of PGNW of R69,9 million (2011: PGEFS R23,1 million) has not been raised as a deferred taxation asset due to the uncertainty as to the timing of realising the asset. The group has total estimated taxation losses of R3 408,3 million (2011: R2 838,7 million) which have been accounted for in deferred taxation (refer to note 13).

^{*} Less than R50 000 or 0,05%.



for the year ended 31 December 2012

7. Property, plant and equipment

Property, plant and equipment	Cost	Accumulated depreciation	Carrying value
	R'm	R'm	R'm
Group			
2012			
Land	194,3	_	194,3
Freehold buildings	3 922,9	(552,7)	3 370,2
Leasehold buildings and improvements	217,9	(31,4)	186,5
Furniture, fittings and equipment	954,8	(586,2)	368,6
Capital work in progress	27,7	_	27,7
	5 317,6	(1 170,3)	4 147,3
2011			
Land	194,3		194,3
Freehold buildings	3 953,3	(452,6)	3 500,7
Leasehold buildings and improvements	202,4	(24,1)	178,3
Furniture, fittings and equipment	836,6	(466,9)	369,7
Capital work in progress	13,4	_	13,4
	5 200,0	(943,6)	4 256,4
		C	Group
		2012	2011
	Note	R'm	R'm
Carrying value of encumbered land, buildings and moveable assets	;	4 147,3	4 256,4
Certain of the properties are encumbered to secure interest-bearing long-term borrowings (refer to note 20).	,		
Land and freehold buildings comprise the following properties:			
Stand 64, Jones Road and Erf 569, Jet Park Extension 28, Gauteng	(i)	2 864,0	2 944,5
Portion 1 of the farm Graceland 593 IS; remainder of the farm Graceland 593 IS (excluding Portions 1 and 2); Portion 42 (a portion 97) of the Farm Driehoek 275; remaining extent of Erf 8438 Secunda Extension 16; and, Erf 5869 Secunda Extension 1			
Mpumalanga	(ii)	265,6	267,3
Erven 995 and 996, Meiringspark Extension 8, Klerksdorp and Portion 605 (portion of Portion 604) of the Farm Townlands, Klerks	dorp,		
North West	(iii)	157,9	163,0
Portion 1 of Erf 113, Kuleka, Empangeni, KwaZulu-Natal	(iv)	80,5	82,9
Erf 20, Thohoyandou, Venda, Limpopo	(v)	62,4	64,3
Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem, Free State	(vi)	56,1	62,9
Erf 101 San Lameer, Registration Division ET, KwaZulu-Natal	(vii)	38,6	39,4
Portion 20 of Erf 45 Bryanston, Johannesburg, Gauteng	(viii)	_	36,3
Lot 16145 and 16147, Francistown, Botswana	(ix)	17,9	12,9
Erven 8311 to 8320 of Burgersfort Extension 46, Limpopo	(x)	21,5	21,5
		3 564,5	3 695,0



for the year ended 31 December 2012

7. **Property, plant and equipment** (continued)

- (i) This property was independently valued as at 30 June 2010 by Richard Ellis at R3 684,9 million on a depreciated replacement cost basis with a market value of R3 498,0 million calculated using the capitalisation of net income approach.
 - The company has issued covering mortgage bonds over the immovable property in favour of Maxitrade 85 for the sum of five billion five hundred million Rand. The bonds were registered on 10 July and 31 July 2007. The company has issued a notarial special bond over specified moveable assets in favour of Maxitrade 85 for the sum of five billion five hundred million Rand. The bond was registered on 30 May 2007. The company has issued a notarial general bond over specified moveable assets in favour of Maxitrade 85 for the sum of five billion five hundred million Rand. The bond was registered on 30 May 2007.
- (ii) Land and buildings, owned by PGSH, were independently valued as at 30 June 2010 by Richard Ellis at R407,0 million on a depreciated replacement cost basis with a market value of R282,0 million calculated using the capitalisation of net income approach.
- (iii) This property, owned by PGNW, was independently valued as at 30 June 2010 by Richard Ellis at R252,0 million on a depreciated replacement cost basis with a market value of R188,0 million calculated using the capitalisation of net income approach. PGNW has issued a covering mortgage bond over the immovable property in favour of Maxitrade 85 for
 - the sum of one billion Rand. The bond was registered on 31 July 2007.
 - PGNW has issued a notarial special bond over specified moveable assets in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 28 May 2007.
 - PGNW has issued a notarial general bond over specified moveable assets in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 28 May 2007.
- (iv) The property, owned by PGKZN, was independently valued at market value as at 30 June 2010 by Richard Ellis at R96,7 million on a depreciated replacement cost basis with a market value of R140,0 million calculated using the capitalisation of net income approach.
 - PGKZN has issued a covering mortgage bond over the immovable property in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 6 July 2007.
 - PGKZN has issued a notarial special bond over specified moveable assets in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 31 May 2007.
 - PGKZN has issued a notarial general bond over specified moveable assets in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 31 May 2007.
- (v) The property, owned by PGLim, was independently valued as at 30 June 2010 by Richard Ellis at R80,6 million on a depreciated replacement cost basis with a market value of R116,0 million calculated using the capitalisation of net income approach.
 - PGLim has issued a covering mortgage bond over the immovable property in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 25 July 2007.
 - PGLim has issued a notarial special bond over specified moveable assets in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 25 July 2007.
 - PGLim has issued a notarial general bond over specified moveable assets in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 25 July 2007.
- (vi) The property, owned by PGEFS, was independently valued at market value as at 30 June 2010 by Richard Ellis at R108,0 million on a depreciated replacement cost basis with a market value of R88,0 million calculated using the capitalisation of net income approach.
 - A mortgage bond and notarial bond have been registered in favour of ABSA over land and buildings and all other moveable property, plant and equipment belonging to PGEFS, which have a total carrying value of R71,2 million (2011: R72,2 million). Refer to note 20 for further disclosure.
 - An agreement between PGEFS and BPD was signed on 9 December 2011 in which PGEFS granted a servitude for parking purposes, and possible future sale of immovable property over a portion of Erf 5742, Extension 24, Bethlehem Township (previously a part of Portion 152 of the farm Pretoriuskloof). The servitude has been granted for a portion of the property measuring 4,2 hectares for a total consideration of R7,1 million, resulting in a profit of R6,2 million in 2011. BPD has the option to formally purchase the portion based on a successful rezoning and subdivision of Erf 5742. Should the purchase not take place, the servitude will remain in perpetuity. In terms of the agreement, BPD is required to develop an additional 150 parking bays on the servitude portion of the PGEFS property at its own cost.
- (vii) This property, owned by Peermont, was independently valued as at 30 June 2012 by Richard Ellis at R59,9 million on a depreciated replacement cost basis with a market value of R30,0 million calculated using the capitalisation of net income approach.
 - The company has issued a covering mortgage bond over the immovable property in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 6 July 2007.
- (viii) The property, owned by Peermont, was independently valued at market value as at 30 June 2010 by Richard Ellis at R42,0 million on a depreciated replacement cost basis with a market value of R46,3 million calculated using the capitalisation of net income approach.

 The company has been reclassified as held-for-sale in the current year (refer to note 9).
- (ix) This property, owned by PGB, was independently valued as at 30 June 2010 by Richard Ellis at P17,3 million (R19,1 million) on a depreciated replacement cost basis with a market value of P19,9 million (R22,0 million) calculated using the capitalisation of net income approach.
- (x) The property, owned by Tubatse, was acquired on 20 December 2007 for R21,5 million. The carrying value of the property is considered to approximate the fair value.



for the year ended 31 December 2012

7. Property, plant and equipment (continued)

		Gre	up	
	Note	2012 R'm	2011 R'm	
Leasehold buildings and improvements comprise the following	oroperties:			
Remaining extent of Lot 17989 in Block 5 and Lot 21117, exten Gaborone, Botswana	sion 15, (i)	99,9	91,9	
Erf 3157 Mmabatho, North West	(ii)	80,6	83,1	
Portion 25 of the farm Taung 894-HN, North West	(iii)	3,2	3,3	
Portion 20 of Erf 45, Bryanston township, Gauteng	(iv)	2,8	_	
		186,5	178,3	

- (i) Leasehold buildings, owned by PGB, were independently valued as at 30 June 2010 by Richard Ellis at P377,4 million (R420,3 million) on a depreciated replacement cost basis with a market value of P324,4 million (R361,3 million) calculated using the capitalisation of net income approach.
- (ii) Leasehold buildings, owned by PGNW, were independently valued as at 30 June 2010 by Richard Ellis at R111,3 million on a depreciated replacement cost basis with a market value of R167,9 million calculated using the capitalisation of net income approach.
- (iii) Leasehold buildings, owned by PGNW, were independently valued as at 30 June 2010 by Richard Ellis at R48,0 million on a depreciated replacement cost basis with a market value of R18,0 million calculated using the capitalisation of net income approach.
- (iv) Improvements to the leasehold buildings, occupied by Peermont, were developed in January 2012 at a cost of R3,8 million. The carrying value of the leasehold improvements is considered to approximate the fair value as at 31 December 2012.

			Leasehold			
			buildings	Furniture,	Capital	
		Freehold	and improve-	fittings and	Capital work in	
	Land	buildings		equipment	progress	Total
	R'm	R'm	R'm	R'm	. R'm	R'm
Group						
2012						
Opening carrying value	194,3	3 500,7	178,3	369,7	13,4	4 256,4
Additions	_	6,5	12,5	112,9	40,8	172,7
Depreciation	_	(103,5)	(7,1)	(134,0)	_	(244,6)
Disposals	_	_	_	(0,9)	_	(0,9)
Reclassification	_	(33,5)	2,5	20,7	(26,5)	(36,8)
Unrealised foreign exchange movements	*	*	0,3	0,2	*	0,5
Closing carrying value	194,3	3 370,2	186,5	368,6	27,7	4 147,3
2011						
Opening carrying value	197,5	3 599,8	171,5	370,5	5,1	4 344,4
Additions	_	6,4	5,2	110,2	18,5	140,3
Depreciation	_	(104,6)	(5,6)	(121,1)	_	(231,3)
Disposals	(0,9)	_	_	(1,1)	_	(2,0)
Reclassification	(2,5)	2,9	(2,1)	9,0	(10,4)	(3,1)
Unrealised foreign exchange movements	0,2	(3,8)	9,3	2,2	0,2	8,1
Closing carrying value	194,3	3 500,7	178,3	369,7	13,4	4 256,4
-						, ,

The carrying amount of the tangible assets were subject to an impairment test at 31 December 2012 (refer to note 8).

^{*} Less than R50 000.



for the year ended 31 December 2012

8. Intangible assets

	Cost R'm	Accumulated amortisation R'm	Carrying value R'm
Group			
2012			
Goodwill	1 385,3	(2,8)	1 382,5
Casino licences	2 797,6	(2,4)	2 795,2
Management contracts	382,4	_	382,4
Trademarks	20,0	_	20,0
Computer software	25,2	(20,1)	5,1
Franchise costs	6,1	(5,9)	0,2
	4 616,6	(31,2)	4 585,4
2011			
Goodwill	1 382,5		1 382,5
Casino licences	2 797,7	(2,2)	2 795,5
Management contracts	382,4		382,4
Trademarks	20,0		20,0
Computer software	20,8	(18,3)	2,5
Franchise costs	6,2	(5,4)	0,8
Right of use of buildings	7,1	(7,1)	_
	4 616,7	(33,0)	4 583,7

Goodwill arose on the acquisition of the 100% interest in PGIL on 25 April 2007, and is not amortised.

The allocation of goodwill to cash-generating units is disclosed in the segmental analysis (see note 32).

The management contracts represent the right of PGMKZN, PGMNW&L and Peermont to receive management fees from the group's management contracted entities.

The casino licences, the management contracts and the trademarks, with the exception of the Grand Palm, Sedibeng and Syringa Casino licences, which have a useful life of 10 years, have an indefinite life and are not amortised. The licences are treated as having an indefinite useful life because they are expected to contribute to the group's net cash inflows indefinitely subject to an annual administrative process. The carrying amount of goodwill, the casino licences, the management contracts and the trademarks were subject to an impairment test as at 31 December 2012, using a discounted cash flow methodology based on value in use.

The following key assumptions were utilised in determining the future cash flows:

- growth in gaming revenue of between 6,2% and 7,4% with an average of 7,2% that increases to 7,4% in perpetuity;
- growth in other revenue of between 6,6% and 9,7% with an average of 8,0% that increases to 8,5% in perpetuity;
- growth in fixed costs of between 6,8% and 9,3%, reducing to 6,8% in perpetuity;
- resulting in an average EBITDA growth of 6,9%;
- a weighted average cost of capital of 11,2%;
- maintenance capital expenditure of between 5,4% and 6,5% of annual projected revenues;
- the taxation rate was assumed to remain at 28,0% in South Africa and 22,0% in Botswana, for the foreseeable future;
- rates relating to management fee income and gaming levies to remain constant; and
- an average exit EBITDA multiple of eight times was used in the discounted cash flow as an exit perpetuity.

On this basis, the fair value amounts were in excess of the carrying value and no impairment was required.

The other intangible assets were reviewed for impairment at 31 December 2012, and no impairment was required.

Computer software is amortised over its expected useful life of two to three years.

Franchise costs relate to the value of the Spur and News Café franchises acquired by PGB in 2005, and to the Queen of the Nile restaurant franchise acquired by Emperors Palace in 2008.

Certain of the intangible assets are encumbered as security for interest-bearing long-term borrowings (refer to note 20).



for the year ended 31 December 2012

8. Intangible assets (continued)

			Manage-	- 1			Right of	
	Goodwill	Casino	ment		Computer	Franchise	use of	Total
	Goodwiii R'm	licences R'm	contracts R'm	marks R′m	software R'm	R'm	buildings R'm	Total R′m
	KIII	KIII	KIII	KIII	KIII	KIII	KIII	KIII
Group								
2012								
Opening carrying value	1 382,5	2 795,5	382,4	20,0	2,5	0,8	_	4 583,7
Additions	_	_	_	_	5,1	_	_	5,1
Disposals	_	_	_	_	*	_	_	*
Amortisation	_	(0,3)	_	_	(2,6)	(0,6)	_	(3,5)
Reclassification	_	_	_	_	0,1	_	_	0,1
Unrealised foreign								
exchange movements	_	*	_	_	*	*	_	*
Closing carrying value	1 382,5	2 795,2	382,4	20,0	5,1	0,2	_	4 585,4
2011								
Opening carrying value	1 385,3	2 795,9	382,4	20,0	1,8	1,2	2,5	4 589,1
Additions		_	_	_	1,7	_	_	1,7
Amortisation	_	(0,4)	_	_	(1,5)	(0,5)	_	(2,4)
Utilisation of right of use								
of buildings		_	_	_	_	_	(2,5)	(2,5)
Reclassification		_	_	_	0,5	_	_	0,5
Impairment	(2,8)		_		_	_	_	(2,8)
Unrealised foreign								
exchange movements		*	_		*	0,1	_	0,1
Closing carrying value	1 382,5	2 795,5	382,4	20,0	2,5	0,8		4 583,7
* Less than R50 000.								

		Group	
		2012	2011
		R'm	R'm
9.	Non-current asset held for sale		
	Portion 20 of Erf 45 Bryanston, Johannesburg, Gauteng	36,6	

Croun

The previous head office premises at 152 Bryanston Drive is reflected as a non-current asset held for sale, following the commitment of Peermont to a plan to sell the property. The agreement of sale is subject to the fulfilment of certain conditions precedent.

Cumulative rental income relating to the property to the amount of R2,8 million (2011: Rnil) is included in other revenue in the income statement and is included in the head office operating segment.

A first covering mortgage bond, which is shown as a current liability, of R27,6 million (2011: R30,9 million) has been registered in favour of Nedbank over the property (refer to note 20).

10. Investments

Investment in preference shares of PGSHIH	3,7	4,3
- initial investment	6,4	6,4
 accrued preference dividends 	0,8	0,5
 redemption of preference shares 	(3,5)	(2,6)
Investment in ordinary shares of PGSHIH held by PSHST	1,3	
	5.0	4.3

Peermont holds 100% of the non-convertible, cumulative, redeemable preference shares in PGSHIH. The preference dividends accrue at the prime interest rate compounded monthly in arrears. PSHST holds 20% of the ordinary shares issued by PGSHIH.



for the year ended 31 December 2012

	Gro	Group	
	2012 R'm	2011 R'm	
. Loans and receivables			
The loans were granted by Emperors Palace as part of an enterprise development programme:	nt		
Total loans and receivables	6,2	6,3	
Less: impairment due to uncertainty of recovery	(4,9)	(4,8)	
	1,3	1,5	
Less: current portion included in current assets	(0,6)	(0,4)	
	0,7	1,1	

12. Derivative instruments

Right to acquire shares

The group previously held an option to acquire an effective 50% interest in the Mmabatho Palms staff complex property at the exercise date of the option. The option was exercised and the right to the investment was sold in 2012.

Hedging derivatives

The group entered into SRSs to hedge the foreign exchange exposure of the SSNs (refer note 20), resulting in derivative assets and liabilities recorded at fair values.

The detail of the fair value of these assets is set out below:

Right to acquire shares	_	9,2
Opening balance	9,2	5,3
Disposal	(9,2)	_
Fair value gains during the year	_	3,9
Hedging derivatives		
SRSs	25,7	(356,0)
Total derivative instruments	25,7	(346,8)
Current portion of SRSs included in current liabilities	328,7	293,6
Current portion of right to acquire shares included in current assets	_	(9,2)
Non-current asset/(liability)	354,4	(62,4)



		Group	
		2012 R'm	2011 R'm
3.	Deferred taxation		
J.	Deferred taxation Deferred taxation assets and liabilities are attributable to the following temporary differences:		
	Estimated taxation losses	3 408,3	2 838,7
	Trade and other payables	157,1	118,5
	Income received in advance	18,1	16,2
	Finance lease liability	_	0,6
		3 583,5	2 974,0
	Taxation effect on:	,	
	- Buildings	(2 786,2)	(2 849,9
	- Casino licences	(2 738,8)	(2 738,8
	 Management contracts 	(383,4)	(383,4
	- Land	(99,9)	(99,9
	– Trademarks	(20,0)	(20,0
	Capital allowances	(233,0)	(242,2
	Discount on interest-bearing long-term borrowings	(22,0)	(48,0
	Prepayments	(7,2)	(11,3
	Financial liabilities	(0,2)	(9,9
		(6 290,7)	(6 403,4
	Foreign deferred taxation at 22,0%	22,5	22,4
	South African deferred taxation at 28,0%	(166,3)	39,3
	South African/foreign capital gains taxation at 18,67%/22,0% respectively	590,9	443,2
	Net deferred taxation	(12,3)	504,9
	Comprising:		,
	Deferred taxation assets		(8,
	Deferred taxation liabilities	459,4	513,6
	The net deferred taxation liability has decreased by R57,8 million (2011: R248,9 million) from R504,9 million (2011: R753,8 million) to R447,1 million (2011: R504,9 million).		
	Deferred taxation has been raised at 28,0% and capital gains taxation at 18,67% (2011: 14,0%), except for foreign deferred taxation at 22,0% and foreign capital gains taxation at 22,0%. During February 2012, the Minister of Finance announced an increase in the capital gains taxation rate in South Africa from 14,0% to 18,67%. The effect of the taxation rate change has been disclosed in the taxation note (refer to note 6).		
4.	Inventories		
	Operating equipment	28,3	28,3
	Consumables stores	16,4	15,7
	Food and beverage	11,9	12,
		56,6	56,
5.	Trade and other receivables		
	Gross trade receivables	43,4	43,8
	Less: allowance for impairment of trade receivables	(4,3)	(5,0
	Net trade receivables	39,1	38,8
	Sundry receivables	29,4	16,
	Prepayments	23,9	11,
	Deferred finance expenses	1,5	7,2
	Capitalised restructure expenses (refer to note 29)	33,3	17,0
	VAT	0,2	0,8



		Group	
		2012 R'm	2011 R'm
16.	Share capital		
	Authorised		
	204 000 (2011: 204 000) ordinary shares of R1 (2011: R1) each	0,2	0,2
	Issued		
	200 000 (2011: 200 000) ordinary shares of R1 (2011: R1) each	0,2	0,2
17.	Share premium		
	Arising on issue of shares	381,0	381,0
18.	Reserves		
	Translation reserve comprising all foreign exchange differences arising from the		
	translation of the financial statements of foreign operations	(4,6)	(4,0)
19.	Non-controlling interests		
	Non-controlling interest relating to the 40% of PGB, 30% of PGEFS, 10% of PGKZN, 10% of PGLim and 30% of PGSH	101,7	93,6
20.	Interest-bearing long-term borrowings		
	South African – secured		
	Deferred hedging loan	410,4	410,9
	On 16 July 2010, Peermont raised a R400 million deferred hedging loan due April 2017. This loan bears interest at JIBAR plus 9,75% NACS. The loan is secured by second priority security interests over all of Peermont's capital stock and certain of its assets, and therefore ranks <i>pari passu</i> with the SSNs. Interest is payable on 29 April and 29 October each year. The redemption of the deferred hedging loan falls due on 29 April 2017.	·	
	ABSA term loan	13,3	18,2
	The original loan of R35,0 million was raised by PGEFS and bears interest at three month JIBAR plus 2,5%. The capital is repayable in 32 quarterly payments which commenced in August 2007, and the final payment will be made in June 2015. Refer to note 7 for further details.		
	Nedbank property loan	27,6	30,9
	A loan of R43,8 million was raised by Peermont in February 2009 and bears interest at a variable rate linked at a margin of 1,0% below prime NACM. The capital and interest is repayable over 120 monthly repayments which commenced on 1 March 2009. Refer to notes 7 and 9 for further details.		
	Sub-total carried forward	451,3	460,0



	Group	
	2012 R'm	2011 R′m
Interest-bearing long-term borrowings (continued)		
Sub-total brought forward	451,3	460,0
South African – unsecured		
Deeply subordinated shareholder PIK Equity Loan	2 952,6	2 480,7
On 24 April 2007 PGH I raised R1 086,3 million under a PIK Equity Loan agreement bearing interest at 18,0%. The full amount was advanced to Peermont, which in turn advanced proportionate amounts to certain of its subsidiaries. An effective interest rate of 18% (2011: 18,4%) NACS is charged on the PIK Equity Loan, payable when PGH I is required to make payments. The PIK Equity Loan is contractually due and payable on 31 December 2106 by PGH I, and is subordinated in favour of creditors. In terms of the deeply subordinated shareholder loan agreement, this loan does not require any amortisation or other payment of interest before 27 April 2037, nor may the loan holders declare any event of default or take any enforcement action prior to that date.		
Deeply subordinated shareholder PIK Notes Loan	1 944,1	1 610,6
On 24 April 2007 PGH II issued the R887,0 million 18% PIK Notes due 2015 and advanced the full amount raised to Peermont, which in turn advanced proportionate amounts to certain of its subsidiaries. The costs incidental to the issue of the PIK Notes Loan are capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 19,63% (2011: 19,84%) NACS. Interest on the PIK Notes Loan is payable, at the option of PGH II, on 30 April and 30 October each year. The PIK Notes will mature on 30 April 2015. These may be redeemed by PGH II in whole or in part at any time, subject to certain conditions. The PIK Notes are listed on the Irish Stock Exchange on its Global Exchange Market. In terms of the deeply subordinated shareholder loan agreement, this loan does not require any amortisation or other payment of interest before 27 April 2037, nor may the loan holders declare any event of default or take any enforcement action prior to that date.		
Foreign – secured		
On 24 April 2007 Peermont issued the original €520,0 million 7³/4% SSNs due 2014. At the reporting date €416,1 million (2011: €416,1 million) of the SSNs remain outstanding. The SSNs are Peermont's second priority secured obligations, are guaranteed by the Guarantors (including the company) and rank equal in right of payment with all of Peermont's existing and future unsubordinated indebtedness and senior in right of payment to all of Peermont's existing and future indebtedness that is subordinated in right of payment to the SSNs.	4 561,0	4 206,4
The SSNs are secured by second priority security interests over all of Peermont's capital stock and certain of its assets (see notes 7 and 8). The costs incidental to the issue of the SSNs are capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 10,21% (2011: 10,21%) NACS. Interest is payable on 30 April and 30 October each year. The SSNs mature on 30 April 2014, however these may be redeemed by Peermont at any time, subject to certain terms and conditions. The SSNs are listed on the Irish Stock Exchange on its Global Exchange Market.		
Sub-total carried forward	9 909,0	8 757,7



		Group	
		2012	2011
		R'm	R'm
20.	Interest-bearing long-term borrowings (continued)		
	Sub-total brought forward	9 909,0	8 757,7
	Finance leases	_	0,6
	The group leased certain of its equipment under finance leases. All the remaining finance leases were settled during 2012.		
	Total interest-bearing long-term borrowings	9 909,0	8 758,3
	Less: current portion included in current liabilities	(103,3)	(78,3)
	 Nedbank property loan related to asset held for sale 	(27,6)	_
	 Current portion of other borrowings 	(75,7)	(78,3)
		9 805,7	8 680,0
	Refer to note 27 for further details.		
21.	Trade and other payables		
	Trade payables	63,5	57,9
	Accrued expenses	228,6	165,9
	Other payables	50,3	61,4
	VAT	20,0	17,2
		362,4	302,4
22.	Commitments		
	Capital commitments		
	Authorised		
	 contracted for 	80,8	128,7
	 not contracted for 	147,6	117,4
		228,4	246,1
	The proposed capital expenditure will be financed from internally generated		
	cash resources.		
	Lease commitments		
	Future operating lease charges		
	 payable within one year 	14,5	8,9
	 payable in two to five years 	43,2	42,2
	- payable thereafter	219,8	126,1
		277,5	177,2



for the year ended 31 December 2012

		Gro	up
		2012 R'm	2011 R′m
23.	Retirement benefit information		
	The group provides retirement benefits for its permanent employees through defined contribution schemes.		
	Total amount expensed during the year amounted to:		
	Peermont Global Provident Fund	45,2	43,6
	The Grand Palm Pension Fund – Botswana	2,7	2,5

24. Related parties

24.1 Identity of related parties with whom material transactions have occurred

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

The following are subsidiaries and related parties of the group:

PGB

PGEFS

PGIL

PGKZN

PGLim

PGMKZN

PGMNW&L

PGNW

PGSH

Tubatse

There are various other employee benefit trusts and dormant companies.

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

24.2 Types of related party transactions

Management fees, development fees, payroll and ancillary cost payments, and lease payments have been made and interest and dividends have been received from certain related parties.

for the year ended 31 December 2012

		Gr	oup
		2012	201
		R'm	R'n
	lated parties (continued)		
24.	3 Amounts due by related parties		
	Current		
	PGH II	26,7	18,
	PGH I	15,5	12,
	Maxshell	0,5	0,
	PET, PCT and EPCCT	0,3	0
	Aldabri	0,1	
	PGSHIH	*	0
		43,1	31
24.	4 Amounts due to related parties		
	Non-current	27,3	29
	TRESS	18,5	21
	PKZNST	7,7	8
	PSHST	1,1	-
	Current	17,1	10
	TRESS	6,1	5
	BDC	5,5	0
	PKZNST	2,6	2
	PET	1,3	1
	PCT	1,3	1
	PSHST	0,2	-
	PGSHIH	0,1	0
		44,4	40
. No	tes to the statement of cash flows		
	1 Cash flows from operating activities		
	Operating profit before net finance expenses	813,0	782
	Adjusted for:	, ,	
	- depreciation of property, plant and equipment	244,6	231
	– amortisation of intangible assets	3,5	2
	profit on disposal of property, plant and equipment	(0,2)	(6
	 unrealised foreign exchange rate movements 	(1,6)	(1
	- share of profits of Mmabatho staff complex	(1,1)	(•
	– gain on sale of right to acquire investment	(0,9)	
	utilisation of right of use of buildings	(0,3)	2
	- Impairment of goodwill - Mondazur	_	2
	Cash generated by operations before working capital changes	1 057,3	1 014
	Changes in working capital	22,9	(17
	Increase in inventories		
	Increase in trade and other receivables	(0,5)	(1
		(30,2)	(23
	Increase in trade and other payables	60,1	13
	Increase in amounts due by related parties Increase in amounts due to related parties	(11,8) 5,3	(6
		5.5	0
	Cash flows from operating activities	1 080,2	996

^{*}Less than R50 000

for the year ended 31 December 2012

		Group	
		2012	2011
		R'm	R'm
	s to the statement of cash flows (continued)		
25.2	Finance income received		
	Interest received	13,6	7,8
	Foreign exchange gains – realised	0,6	0,9
25.3	Finance expenses paid	14,2	8,7
25.5	Total finance expenses	(1 932,1)	(2 180,4
	Less: interest and foreign exchange losses accrued remaining in	(1 332,1)	(2 100,4
	interest-bearing long-term borrowings	1 164,9	1 463,1
	merest searing long term softonings	(767,2)	(717,3
25.4	Taxation paid	· · · · · · · · · · · · · · · · · · ·	
	Amounts receivable/(outstanding) at beginning of year	0,4	(0,6
	Statement of comprehensive income charge	(25,8)	(20,4
	Taxation charge relating to staff trusts	(8,0)	*
	Unrealised foreign exchange difference	*	(0,6
	Non-cash withholding taxation on PGB dividend	_	(5,9
	Amounts receivable at end of year	(4,9)	(0,4
		(31,1)	(27,9
25.5	Dividends paid to non-controlling interests		
	Gross dividend declared to non-controlling shareholders	(1,1)	(53,8
	Amounts settled by issue of redeemable preference shares to		
	non-controlling interest in PGB	_	39,8
	Redeemable preference shares issued to non-controlling interest on PGB	_	33,9
	Non-cash withholding taxation utilised	_	5,9
	Redemption of PGSHIH preference shares	1,0	1,2
		(0,1)	(12,8
25.6	Cash and cash equivalents		
	Bank balances	140,9	109,0
	Cash on hand	48,3	51,6
	Cash and cash equivalents	189,2	160,6
	Bank overdraft	(134,8)	(202,0
		54,4	(41,4
	Certain amounts on call are held as security for guarantees (refer to note 29).		

^{*}Less than R50 000



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26. Financial instruments

Exposure to market risk, which includes currency and interest rate risk, and liquidity and credit risks arises in the normal course of the group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Summary of the use of derivative instruments by the group

Currency derivatives are usually utilised to eliminate or reduce the exposure of foreign currency denominated assets and liabilities, and to hedge future transactions and cash flows. The group is party to SRSs in the management of its foreign exchange rate exposures relating to the SSNs. The instruments purchased are primarily denominated in the currencies of the group's principal markets.

As a matter of principle, the group does not enter into derivative contracts for trading purposes.

26.1 Foreign currency risk

Foreign currency risk is the risk that the changes in foreign exchange rates will affect the group's income or the value of the group's holdings of financial instruments.

The group is exposed to foreign currency risk on revenues, purchases, borrowings and bank balances that are denominated in a currency other than the Rand. The currencies giving rise to this risk are primarily the Pula, Euro and US\$.

At any point in time the group usually hedges estimated foreign currency exposure in respect of significant purchases of property, plant and equipment and forecast transactions. The group uses SRSs to hedge its foreign currency risk on the SSNs.

In respect of other monetary assets and liabilities held in currencies other than the Rand, the group usually ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates.

Monetary assets and liabilities held in Pula by the company's subsidiary in Botswana are not hedged.

At 31 December 2012, the foreign currency exposure relating to the SSNs is fully hedged and it is estimated that a strengthening or weakening of the Rand against the Pula, Euro or US\$ would have minimal impact on the profit or loss or equity of the group.

The principal or contract amounts of derivative financial instruments for interest-bearing long-term borrowings and forecast transactions at reporting date were:

	Principal amount	Net fair value of hedge R'm	Estimated transaction dates	Hedging instruments
Group				
2012				
Interest-bearing long-term borrowings				
SSNs	€416,1	193,1	30 April 2014	SRSs
Forecast transactions				
Interest on SSNs	€48,4	(167,4)	Interest for the period 1 January 2013 to 30 April 2014	SRSs
	-	25,7		
2011				
Interest-bearing long-term borrowings				
SSNs	€416,1	85,2	30 April 2014	SRSs
Forecast transactions				
Interest on SSNs	€80,6	(441,2)	Interest for the period 1 January 2012 to 30 April 2014	SRSs
	/ -	//	1	



for the year ended 31 December 2012

26. Financial instruments (continued)

26.2 Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the group's income or the value of its holdings of financial instruments.

In managing interest rate risks the group aims to reduce the impact of short-term fluctuations on the group's earnings. However, over the longer term, permanent changes in interest rates would have an impact on earnings. At 31 December 2012, it is estimated that a general increase of one percentage point in interest rates on debt with variable interest rates will negatively affect the loss before taxation by R4,5 million (2011: R4,6 million), and reduce the equity by a comparable amount. A one percentage point decrease would have an equal and opposite effect.

26.3 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets, which are potentially subject to concentrations of credit risk, consist principally of investments, loans and receivables, derivative instruments, trade and other receivables, amounts due by related parties and cash and cash equivalents. The cash and cash equivalents are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for impairment of receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the group's customer base and their dispersion across the population and different geographical areas. Therefore, at reporting date there were no significant concentrations of credit risk. Credit risk on amounts due by related parties is limited given the nature of the balance.

Impairment losses

The ageing of trade receivables at the reporting date was:

	2012			2011
	Gross R'm	Impairment R'm	Gross R'm	Impairment R'm
Group				
Not past due				
Current	16,0	_	16,3	_
Outstanding 31 – 60 days	13,8	_	13,3	_
Outstanding 61 – 90 days	4,8	_	5,0	_
Past due				
Outstanding more than 90 days	8,8	(4,3)	9,2	(5,0)
Total	43,4	(4,3)	43,8	(5,0)

Based on past experience, the group believes that no impairment allowance is necessary in respect of trade receivables past due other than those impaired. An impairment allowance has not been raised on those specific trade receivables past due as certain of these amounts are assessed as recoverable. The amounts that are considered past due are based on specific circumstances relative to each individual trade receivable.

The allowance account in respect of trade receivables is used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off against the financial asset directly.

The movement on the allowance for impairment in respect of trade receivables during the year was as follows:

	Gro	oup
	2012 R'm	2011 R'm
Balance at beginning of year	(5,0)	(3,5)
Increase in allowance for impairment of receivables	(0,4)	(2,5)
Impairment loss recognised	1,1	1,0
Balance at end of year	(4,3)	(5,0)
date, the group has an estimated maximum exposure of: Investments	3,7	4,3
financial position represent the group's exposure to credit risk. At reporting		
	•	
Loans and receivables	1,3	1,5
Derivative instruments	354,4	9,2
Gross trade receivables	43,4	43,8
Sundry receivables	29,4	16,5
Amounts due by related parties	43,1	31,3
Cash and cash equivalents	189,2	160,6
	664,5	267,2

for the year ended 31 December 2012

26. Financial instruments (continued)

26.4 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or financial assets.

The group's current liabilities exceed its current assets. This is consistent with historical trends and is similar to many other entities within the gaming industry. The net result is that the working capital cycle generates cash for the group and the current liabilities continue to be met by cash generated from operations.

The group's liquidity risk is concentrated in its funding sources. The greatest exposure to liquidity risk would be where the companies are unable to meet specific cash flows required by specific debt agreements. The most significant of these would be the cash flow requirements of the RCF, deferred hedging loan and the SSNs.

The term of the group's R550 million RCF expires on 27 December 2013. Current cash flow projections estimate that the facility will not have a cash drawdown against it at the maturity date. A facility will be required for existing guarantees issued of approximately R60 million at the facility's maturity. As part of the ongoing restructuring negotiations, the company is engaging with local banks on obtaining a new reduced facility to match its needs after the restructuring has taken place and will negotiate the required guarantee facility when it is needed.

The group is in discussions with its shareholders, debt holders and a number of financial institutions to restructure and/or renew the group debt facilities which mature in December 2013 and April 2014.

Maturity analysis

, ,					
	Carrying	Within	1 – 5	More than	No fixed
	value	one year	years	5 years	maturity
	R'm	R'm	R'm	R'm	R'm
Group					
2012					
Financial assets					
Investments	3,7	1,2	2,5	_	_
Loans and receivables	1,3	0,6	0,7	_	_
Derivative instruments	354,4	_	354,4	_	_
Trade and other receivables	68,5	68,5	_	_	_
Amounts due by related parties	43,1	43,1	_	_	_
Cash and cash equivalents	189,2	189,2	_	_	_
Financial liabilities					
Interest-bearing long-term					
borrowings*	9 909,0	103,3	4 909,0	4 896,7	_
Derivative instruments	328,7	328,7	_	_	_
Amounts due to related parties	44,4	17,1	27,3	_	_
Trade and other payables	342,4	342,4	_	_	_
Bank overdraft	134,8	134,8	_	_	_

^{*} It is currently the group's intention to refinance/restructure the deeply subordinated shareholder loans (not due before 2037), 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, the deeply subordinated shareholder 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.

for the year ended 31 December 2012

26. Financial instruments (continued)

26.4 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying value R'm	Within one year R'm	1 – 5 years R'm	More than 5 years R'm	No fixed maturity R'm
2014	KIII	KIII	KIII	KIII	KIII
2011					
Financial assets					
Investments	4,3		4,3	_	
Loans and receivables	1,5	0,4	1,1	_	_
Derivative instruments	9,2	9,2	_	_	_
Trade and other receivables	55,3	55,3	_	_	_
Amounts due by related parties	31,3	31,3	_	_	_
Cash and cash equivalents	160,6	160,6		_	_
Financial liabilities					
Interest-bearing long-term					
borrowings*	8 758,3	78,3	4 177,4	4 502,6	_
Derivative instruments	356,0	293,6	62,4	_	
Amounts due to related parties	40,3	10,4	29,9	_	
Trade and other payables	285,2	285,2		_	
Bank overdraft	202,0	202,0	_		

^{*} In 2011 it was the group's intention to refinance/restructure the deeply subordinated shareholder loans (not due before 2037), 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, the deeply subordinated shareholder 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.

Contracted cash flows are expected to be equal to the maturity analysis with the exception of shareholder loans and interest-bearing long-term borrowings.

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

					,
Group	Carrying	Contractual	Within	1 – 5	More than
2012	value	cash flows	one year	years	5 years
Rand	R'm	R'm	R'm	['] R'm	['] R'm
SSNs	4 561,0	5 474,3	725,0	4 749,3	_
PIK Notes Loan	1 944,1	2 891,8	-	<u>-</u>	2 891,8
PIK Equity Loan	2 952,6	4 410,8	_		4 410,8
Deferred hedging loan	410,4	680,1	61,3	618,8	<u>-</u>
Other interest-bearing long-	,	,	,	,	
term borrowings	40,9	44,3	35,2	9,1	_
Euro	€′m	€′m	€′m	€′m	€′m
SSNs	421,4	464,4	32,2	432,2	_
2011 Rand					
SSNs	4 206,4	6 149,3	675,0	5 474,3	_
PIK Notes Loan	1 610,6	2 906,8	<u> </u>	<u>. </u>	2 906,8
PIK Equity Loan	2 480,7	4 456,8	_		4 456,8
Deferred hedging loan	410,9	743,8	62,6	250,1	431,1
Other interest-bearing long-					
term borrowings	49,7	62,3	12,4	37,6	12,3
Euro	€′m	€′m	€′m	€′m	€′m
SSNs	421,4	496,6	32,2	464,4	_
TI DIVE IN I	11 1 2 24	261 2011 165			

The PIK Equity Loan is contractually due in 2106 by PGH I. If PGH I has not met this contractual repayment by April 2015, the rights attaching to the ordinary shares issued by it will commence diluting in favour of the holders of the loan, up to 2024 when the holders of the loan will hold all such rights. Therefore, the disclosed amount is the contractual obligation to April 2015.



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26. Financial instruments (continued)

26.5 Fair values

Fair value analysis

The fair values of all financial instruments shown in the statement of financial position are set out below.

Estimation of fair values

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

Interest-bearing long-term borrowings

Fair value is calculated based on the expected market value.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

Trade and other receivables/payables

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

Derivative instruments

The SRSs are valued by external advisors utilising standard market practices and assumptions. A risk-based discounted cash flow approach is used to estimate the fair value of the SRSs. These cash flows are discounted using discount factors that are further adjusted for the credit risk of Peermont as implied by the market price of the SSNs. The estimated recovery rate of the SSNs is taken into account when valuing the SRSs.

Right to acquire shares

As at 31 December 2011, the option over the Mmabatho Palms staff complex property was revalued at reporting date using the income capitalisation method, which based on market research conducted on comparable rentals achieved in the Mafikeng area as well as an estimation of vacancies and related operating costs to determine a net income which was capitalised at a rate of 13,0% (refer to note 12).

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 2 R'm	Level 3 R′m	Total R'm
Group			
2012			
Trading assets			
Derivative instruments	25,7	_	25,7
2011			
Trading assets			
Derivative instruments	_	9,2	9,2
Trading liabilities			
Derivative instruments	(356,0)	_	(356,0)
	(356,0)	9,2	(346,8)

for the year ended 31 December 2012

26. Financial instruments (continued)

26.5 *Fair values* (continued)

The following table shows a reconciliation from the opening balance to the closing balance for the fair value measurements in Level 3 instruments of the fair value hierarchy:

	2012 R'm	2011 R'm
Balance at beginning of year	9,2	5,3
Total gains for the year recognised in profit	_	3,9
Sale of right to acquire investment	(9,2)	_
Balance at end of year	_	9,2

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

	Fair	Carrying
	value	value
	R'm	R'm
Group		
2012		
Financial assets		
Investments	3,7	3,7
Loans and receivables	1,3	1,3
Derivative instruments	354,4	354,4
Trade and other receivables	68,5	68,5
Amounts due by related parties	43,1	43,1
Cash and cash equivalents	189,2	189,2
	660,2	660,2
Financial liabilities		
Interest-bearing long-term borrowings	8 300,0	9 909,0
Derivative instruments	328,7	328,7
Trade and other payables	342,4	342,4
Amounts due by related parties	44,4	44,4
Bank overdraft	134,8	134,8
	9 150,3	10 759,3

At 31 December 2012 the SSNs were trading on the Global Exchange Market of the Irish Stock Exchange at approximately 97,0% of the initial issue price of €416,1 million. The fair market value was estimated at R4 475,3 million. The fair market value of the PIK Notes Loan was estimated at 92,0% of the face value being R1 788,6 million. The fair market value of the PIK Equity Loan was estimated at 53,7% of the face value being R1 584,8 million.

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26. Financial instruments (continued)

26.5 Fair values (continued)

	Fair value R'm	Carrying value R'm
2011		
Financial assets		
Investments	4,3	4,3
Loans and receivables	1,5	1,5
Derivative instruments	9,2	9,2
Trade and other receivables	55,3	55,3
Amounts due by related parties	31,3	31,3
Cash and cash equivalents	160,6	160,6
	262,2	262,2
Financial liabilities	-	
Interest-bearing long-term borrowings	6 303,2	8 758,3
Derivative instruments	356,0	356,0
Trade and other payables	285,2	285,2
Amounts due to related parties	40,3	40,3
Cash and cash equivalents	202,0	202,0
	7 186,7	9 641,8

At 31 December 2011 the SSNs were trading on the Global Exchange Market of the Irish Stock Exchange at approximately 80,0% of the initial issue price of €416,1 million. The fair market value was estimated at R3 474,8 million. The fair market value of the PIK Notes Loan was estimated at 70,0% of the face value being R1 127,4 million. The fair market value of the PIK Equity Loan was estimated at 50,0% of the face value being R1 240,4 million.

26.6 Basis of measurement

	Total R'm	At fair value directly in profit or loss R'm	Loans and receivables/ liabilities at amortised cost R'm	Non- financial assets and liabilities R'm
Group				
2012				
Assets				
Property, plant and equipment	4 147,3	_	_	4 147,3
Intangible assets	4 585,4		_	4 585,4
Investments	5,0	_	3,7	1,3
Loans and receivables	1,3		1,3	_
Derivative instruments	354,4	354,4	_	_
Deferred taxation asset	12,3	_		12,3
Non-current asset held for sale	36,6	_		36,6
Inventories	56,6	_	_	56,6
Trade and other receivables	127,4	_	68,5	58,9
Amounts due by related parties	43,1	_	43,1	_
Taxation receivable	5,1	_	_	5,1
Cash and cash equivalents	189,2	_	189,2	_
	9 563,7	354,4	305,8	8 903,5
Liabilities				
Interest-bearing long-term borrowings	9 909,0	_	9 909,0	_
Derivative instruments	328,7	328,7	_	_
Amounts due to related parties	44,4	_	44,4	_
Deferred taxation liabilities	459,4	_	_	459,4
Trade and other payables	362,4	_	342,4	20,0
Bank overdraft	134,8	_	134,8	_
Taxation payable	0,2			0,2
	11 238,9	328,7	10 430,6	479,6



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26. Financial instruments (continued)

26.6 Basis of measurement (continued)

		At fair value	Loans and receivables/	Non-
		directly in	liabilities	financial
		profit or	at amortised	assets and
	Total	loss	cost	liabilities
	R'm	R'm	R'm	R'm
2011				
Assets				
Property, plant and equipment	4 256,4			4 256,4
Intangible assets	4 583,7			4 583,7
Investments	4,3		4,3	_
Loans and receivables	1,5		1,5	_
Derivative instruments	9,2	9,2	_	
Deferred taxation asset	8,7		_	8,7
Inventories	56,1		_	56,1
Trade and other receivables	91,9		55,3	36,6
Amounts due by related parties	31,3		31,3	
Taxation receivable	1,0			1,0
Cash and cash equivalents	160,6		160,6	
	9 204,7	9,2	253,0	8 942,5
Liabilities				
Interest-bearing long-term borrowings	8 758,3		8 758,3	_
Derivative instruments	356,0	356,0	_	_
Amounts due to related parties	40,3		40,3	_
Deferred taxation liabilities	513,6		_	513,6
Trade and other payables	302,4	_	285,2	17,2
Bank overdraft	202,0		202,0	
Taxation payable	0,6	_		0,6
	10 173,2	356,0	9 285,8	531,4

27. Borrowings

The group's borrowing capacity is constrained by certain loan agreements, which place a limit on borrowings. In common with many issues of SSNs and PIK Notes, the group has various restrictions placed on future borrowings, permitted payments, awarding of guarantees or liens, future issues and sales of capital stock of restricted subsidiaries, transactions with affiliates and the sale of assets by the indenture agreement entered into at the time of issuing the SSNs. These remain in place until the SSNs are redeemed. Details of these are set out in the offering memorandum published at the time the SSNs were issued.

Refer to note 20 for further details.

28. Going concern basis of accounting

The group's and company's current liabilities exceed their current assets and both entities are in shareholder deficit positions.

The net current liability position is consistent with historical trends and is similar to many entities within the gaming industry. Generally the working capital cycle generates cash for the entity and current liabilities continue to be met by cash generated from operations.

The group is in a net equity deficit position of R1 776,9 million (2011: R1 062,1 million). The shareholder loans of R4 896,7 million (2011: R4 091,3 million) are deeply subordinated in favour of third parties, and are sufficient to cover the accumulated deficits. Technical insolvency is specifically excluded as an event of default in the various group debt agreements.



for the year ended 31 December 2012

28. Going concern basis of accounting (continued)

Based on the current cash flow forecasts of Peermont, and the redemption date of the SSNs being 30 April 2014, the deferred hedging loan being 30 April 2017 and that the lender of the deeply subordinated shareholder loans may not declare any event of default or take any enforcement action prior to April 2037, the directors do not foresee any liquidity shortfalls in the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

The term of the group's R550 million RCF expires on 27 December 2013. Current cash flow projections estimate that the facility will not have a cash drawdown against it at the maturity date. A facility will be required for existing guarantees issued of approximately R60 million at the facility's maturity. As part of the ongoing restructuring negotiations, the company is engaging with local banks on obtaining a new reduced facility to match its needs after the restructuring has taken place and will negotiate the required guarantee facility when it is needed.

The Peermont group is in discussions with its shareholders, debt holders and a number of financial institutions to restructure and/or renew the group debt facilities which mature in December 2013 and April 2014.

		Gro	up
		2012 R'm	2011 R'm
29.	Contingent liabilities		
	Guarantees		
	Guarantees issued by financial institutions on behalf of group entities in favour of various gambling boards and other institutions as security for the payment of amounts due:		
	– Cash-backed guarantees	4,3	4,4
	– Other bank guarantees	59,9	59,4
	Guarantees provided to Eskom by group entities in respect of electricity deposits	1,1	1,1
	Guarantee issued by FNB on behalf of Peermont in favour of the South African Post Office	0,5	0,5
	Guarantee issued by the First National Bank of Botswana Limited on behalf of PGB in favour of the Botswana Power Corporation	0,2	0,2

Staff housing loans

Certain companies within the group assist their employees to obtain housing loans through FNB. This is achieved by employees granting FNB security over their provident fund assets for housing loans granted to them. The companies have given a further guarantee to FNB for any shortfall realised by the bank on the foreclosure on any housing loans. At 31 December 2012 and 31 December 2011 the balances accrued to the members in the provident fund, exceed the loans granted by FNB and as such there is no current or expected future liability.

Taxation

In prior years, SARS 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 PGERH for taxation and interest. PGERH sought to resolve the matter through an alternative dispute resolution mechanism, but this was unsuccessful. The group's legal advisers remain in contact with SARS officials in an attempt to resolve this long outstanding dispute. Should the SARS position 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.

Restructure advisors

The terms of the mandates agreed with financial advisors, currently and formerly retained by the company, in relation to a review of the group debt and equity structures, provide that a combined success fee of approximately R35,8 million will be payable if a definitive restructuring and/or refinancing transaction is concluded and an additional US\$2,25 million, less R2,5 million already paid, if this transaction is announced on or before 31 March 2013. All other restructure costs incurred to reporting date have been capitalised (refer to note 15).

Other

The group is party to various claims and legal actions in the ordinary course of its business. Management believes that such claims and actions, either individually or in the aggregate, will not have a material adverse effect on the business, financial condition or results of operations.



for the year ended 31 December 2012

30. Significant accounting judgements and estimates

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

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

Residual value and useful life

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

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

Income taxation

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

Contingent liabilities

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

Impairment of intangible assets

The group annually tests goodwill and indefinite life assets for impairment. This involves using certain assumptions and judgements regarding future events that principally affect future cash flows of the group (refer note 8).

Valuation of foreign exchange instruments

The group is required to asses the valuation of its foreign exchange instruments at each reporting period. Management generally utilises the services of external advisors in determining these values. These assessments require a considerable amount of judgement as to foreign exchange rates utilised; the reliance on the sources of these rates; the judgement and integrity of external advisors performing such valuations; and, the projected dates of realisation of such instruments, etc. The final values realised at transactions dates or maturity may vary from the estimates used by management.

Timing of SSNs, PIK Notes Loan and PIK Equity Loan cash flows

The group estimated the timing of the refinancing of its debt at the time of initially accounting for the PIK Equity Loan, the PIK Notes Loan and the SSNs. All issue costs and discounts were amortised over a four-year period to the expected refinance date and all currency hedging was contracted to that date. As a result of the decision to extend the refinance date to April 2014, all issue costs and discounts were amortised at the same effective rate from June 2010 to the refinance date. The timing of the eventual refinance or restructure of these loans remains uncertain.

Fair value of SSNs, PIK Notes Loan and PIK Equity Loan

Management estimates the fair values of the ŚŚNs, PIK Notes Loan and PIK Equity Loan using the best available information at reporting date. The final values realised may vary from the estimates used by management.



for the year ended 31 December 2012

31. Standards and interpretations issued but not yet effective at the date of signature of the annual financial statements

In the current year, the group has adopted all the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2012. The adoption of these standards has not resulted in changes to the group's accounting policies.

At the date of authorisation of the financial statements the following standards and interpretations, which could materially affect the annual financial statements in future reporting periods, were in issue but not yet effective:

IFRS 9 (amended 2009) Financial Instruments – Amendment deals with the classification and measurement of financial assets and establishes two primary categories: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset – Effective annual periods commencing on or after 1 January 2015, which will impact the annual financial statements for the year ending 31 December 2015 for the first time.

IFRS 9 (amended 2010) Financial Instruments – Amendment deals with the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities. It also includes those paragraphs from IAS 39 dealing with how to measure the fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset – Effective annual periods commencing on or after 1 January 2015, which will impact the annual financial statements for the year ending 31 December 2015 for the first time.

IFRS 10 Consolidated Financial Statements – New standard replacing the consolidation requirements of SIC 12 Consolidation – Special purpose entities and IAS 27 Consolidated and Separate Financial Statements. The new standard builds on existing principles by identifying the concept of control as the determining factor as to whether an entity should be included within consolidated financial statements – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ending 31 December 2013 for the first time.

IFRS 10 (amended 2012) Consolidated Financial Statements – The amendments clarify the transition guidance in IFRS 10 including how an investor shall adjust comparative periods retrospectively when first applying the new consolidation requirements – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ending 31 December 2013 for the first time.

IFRS 11 *Joint Arrangements* – New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ending 31 December 2013 for the first time.

IFRS 12 *Disclosure of Interests in Other Entities* – New standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other unconsolidated structured entities – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ending 31 December 2013 for the first time.

IFRS 13 Fair Value Measurement – Replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement and guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ending 31 December 2013 for the first time.



for the year ended 31 December 2012

31. Standards and interpretations issued but not yet effective at the date of signature of the annual financial statements (continued)

IAS 1 (amended 2010) *Presentation of Financial Statements* – Amendment deals with the new requirements to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of the impact on the overall performance of an entity – Effective annual periods commencing on or after 1 July 2012, which will impact the annual financial statements for the year ending 31 December 2013 for the first time.

IAS 12 (amended 2010) *Income Taxes* – Amendment deals with deferred taxation, specifically the recovery of underlying assets – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ending 31 December 2013 for the first time.

IAS 27 (amended 2011) Consolidated and Separate Financial Statements – Amendment carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ending 31 December 2013 for the first time.

IAS 28 (amended 2011) *Investments in Associates* – Amendment states that IFRS 5 is applicable to an investment, or portion of an investment, in an associate or jointly controlled entity that meets the criteria to be classified as held for sale. The amendment also states that on cessation of significant influence or joint control, even if the investment in an associate becomes an investment in a jointly controlled entity or vice versa, the entity does not remeasure the retained interest – Effective annual periods commencing on or after 1 January 2013, which will impact the annual financial statements for the year ending 31 December 2013 for the first time.

The group has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to 31 December 2012, which would be effective for the group's accounting periods on or after 1 January 2013. Based on the evaluation, with the exception of IFRS 10 which is in the process of being evaluated, management does not expect these standards, amendments and interpretations to have a significant impact on the group's results.



for the year ended 31 December 2012

32. Segment analysis

			Depreciation	Operating profit/	(Loss)/ profit for	Replace- ment capital	Expansion capital	Segment	Segment	Casino	
	Revenue R'm	EBITDA R'm	amortisation R'm	(loss) R'm	the year R'm	expenditure R/m	expenditure R'm	assets R'm	liabilities R'm	licences R'm	Goodwill R'm
Group											,
2012											
Emperors Palace	1 789,0	622,6	(155,0)	467,6	(1 349,1)	78,9	I	6 528,0	10 322,3	2 184,7	1 176,3
Botswana#	276,3	78,4	(21,0)	57,4	47,3	30,7	10,9	305,4	64,6	70,5	2,6
Head office and management companies	195,4	122,3	(2,1)	120,1	747,8	2,0	I	13 098,5	11 247,4	I	58,9
Head office	145,5	88,4	(2,1)	86,2	767,4	2,0	I	12 834,7	10 980,3	I	34,5
PGMNW&L	31,8	21,7	I	21,7	(15,5)	I	I	184,1	190,6	ļ	16,4
PGMKZN	18,1	12,2	I	12,2	(4,1)	I	1	7,67	76,5	I	8,0
Graceland	169,9	50,2	(15,9)	34,2	21,8	12,0	I	390,6	92,2	79,1	I
Umfolozi	166,1	58,7	(14,4)	44,3	(36,6)	10,0	l	342,3	403,5	176,3	24,4
Rio	164,9	61,3	(13,9)	47,3	(77,6)	8,8	l	445,5	647,6	178,9	29,8
Mmabatho Palms**	107,2	22,7	(10,0)	13,7	(43,7)	0'9	l	226,9	321,4	6′99	34,2
Khoroni	6'66	31,6	(7,1)	24,6	(4,9)	9'2	l	155,3	158,3	14,6	17,0
Frontier	26,0	14,4	(6,1)	8,3	10,1	5,2	l	113,8	23,9	24,2	2,2
Mondazur	13,6	(6'0)	(1,9)	(2,8)	(2,5)	0,3	1	43,6	50,1	I	I
Taung	10,7	0,1	(9'0)	(0,5)	(2,6)	0,3	l	13,3	12,1	I	I
PCC	0,5	(1,1)	(0,1)	(1,2)	(0'0)	I	l	6'0	3,9	I	I
Tubatse	l	l	I	I	I	I	l	21,5	21,5	I	I
Other	l	(0,1)	I	*	0,1	I	l	44,3	36,3	I	I
Intercompany	(192,6)	I	I	I	I	I	I	(12 166,2)	(12 166,2)	I	I
Peermont group total	2 856,9	1 060,2	(248,1)	813,0	(8600,8)	161,8	10,9	9 563,7	11 238,9	2 795,2	1 382,5
# Average exchange rate (Rand/Pula) of 1.117 applied to income statement and cash flow items, year end rate of 1.1136 applied to statement of financial position items.	la) of 1,1117 a	pplied to inc	some statement	and cash flow	w items, year	end rate of 1,1	136 applied to st	atement of fin	ancial position	items.	

Average exchange rate (Rand/Pula) of 1,1117 applied to income statement and cash flow items, year end rate of 1,1136 applied to statement of financial position items. Less than R50 000.
EBITDA at Mmabatho Palms excludes the gain on sale of right to acquire investment of R0,9 million.



for the year ended 31 December 2012

32. Segment analysis (continued)

						Replace-					32.
	Revenue R'm	EBITDA R'm	Depreciation and amortisation R'm	Operating profit/ (loss) R'm	(Loss)/ profit for the year R'm	ment capital expenditure R'm	Expansion capital expenditure R'm	Segment assets R'm	Segment liabilities R'm	Casino licences R'm	Goodwill R'm
Group											anaiy
2011											313 (
Emperors Palace	1 654,2	594,7	(145,7)	448,9	(1 094,5)	63,2	1	6 591,3	9 034,4	2 184,6	1 176,3
Botswana#	274,3	90,5	(17,9)	72,6	75,5	21,3		282,9	54,1	6'02	2′6
Head office and management companies	180,1	119,6	(2,0)	117,5	534,9	5,3		10 924,1	9 874,3	I	58,9
Head office	133,4	87,9	(2,0)	82,8	545,0	5,3	I	10 721,5	9 688,1	I	34,5
PGMNW&L	30,2	20,6		20,6	(8,6)			135,6	126,6	I	16,4
PGMKZN	16,5	11,1	I	11,1	(1,5)			0'29	29,6	I	8,0
Graceland	159,2	43,9	(15,4)	28,5	19,7	17,2		389,3	0′06	79,1	
Umfolozi	155,6	53,1	(13,9)	39,3	(27,5)	9′9		345,2	9'698	176,3	24,4
Rio	155,3	25,6	(13,3)	42,3	(56,1)	8,0		435,1	559,4	178,9	29,8
Mmabatho Palms	106,1	21,8	(12,1)	2'6	(27,7)	6,1		230,9	281,6	6′99	34,2
Khoroni	92,8	29,9	(7,4)	22,5	(3,7)	4,8	2,2	136,2	134,2	14,6	17,0
Frontier**	49,0	11,1	(6,2)	10,9	11,4	3,8		113,9	28,3	24,2	2,2
Mondazur***	11,3	(2,0)	(1,9)	(6,7)	(5,8)	0,3		45,2	49,1		
Taung	10,7	0,4	(0,4)	*		1,1		7,2	3,4		
PCC	0,2	(2,9)	*	(2,9)	(2,1)	0,4		2,0	4,0		I
Tubatse								21,5	21,5		
Other								48,1	37,5		
Intercompany	(180,1)				1	1	I	(10 368,2)	(10 368,2)	l	I
Peermont group total	2 668,7	1 015,7	(236,2)	782,6	(575,9)	138,1	2,2	9 204,7	10 173,2	2 795,5	1 382,5
1. 0/1 0/ - +	1070 1-1-1070		, ,	-17 -11 -11	4	2001 17 1	17:17:17:17:17:17:17:17:17:17:17:17:17:1	77-1			

Average exchange rate (Rand/Pula) of 1,0785 applied to income statement and cash flow items, year end rate of 1,1097 applied to statement of financial position items.
 * Less than R50 000.
 ** EBITDA at Frontier excludes the net gain on the disposal of a right of servitude of land of R5,9 million.
 ** EBITDA at Mondazur excludes the impairment of goodwill of R2,8 million.



COMPANY STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2012

		Comp	oany
		2012	2011
	Note	R'm	R'm
Revenue		1 847,9	1 706,9
Gaming		1 478,8	1 371,7
Rooms		140,0	127,8
Food and beverage		140,6	128,1
Other		88,5	79,3
Other income	1	1,6	0,3
		1 849,5	1 707,2
Operating costs		(1 452,9)	(1 256,1)
Employee costs	2	(404,5)	(362,8)
VAT and gaming levies on gross gaming revenue	4	(305,1)	(281,5)
Promotions and marketing costs		(145,6)	(126,0)
Depreciation and amortisation	5	(159,1)	(149,6)
Property and equipment rentals		(13,3)	(12,7)
Property costs		(68,3)	(64,4)
Consumables and services		(163,4)	(147,4)
Other operational costs		(193,6)	(111,7)
Operating profit before net finance expenses	5	396,6	451,1
Net finance expenses		(1 170,9)	(1 188,7)
Finance income	6	759,8	989,5
Finance expenses	6	(1 930,7)	(2 178,2)
Loss before taxation		(774,3)	(737,6)
Taxation	7	26,7	187,6
Loss and total comprehensive income for the year		(747,6)	(550,0)

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2012

		Comp	any
		2012	2011
	Note	R'm	R'm
Assets			
Total non-current assets		9 362,1	9 022,5
Property, plant and equipment	8	3 102,9	3 215,9
Intangible assets	9	4 174,1	4 174,6
Investments in subsidiaries	10	1 726,3	1 626,6
Loans and receivables	12	0,7	1,1
Derivative instruments	13	354,4	_
Investment in preference shares	14	3,7	4,3
Total current assets		375,0	377,3
Non-current asset held for sale	11	36,6	_
Inventories	15	28,9	28,7
Trade and other receivables	16	80,1	59,1
Loans and receivables	12	0,6	0,4
Amounts due by related parties	24.4	200,7	258,2
Cash and cash equivalents	25.5	28,1	30,9
Total assets		9 737,1	9 399,8
Equity and liabilities			
Equity			
Capital and reserves		(1 329,9)	(582,3)
Total non-current liabilities		10 227,6	9 189,1
Interest-bearing long-term borrowings	19	9 797,2	8 666,6
Derivative instruments	13	_	62,4
Deferred taxation liability	20	430,4	460,1
Total current liabilities		839,4	793,0
Trade and other payables	21	268,3	215,1
Current portion of derivative instruments	13	328,7	293,6
Bank overdraft	25.5	134,8	202,0
Current portion of interest-bearing long-term borrowings	19	98,5	73,5
Amounts due to related parties	24.5	9,1	8,8
Total equity and liabilities		9 737,1	9 399,8



COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2012

	Share capital R'm	Share premium R'm	Accumulated loss R'm	Total equity R'm
Balance at 1 January 2011	0,2	381,0	(413,5)	(32,3)
Total comprehensive income for the year				
Loss for the year	_	_	(550,0)	(550,0)
Balance at 31 December 2011	0,2	381,0	(963,5)	(582,3)
Total comprehensive income for the year				
Loss for the year	_	_	(747,6)	(747,6)
Balance at 31 December 2012	0,2	381,0	(1 711,1)	(1 329,9)

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

		Compa	ny
		2012	2011
	Note	R′m	R'm
Cash flows from operating activities	25.1	755,5	689,2
Finance income received	25.2	23,6	40,6
Finance expenses paid	25.3	(765,3)	(714,7)
Taxation paid	25.4	(3,0)	(4,8)
Net cash flows from operating activities		10,8	10,3
Cash flows from investing activities		37,0	39,5
Decrease in investments in subsidiaries		120,3	109,7
Replacement of property, plant and equipment to maintain operations		(81,3)	(69,1)
Replacement of intangible assets to maintain operations		(1,1)	(1,6)
Proceeds on disposal of property, plant and equipment		0,1	0,5
Acquisition of non-controlling interests		(1,0)	_
Cash flows from financing activities		16,6	13,8
Redemption of Preference Shares – PGB & PGSHIH		20,4	17,2
Enterprise development loans receivable repaid		0,1	0,4
Interest-bearing long-term borrowings repaid		(3,9)	(3,8)
Net increase in cash and cash equivalents		64,4	63,6
Cash and cash equivalents at beginning of the year		(171,1)	(234,7)
Cash and cash equivalents at end of the year	25.5	(106,7)	(171,1)

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2012

		Compa	ny
		2012	2011
		R'm	R′m
1.	Other income		
	Refunds received	1,6	_
	Prescription income – PGIL	<u>. </u>	0,5
	Insurance claims received	_	0,1
	Loss on disposal of property, plant and equipment	*	(0,3)
		1,6	0,3
2.	Employee costs		
	Salaries and wages	350,5	317,5
	Provident fund contributions	30,3	29,1
	Increase in leave liability	4,1	0,8
	Unemployment Insurance Fund	1,7	1,7
	Directors' emoluments	17,9	13,7
		404,5	362,8

In the previous financial year, an amount of R11,3 million relating to an accrual of staff bonuses in terms of the phantom bonus scheme at Emperors Palace was disclosed in the other operational costs line in the statement of comprehensive income. This cost has been reallocated to employee costs and the comparative figures in the statement of comprehensive income have been restated accordingly. The restatement does not affect the operating profit of the company and does not have any taxation implications.

3. Directors' and prescribed officers' remuneration Directors' emoluments

	I	Retirement and			
	Basic	medical aid	Other	Performance	Tota
	remuneration	contribution	benefits	bonus	remuneration
	R'm	R′m	R'm	R'm	R'm
Executive directors 2012					
Executive director 1	2,9	0,5	0,1	3,3	6,8
Executive director 2	2,2	0,4	0,1	1,2	3,9
Executive director 3	1,9	0,4	0,1	1,1	3,5
	7,0	1,3	0,3	5,6	14,2
2011					
Executive director 1	2,7	0,5	*	2,7	5,9
Executive director 2	2,1	0,4	*	1,1	3,6
Executive director 3	1,8	0,3	0,1	0,9	3,1
	6,6	1,2	0,1	4,7	12,6
				Fees	Fees
				2012	2011
				R'm	R'm
Non-executive directors					
Non-executive director 1				0,6	0,2
Non-executive director 2				0,3	0,3
Non-executive director 3				0,3	0,2
Non-executive director 4				2,4	0,3
Non-executive director 5				0,1	0,1
Non-executive director 6				**	**
Non-executive director 7				**	**
Non-executive director 8				**	-
Non-executive director 9				***	***
				3,7	1,1

^{*} Less than R50 000.

^{**} The non-executive director represents a shareholder and therefore does not receive a fee in his/her personal capacity. Fees paid to shareholders are disclosed in note 24.3 of the company annual financial statements.

^{***} The non-executive director is paid on a contractual basis. Fees paid to him are disclosed in note 24.3 of the company annual financial statements.

for the year ended 31 December 2012

3. Directors' and prescribed officers' remuneration (continued) Prescribed officers' remuneration

As a requirement of the Companies Act, the company discloses the remuneration paid to prescribed officers, who are defined as the group's executive committee. As per the recommendation of King III, the three highest paid members of management are also reflected in the table below and the directors' emoluments note. Prescribed officers are full-time salaried employees, engaged with the company's standard terms and conditions of employment.

		Retirement and			
	Basic	medical aid	Other	Performance	Total
	remuneration	contribution	benefits	bonus	remuneration
	R'm	R'm	R'm	R'm	R'm
2012					
Prescribed officer 1	2,0	0,4	0,1	1,1	3,6
Prescribed officer 2	1,9	0,4	0,1	1,0	3,4
Prescribed officer 3	1,9	0,4	0,1	1,0	3,4
Prescribed officer 4	1,6	0,3	0,1	0,8	2,8
Prescribed officer 5	1,5	0,3	0,1	0,8	2,7
Prescribed officer 6	1,3	0,2	0,1	0,7	2,3
Prescribed officer 7	1,3	0,2	*	0,7	2,2
Prescribed officer 8	1,2	0,3	0,1	0,5	2,1
Prescribed officer 9	1,2	0,2	0,1	0,5	2,0
Prescribed officer 10	1,2	0,2	0,1	0,5	2,0
Prescribed officer 11	1,2	0,2	0,1	0,5	2,0
Prescribed officer 12	1,1	0,2	0,1	0,4	1,8
Prescribed officer 13	1,2	0,2	*	0,4	1,8
Prescribed officer 14	1,0	0,2	0,1	0,4	1,7
	19,6	3,7	1,2	9,3	33,8
2011					
Prescribed officer 1	1,9	0,3	*	0,9	3,1
Prescribed officer 2	1,8	0,3	*	0,8	2,9
Prescribed officer 3	1,7	0,3	*	0,9	2,9
Prescribed officer 4	1,4	0,3	*	0,7	2,4
Prescribed officer 5	1,4	0,2	*	0,6	2,2
Prescribed officer 6	1,2	0,3	0,1	0,4	2,0
Prescribed officer 7	1,2	0,2	*	0,7	2,1
Prescribed officer 8	1,1	0,2	0,1	0,4	1,8
Prescribed officer 9	1,2	0,2	0,1	0,4	1,9
Prescribed officer 10	1,2	0,2	*	0,4	1,8
Prescribed officer 11	1,2	0,2	*	0,4	1,8
Prescribed officer 12	1,0	0,2	0,1	0,4	1,7
Prescribed officer 13	1,1	0,2	*	0,4	1,7
Prescribed officer 14	0,9	0,2	*	0,3	1,4
	18,3	3,3	0,4	7,7	29,7

^{*} Less than R50 000.



$Notes\ to\ the\ company\ annual\ Financial\ statements\ ({\it continued})$ for the year ended 31 December 2012

		Company	
		2012	2011
		R'm	R'm
I.	VAT and gaming levies on gross gaming revenues		
	VAT on gross gaming revenues	165,4	153,0
	Gaming levies	139,7	128,5
		305,1	281,5
5.	Operating profit before net finance expenses		
	Operating profit before net finance expenses is stated after taking into account:		
	Auditors' remuneration – audit fee	2,1	2,0
	– current year	2,0	1,9
	– expenses	0,1	0,1
	Cost of sales – food and beverage	38,4	34,9
	Depreciation and amortisation	159,1	149,6
	– freehold buildings	84,6	85,1
	 leasehold improvements 	1,0	
	- furniture, fittings and equipment	71,8	63,4
	– intangible assets	1,7	1,1
	Impairment of investment in subsidiaries	160,5	93,8
	- PGNW	126,3	93,8
	– PGKZN	24,3	
	- PGMNW&L	6,5	
	- PGLim	3,4	
	Reversal of impairment of investment in subsidiaries	(7,1)	(19,1
	- PGEFS	(7,1)	(13,1
		(,,,,	(19,1
	- PGEFSH	0.0	
	Consulting fees	9,8	5,4
	Service fees paid to related parties Increase in allowance for impairment of trade receivables	5,6 0,1	5,1 1,9
	Impairment of goodwill at Mondazur	0,1	2,8
_		<u> </u>	2,0
) .	Net finance expenses Foreign explange gains on CRSs to hadge CSN liability and related courses		
	Foreign exchange gains on SRSs to hedge SSN liability and related coupon payments	381,7	580,4
	Interest received/receivable	365,9	327,0
	Dividend income	11,8	81,7
	Foreign exchange gain – realised	0,4	0,4
	Finance income	759,8	989,5
	Interest payable – deeply subordinated shareholder PIK Equity Loan	(471,9)	(400,4
	Interest paid/payable – SSNs	(425,2)	(399,8
	Interest payable – deeply subordinated shareholder PIK Notes Loan	(333,5)	(277,5
	Foreign exchange losses on SSN coupon payments	(329,2)	(290,7
	Foreign exchange losses on restatement of SSN liability	(275,1)	(710,7
	Interest paid/payable – deferred hedging loan	(62,0)	(62,6
	Other interest paid	(33,6)	(36,2
	Foreign exchange loss on redemption of PGB preference shares	(0,2)	(0,3
	Finance expenses	(1 930,7)	(2 178,2



for the year ended 31 December 2012

	Compa	ny
	2012	2011
	R'm	R′m
Taxation		
Deferred taxation		
– current year	167,6	198,8
– change in taxation rate	(138,7)	_
prior year over/(under) provision	8,0	(0,5)
Withholding taxation offset	(3,0)	(10,7)
Total taxation credit	26,7	187,6
Reconciliation of effective taxation rate	%	%
South African standard taxation rate	28,0	28,0
Tax effect of reconciling items:		
Change in taxation rate	(17,9)	_
Non-deductible expenses	(6,9)	(4,6)
Exempt income	0,5	3,7
Witholding taxation offset	(0,4)	(1,6)
Prior year over/(under) provision	0,1	(0,1)
Effective taxation rate	3,4	25,4

The company has total estimated taxation losses of R2 807,9 million (2011: R2 357,2 million) which have been accounted for in deferred taxation (refer to note 20).

8. Property, plant and equipment

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
Company			
2012			
Land	130,2	_	130,2
Freehold buildings	3 238,2	(465,8)	2 772,4
Leasehold improvements	3,8	(1,0)	2,8
Furniture, fittings and equipment	510,3	(331,4)	178,9
Capital work in progress	18,6	_	18,6
	3 901,1	(798,2)	3 102,9
2011			
Land	130,2	_	130,2
Freehold buildings	3 274,6	(384,6)	2 890,0
Furniture, fittings and equipment	451,3	(263,2)	188,1
Capital work in progress	7,6		7,6
	3 863,7	(647,8)	3 215,9



for the year ended 31 December 2012

		Compai	ny
		2012 R'm	2011 R'm
Property, plant and equipment (continued)		Km	KIII
Carrying value of encumbered land, buildings and moveable assets		3 102,9	3 215,9
The properties are encumbered to secure interest-bearing long-term borrowings (refer to note 19).			
Land and freehold buildings comprise the following properties: – Stand 64, Jones Road and Erf 569, Jet Park Extension 28,			
Gauteng	(i)	2 864,0	2 944,5
- Erf 101 San Lameer, Registration Division ET, KwaZulu-Natal	(ii)	38,6	39,4
- Portion 20 of Erf 45, Bryanston, Johannesburg, Gauteng	(iii)	_	36,3
		2 902,6	3 020,2

(i) This property was independently valued as at 30 June 2010 by Richard Ellis at R3 684,9 million on a depreciated replacement cost basis with a market value of R3 498,0 million calculated using the capitalisation of net income approach.

The company has issued covering mortgage bonds over the immovable property in favour of Maxitrade 85 for the sum of five billion five hundred million Rand. The bonds were registered on 10 July and 31 July 2007.

The company has issued a notarial special bond over specified moveable assets in favour of Maxitrade 85 for the sum of five billion five hundred million Rand. The bond was registered on 30 May 2007.

The company has issued a notarial general bond over specified moveable assets in favour of Maxitrade 85 for the sum of five billion five hundred million Rand. The bond was registered on 30 May 2007.

(ii) This property, owned by the company, was independently valued as at 30 June 2012 by Richard Ellis at R59,9 million on a depreciated replacement cost basis with a market value of R30,0 million calculated using the capitalisation of net income approach.

The company has issued a covering mortgage bond over the immovable property in favour of Maxitrade 85 for the sum of one billion Rand. The bond was registered on 6 July 2007.

(iii) The property was independently valued at market value as at 30 June 2010 by Richard Ellis at R42,0 million on a depreciated replacement cost basis with a market value of R46,3 million calculated using the capitalisation of net income approach.

The property has been reclassified as held for sale in the current year (refer to note 11).



for the year ended 31 December 2012

		Company	
		2012	2011
		R'm	R′m
8.	Property, plant and equipment (continued)		
	Leasehold buildings and improvements comprise the following property:		
	Portion 20 of Erf 45, Bryanston township, Gauteng	2,8	_
		2,8	_

Improvements to the leasehold buildings occupied by the company were developed by the company in January 2012 at a cost of R3,8 million. The carrying value of the leasehold improvements is considered to approximate the fair value as at 31 December 2012.

	Land R′m	Freehold buildings R'm	Leasehold improve- ments R'm	Furniture, fittings and equipment R'm	Capital work in progress R'm	Total R′m
Company						
2012						
Opening carrying value	130,2	2 890,0		188,1	7,6	3 215,9
Disposals	_	_	_	(0,1)	_	(0,1)
Additions	_	1,0	1,4	47,5	31,4	81,3
Depreciation	_	(84,6)	(1,0)	(71,8)	_	(157,4)
Reclassification	_	(34,0)	2,4	15,2	(20,4)	(36,8)
Closing carrying value	130,2	2 772,4	2,8	178,9	18,6	3 102,9
2011						
Opening carrying value	132,8	2 968,3	_	194,1	2,2	3 297,4
Disposals	_	_	_	(0,8)	_	(0,8)
Additions	_	4,2	_	51,8	13,1	69,1
Depreciation		(85,1)		(63,4)		(148,5)
Reclassification	(2,6)	2,6	_	6,4	(7,7)	(1,3)
Closing carrying value	130,2	2 890,0	_	188,1	7,6	3 215,9

The carrying amount of the tangible assets was subject to an impairment test at 31 December 2012 (refer to note 9).

9. Intangible assets

	Cost	amortisation	, , ,
		amorusation	value
	R'm 1 283,6 214,8 2 656,8 20,0 2,9 16,1 4 194,2	R'm	R'm
Company			
2012			
Goodwill	1 283,6	(2,8)	1 280,8
Management contracts	214,8	_	214,8
Casino licences	2 656,8	_	2 656,8
Trademarks	20,0	_	20,0
Franchise costs	2,9	(2,9)	_
Computer software	16,1	(14,4)	1,7
	4 194,2	(20,1)	4 174,1
2011			
Goodwill	1 280,8	_	1 280,8
Management contracts	214,8	_	214,8
Casino licences	2 656,8	_	2 656,8
Trademarks	20,0	_	20,0
Franchise costs	2,9	(2,9)	_
Computer software	14,9	(12,7)	2,2
	4 190,2	(15,6)	4 174,6



for the year ended 31 December 2012

9. Intangible assets (continued)

		Manage-	6 .	- 1		
	0 1 111	ment	Casino	Trade-	Computer	
	Goodwill	contracts	licences	marks	software	Total
	R'm	R'm	R'm	R'm	R'm	R'm
Company						
2012						
Opening carrying value	1 280,8	214,8	2 656,8	20,0	2,2	4 174,6
Additions	_	_	_	_	1,1	1,1
Amortisation		_	_	_	(1,7)	(1,7)
Reclassifications	_	_	_	_	0,1	0,1
Closing carrying value	1 280,8	214,8	2 656,8	20,0	1,7	4 174,1
2011						
Opening carrying value	1 283,6	214,8	2 656,8	20,0	1,3	4 176,5
Additions	_	_	_	_	1,6	1,6
Amortisation		_	_	_	(1,1)	(1,1)
Impairments	(2,8)	_	_	_		(2,8)
Reclassifications		_	_	_	0,4	0,4
Closing carrying value	1 280,8	214,8	2 656,8	20,0	2,2	4 174,6

Goodwill arose on the acquisition of the 100% interest in PGIL on 25 April 2007, and is not amortised.

The management contracts represent the right of Peermont to receive management fees from the company's management contracted entities.

The casino licence, management contracts and the trademarks have an indefinite life and are not amortised. The casino licence is treated as having an indefinite useful life because it is expected to contribute to the entity's net cash inflows indefinitely, subject to an annual administrative process. The carrying amount of goodwill, the casino licence, management contracts and the trademarks were subject to an impairment test as at 31 December 2012, using a discounted cash flow methodology based on value in use.

The following key assumptions were utilised in determining the future cash flows:

- growth in gaming revenue of between 7,2% and 7,4% with an average of 7,3% that increases to 7,4% in perpetuity;
- growth in other revenue of between 7,1% and 14,0% with an average of 9,1% that decreases to 8,5% in perpetuity;
- growth in fixed costs of between 7,2% and 9,7%, reducing to 7,3% in perpetuity;
- resulting in an average EBITDA growth of 7,7%;
- a weighted average cost of capital of 11,2%;
- maintenance capital expenditure of between 5,0% and 5,8% of annual projected revenues;
- the taxation rate assumed to remain at 28,0%, for the foreseeable future; and
- rates relating to management fees and gaming levies to remain constant.

On this basis, the fair value amounts of all other assets were in excess of the carrying value and no impairment was required.

The other intangible assets were reviewed for impairment at 31 December 2012, and no impairment was required.

Computer software is amortised over its expected useful life of two to three years.

Certain of the intangible assets are encumbered as security for interest-bearing long-term borrowings (refer to note 19).



for the year ended 31 December 2012

			Comp	any
	2012	2011	2012	2011
	%	%	R'm	R′m
Investments in subsidiaries				
Shares at cost			327,7	329,6
– PGSH	70	70	149,4	149,4
– PGB	60	60	120,4	120,4
– PGNW	90	90	22,4	22,4
– PGKZN	75	75	19,0	19,0
– PGMNW&L	90	90	4,9	4,9
– PGEFS	70	_	4,8	_
– PGLim	80	80	3,5	3,5
– PGMKZN	90	90	3,3	3,3
– PGEFSH	100	89	*	6,7
– PGTH	100	21	*	
– Tubatse	100	100	*	:
Due by subsidiaries		_	1 684,4	1 410,0
– PGNW			811,6	686,0
– PGKZN			370,7	313,1
– PGMNW&L			177,9	150,3
– PGLim			138,0	116,2
– PGEFS			104,1	_
– PGMKZN			66,7	56,3
– PGSH			15,4	34,6
– PGEFSH			_	53,5
Investment in 5% redeemable p	reference	_		
shares – PGB		_	18,1	37,5
initial investment			53,8	53,8
- redemption of preference shar	es		(35,7)	(16,3
Less: impairment of investments		_		
PGKZN, PGMNW&L, PGLim ar	nd PGEFS		(303,9)	(150,5
			1 726,3	1 626,6

^{*} Less than R50 000.

The company holds 61,4% of the 5,0% redeemable preference shares issued by PGB. Each preference share confers upon the holder the right to receive out of the profits of the PGB, or other funds lawfully permitted to be applied for this purpose, a cumulative preferential dividend per preference share at a rate of 5% per annum on the redemption price of such preference shares calculated from the date of issue up to the date of redemption of such preference share. The preference shares shall not confer any rights to vote or to participate in the profits or the assets of PGB.

In the current year, the remaining 10,6% in the shares of PGEFSH were acquired at a cost of R1,0 million. PGEFSH was subsequently unbundled by transferring the company's investment in PGEFS to Peermont. PGEFSH is now a dormant company and has been placed in liquidation.

The directors value all the investments in subsidiaries at least at their combined carrying value.



$Notes\ to\ the\ company\ annual\ Financial\ statements\ ({\it continued})$ for the year ended 31 December 2012

			ipany
		2012 R'm	2011 R'm
11.	Non-current asset held for sale		
	Portion 20 of Erf 45 Bryanston, Johannesburg, Gauteng	36,6	_
	The previous head office premises at 152 Bryanston Drive is reflected as a non-current asset held for sale, following the commitment of the company to a plan to sell the property. The agreement of sale is subject to the fulfilment of certain conditions precedent.		
	Cumulative rental income relating to the property to the amount of R2,8 million (2011: Rnil) is included in other revenue in the statement of comprehensive income and is included in the head office operating segment. A first covering mortgage bond, which is shown as a current liability, of		
	R27,6 million (2011: R30,9 million) has been registered in favour of Nedbank over the property (refer to note 19).		
12.	Loans and receivables		
	The loans were granted by Emperors Palace as part of an enterprise development programme: Total loans and receivables	()	()
		6,2	6,3
	Less: impairment due to uncertainty of recovery	(4,9)	(4,8)
	less: current portion included in current assets	1,3 (0.6)	1,5 (0,4)
	Less: current portion included in current assets	(0,6) 0,7	1,1
13.	Derivative instruments	3,7	• • • • • • • • • • • • • • • • • • • •
13.	SSNs		
	Derivative instruments	25,7	(356,0)
	Current portion of derivative instruments included in current liabilities	328,7	293,6
	Non-current asset/(liability)	354,4	(62,4
	The company entered into SRSs to hedge the foreign exchange exposure of the SSNs (refer note 19), resulting in derivative assets and liabilities recorded at the fair values above.		
14.	Investment in preference shares		
	Initial investment	6,4	6,4
	Accrued preference dividends	0,8	0,5
	Redemption of preference shares	(3,5)	(2,6
	The common helds 1000/ of the man conventible commutative mediconsolule	3,7	4,3
	The company holds 100% of the non-convertible, cumulative, redeemable preference shares issued by PGSHIH. The preference dividends accrue at the prime interest rate compounded monthly in arrears.		
15.	Inventories		
	Food and beverage	5,7	5,6
	Operating equipment Consumables stores	16,0 7,2	16,3 6,8
	Consumation stores	28,9	28,7
16.	Trade and other receivables	20,5	20,7
10.	Gross trade receivables	19,1	19,3
	Less: allowance for impairment of trade receivables	(2,7)	(2,7
	Net trade receivables	16,4	16,6
	Sundry receivables	9,8	9,4
	Prepayments	19,1	8,6
	Deferred finance expenses Capitalised restructure expenses	1,5 33,3	7,2 17,0
	VAT	*	0,3
		80,1	59,1
17.	Share capital Authorised	·	
	204 000 (2011: 204 000) ordinary shares of R1 (2011: R1) each Issued	0,2	0,2
	200 000 (2011: 200 000) ordinary shares of R1 (2011: R1) each	0,2	0,2
18.	Share premium Arising on issues of shares	381,0	381,0
		, -	, -



for the year ended 31 December 2012

		mpany
	2012 R'm	2011 R'm
Interest-bearing long-term borrowings		
South African – secured		
Deferred hedging loan	410,4	410,9
On 16 July 2010, Peermont raised a R400 million deferred hedging loan due April 2017. This loan bears interest at JIBAR plus 9,75% NACS. The loan is secured by second priority security interests over all of Peermont's capital stock and certain of its assets, and therefore ranks <i>pari passu</i> with the SSNs. Interest is payable on 29 April and 29 October each year. The redemption of the deferred hedging loan falls due on 29 April 2017.		
Nedbank property loan	27,6	30,9
A loan of R43,8 million was raised by Peermont in February 2009 and bears interest at a variable rate linked at a margin of 1,0% below prime NACM. The capital and interest is repayable over 120 monthly repayments which commenced on 1 March 2009. Refer to notes 8 and 11 for further details.	2.70	3 0/3
South African – unsecured		
Deeply subordinated shareholder PIK Equity Loan	2 952,6	2 480,7
On 24 April 2007 PGH I raised R1 086,3 million under a PIK Equity Loan agreement bearing interest at 18,0%. The full amount was advanced to Peermont, which in turn advanced proportionate amounts to certain of its subsidiaries. An effective interest rate of 18,0% (2011: 18,4%) NACS is charged on the PIK Equity Loan, payable when PGH I is required to make payments. The PIK Equity Loan is contractually due and payable on 31 December 2106 by PGH I, and is subordinated in favour of creditors. In terms of the deeply subordinated shareholder loan agreement, this loan does not require any amortisation or other payment of interest before 27 April 2037, nor may the loan holders declare any event of default or take any enforcement action prior to that date.	,	
Deeply subordinated shareholder PIK Notes Loan On 24 April 2007 PGH II issued the R887,0 million 18% PIK Notes due 2015 and advanced the full amount raised to Peermont, which in turn advanced proportionate amounts to certain of its subsidiaries. The costs incidental to the issue of the PIK Notes Loan are capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 19,63% (2011: 19,84%) NACS. Interest on the PIK Notes Loan is payable, at the option of PGH II, on 30 April and 30 October each year. The PIK Notes will mature on 30 April 2015. These may be redeemed by PGH II in whole or in part at any time, subject to certain conditions. The PIK Notes are listed on the Irish Stock Exchange on its Global Exchange Market. In terms of the deeply subordinated shareholder loan agreement, this loan does not require any amortisation or other payment of interest before 27 April 2037, nor may the loan holders declare any event of	1 944,1	1 610,6
default or take any enforcement action prior to that date.		
Sub-total carried forward	5 334,7	4 533,



for the year ended 31 December 2012

	Comp	any
	2012 R'm	2011 R'm
Interest-bearing long-term borrowings (continued)		
Sub-total brought forward	5 334,7	4 533,1
Foreign – secured		
SSNs	4 561,0	4 206,4
On 24 April 2007 Peermont issued the original €520,0 million 7¾% SSNs due 2014. At the reporting date €416,1 million (2011: €416,1 million) of the SSNs remained outstanding. The SSNs are Peermont's second priority secured obligations, are guaranteed by the Guarantors (including the company) and rank equal in right of payment with all of Peermont's existing and future unsubordinated indebtedness that is subordinated in right of payment to the SSNs.		
The SSNs are secured by second priority security interests over all of Peermont's capital stock and certain of its assets (see notes 8 and 9). The costs incidental to the issue of the SSNs are capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 10,21% NACS. Interest is payable on 30 April and 30 October each year. The SSNs mature on 30 April 2014, however these may be redeemed at any time, subject to terms and conditions. The SSNs are listed on the Irish Stock Exchange on its Global Exchange Market.		
Finance leases The company leased certain of its equipment under finance leases. All the remaining finance leases were settled during 2012.	_	0,6
Total interest-bearing long-term borrowings	9 895,7	8 740,1
Less: current portion included in current liabilities	(98,5)	(73,5)
- Nedbank property loan related to asset held for sale	(27,6)	_
– Current portion of other borrowings	(70,9)	(73,5



$Notes\ to\ the\ company\ annual\ Financial\ statements\ ({\it continued})$ for the year ended 31 December 2012

		Comp	any
		2012	2011
		R'm	R'm
20.	Deferred taxation liability		
	Deferred taxation balances are attributable to the following temporary differences:		
	Estimated taxation loss	2 807,9	2 357,2
	Trade and other payables	142,8	101,9
	Income received in advance	16,5	14,5
	Finance lease liability	_	0,6
		2 967,2	2 474,2
	Taxation effect on:		
	– Buildings	(2 486,6)	(2 543,4)
	- Casino licence	(2 656,8)	(2 656,8)
	– Management contracts	(214,8)	(214,8)
	– Land	(78,7)	(78,7)
	– Trademarks	(20,0)	(20,0)
	Discount of interest-bearing long-term borrowings	(22,0)	(48,0)
	Capital allowances	(10,0)	(32,4)
	Prepayments	(5,1)	(8,4)
		(5 494,0)	(5 602,5)
	The not defermed to action liability has decreased by P20.7 million	(3 434,0)	(3 002,3)
	The net deferred taxation liability has decreased by R29,7 million (2011: R198,3 million) from R460,1 million (2011: R658,4 million) to R430,4 million (2011: R460,1 million).		
	South African deferred taxation (credit)/charge at 28,0% – normal taxation	(124,1)	44,3
	South African deferred taxation at 18,67% (2011: 14,0%) – capital gains taxation	554,5	415,8
	During February 2012, the Minister of Finance announced an increase in the capital gains taxation rate in South Africa from 14,0% to 18,67%. The effect of the taxation rate change has been disclosed in the taxation note (refer to note 7).		
		430,4	460,1
21.	Trade and other payables		
	Trade payables	27,4	22,2
	Accrued expenses	189,9	138,9
	Other payables	36,1	40,2
	VAT	14,9	13,8
		268,3	215,1
22.	Commitments	200,3	213,1
44.	Capital commitments		
	Authorised		
	- contracted for	FF ((2.0
		55,6	62,8
	not contracted for	78,6	66,0
		134,2	128,8
	The proposed capital expenditure will be financed by internally generated cash resources.		
	Lease commitments		
	Future operating lease charges		
	– payable within one year	3,2	0,6
	– payable two to five years	2,3	2,3
		5,5	2,9



for the year ended 31 December 2012

		Compa	ny
		2012	2011
		R'm	R'm
23.	Retirement benefit information		
	The company provides retirement benefits for its permanent employees through defined contribution schemes.		
	Total amount expensed during the year to The Peermont Global Provident		
	Fund	30,3	29,1
	These amounts include the full cost to the company. The company provides no post-retirement, medical or other benefits.		

24. Related parties

24.1 Identity of related parties with whom material transactions have occurred

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

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

- PGB
- PGEFS
- PGIL
- PGKZN
- PGLim
- PGMKZN
- PGMNW&L
- PGNW
- PGSH
- Tubatse

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

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

24.2 Types of related party transactions

Management fees, development fees, payroll and ancillary cost payments have been made and interest and dividends have been received from certain related parties.



for the year ended 31 December 2012

		Company	
		2012	2011
		R'm	R′m
4. Relat	ed parties (continued)		
24.3	Material related party transactions		
	Development fee received from related parties		
	PGB	0,2	0,3
		0,2	0,3
	Payroll and ancillary costs reimbursed by/(paid to) related parties		
	PGNW	2,7	3,6
	PGSH	1,6	1,8
	PGKZN	1,5	1,7
	PGLim	1,3	1,6
	PGB	1,0	1,3
	PGEFS	0,8	0,8
	MIC Leisure	(4,1)	(3,9
	<u>C Elk</u>	(2,7)	(1,2
		2,1	5,7
	Dividends received from related parties		
	PGB	_	78,5
	PGSH	2,4	3,2
	PGEFSH	9,4	_
		11,8	81,7
	Accounting and consulting fees received from related parties	11,0	01,7
	PGMNW&L	10,2	9,7
	PGMKZN	5,9	5, ₄
	PGH I	1,7	1,6
	PGH II	1,7	1,!
		19,5	18,2
	Management fees received from related parties		
	PGB	23,9	24,8
	PGSH	13,4	12,4
	PGEFS	4,5	3,8
		41,8	41,0
24.4	Amounts due by related parties		
	PGNW	104,6	109,4
	PGH II	26,7	18,5
	Tubatse	21,5	21,
	PGKZN	15,5	38,
	PGH I	15,5	12,0
	PGSH PGEFS	4,9	4,7
	PGB	3,7 2,3	3,3 2,2
	PGMNW&L	2,1	1,2
	PGMKZN	1,3	1,2
	PGLim	1,4	0,!
	Aldabri	0,4	0,4
	Maxshell	0,5	0,3
	PET, EPCCT and PCT	0,3	0,2
	PGSHIH	*	0,2
	PGEFSH	_	44,
	PSMT	_	
	Gross amount due by PSMT	9,5	9,.
	Less: impairment	(9,5)	(9,5

^{*} Less than R50 000.



for the year ended 31 December 2012

			Company	
			2012	2011
			R'm	R'm
4.	Relate	ed parties (continued)		
	24.5	Amounts due to related parties		
		PGIL	5,9	5,8
		PET	1,3	1,2
		PCT	1,3	1,2
		PGTH	0,6	0,6
			9,1	8,8
		Refer to note 10 for long-term amounts due by related parties.	- , .	
5.	Notes	to the statement of cash flows		
	25.1	Cash flows from operating activities		
		Operating profit before net finance expenses	396,6	451,
		Adjusted for:	,	,
		- depreciation of property, plant and equipment	157,4	148,
		– amortisation of intangible assets	1,7	1,
		– profit on disposal of property, plant and equipment	*	0,3
		- impairment of goodwill	_	2,
		- impairment of investment in subsidiaries	160,5	93,
		 reversal of impairment of investment in subsidiaries 	(7,1)	(19,
		Cash generated by operations before working capital changes	709,1	678,
		Changes in working capital	46,4	10,
		(Increase)/decrease in inventories	(0,3)	0,
		Increase in trade and other receivables	(26,9)	(21,
		Increase in trade and other payables	53,5	11,
		Increase in amount due to related parties	0,3	4,
		Decrease in amounts due by related parties	19,8	15,
		Cash flows from operating activities	755,5	689,
	25.2	Finance income received	,	
		Dividend income	2,4	21,9
		– gross dividend	11,8	81,
		– non-cash dividend	(9,4)	(59,
		Interest received	20,8	18,.
		Foreign exchange gain – realised	0,4	0,4
			23,6	40,
	25.3	Finance expenses	· · · · · · · · · · · · · · · · · · ·	,
		Total finance expenses	(1 930,7)	(2 178,
		Less: interest accrued remaining in interest-bearing long-term borrowings	1 165,4	1 463,
			(765,3)	(714,
	25.4	Taxation paid		
		Amounts outstanding at beginning of year	_	_
		Statement of comprehensive income charge	(3,0)	(10,
		Non-cash withholdings tax	.	5,
		Amounts outstanding at end of year	_	_
			(3,0)	(4,8

^{*} Less than R50 000



for the year ended 31 December 2012

		Compa	ny
		2012 R'm	2011 R'm
25.	Notes to the statement of cash flows (continued) 25.5 Cash and cash equivalents		
	Bank balances	8,0	1,5
	Cash on hand	27,3	29,4
	Cash and cash equivalents	28,1	30,9
	Bank overdraft	(134,8)	(202,0)
		(106,7)	(171,1)

Financial instruments

Exposure to market risk, which includes currency and interest rate risk, and liquidity and credit risks arises in the normal course of the company's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Summary of the use of derivative instruments by the company Currency derivatives are usually utilised to eliminate or reduce the exposure of foreign currency denominated assets and liabilities, and to hedge future transactions and cash flows. The company is party to SRSs in the management of its foreign exchange rate exposures relating to the SSNs. The instruments purchased are primarily denominated in the currencies of the company's principal markets.

As a matter of principle, the company does not enter into derivative contracts for trading purposes.

Foreign currency risk

Foreign currency risk is the risk that the changes in foreign exchange rates will affect the company's income or the value of the company's holdings of financial instruments.

The company is exposed to foreign currency risk on revenues, purchases, borrowings and bank balances that are denominated in a currency other than the Rand. The currencies giving rise to this risk are primarily the Pula, Euro and US\$.

At any point in time the company usually hedges estimated foreign currency exposure in respect of significant purchases of property, plant and equipment and forecast transactions. The company uses SRSs to hedge its foreign currency risk on the SSNs.

In respect of other monetary assets and liabilities held in currencies other than the Rand, the company usually ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates.

At 31 December 2012, the foreign currency exposure relating to the SSNs is fully hedged and it is estimated that a strengthening or weakening of the Rand against the Pula, Euro or US\$ would have minimal impact on the profit or loss or equity of the company.

The principal or contract amounts of derivative financial instruments for interest-bearing long-term borrowings and forecast transactions at reporting date were:

•		_		
		Net fair		
		value		
	Principal	of hedge	Estimated	Hedging
	amount	R'm	transaction dates	instrument
Company				
2012				
Interest-bearing long-term				
borrowings				
SSNs	€416,1	193,1	30 April 2014	SRSs
Forecast transactions			·	
			Interest for the period 1 January	
Interest on SSNs	€48,4	(167,4)	2013 to 30 April 2014	SRSs
		25,7		
2011				
Interest-bearing long-term				
borrowings				
SSNs	€416,1	85,2	30 April 2014	SRSs
33143	C+10,1	03,2	30 April 2014	3133
Forecast transactions				
			Interest for the period 1 January	
Interest on SSNs	€80,6	(441,2)	2012 to 30 April 2014	SRSs
	000/0			
		(356,0)		



for the year ended 31 December 2012

26. Financial instruments (continued)

26.2 Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the company's income or the value of its holdings of financial instruments.

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

At 31 December 2012, it is estimated that a general increase of one percentage point in interest rates on debt with varying interest rates will negatively affect the net profit before taxation by R4,4 million (2011: R4,4 million), and reduce the equity by a comparable amount. A one percentage point decrease would have an equal and opposite effect.

26.3 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial assets, which are potentially subject to concentrations of credit risk, consist principally of loans and receivables, derivative instruments, investment in preference shares, trade and other receivables, amounts due by related parties and cash and cash equivalents. The cash and cash equivalents are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for the impairment of receivables. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the company's customer base and their dispersion across the population and different geographical areas. Therefore, at reporting date there were no significant concentrations of credit risk. Credit risk on amounts due by related parties is limited given the nature of the balance.

Impairment losses

The ageing of trade receivables at the reporting date was:

	20	012	20	011
	Gross R'm	Impairment R'm	Gross R'm	Impairment R'm
Company				
Not past due				
Current	8,7	_	9,5	
Outstanding 31 – 60 days	6,2	_	5,2	_
Outstanding 61 – 90 days	1,2	_	1,8	_
Past due				
Outstanding more than 90 days	3,0	(2,7)	2,8	(2,7)
Total	19,1	(2,7)	19,3	(2,7)

Based on past experience, the company believes that no impairment allowance is necessary in respect of trade receivables past due other than those impaired. An impairment allowance has not been raised on those specific debtors past due as certain of these amounts are assessed as recoverable. The amounts that are considered past due are based on specific circumstances relative to each individual debtor.

The allowance account in respect of trade receivables is used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off against the financial asset directly.

The movement on the allowance for impairment in respect of trade receivables during the year was as follows:

ionows.		
	Compa	ıny
	2012 R'm	2011 R'm
Balance at beginning of year	(2,7)	(1,5)
Increase in provision	(0,1)	(1,9)
Impairment loss recognised	0,1	0,7
Balance at end of year	(2,7)	(2,7)
The carrying amounts of financial assets included in the statement of financial position represent the company's exposure to credit risk. At reporting date, the company had an estimated maximum exposure of: Loans and receivables	1,3	1 5
Derivative instruments	354,4	1,5
Investment in preference shares	3,7	4,3
Gross trade receivables	19,1	19,3
Sundry receivables	9,8	9,4
Amounts due by related parties	200,7	258,2
Cash and cash equivalents	28,1	30,4
	617,1	323,1

for the year ended 31 December 2012

26. Financial instruments (continued)

26.4 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or financial assets.

The company's current liabilities exceed its current assets. This is consistent with historical trends and is similar to many other entities within the gaming industry. The net result is that the working capital cycle generates cash for the company and the current liabilities continue to be met by cash generated from operations.

The company's liquidity risk is concentrated in its funding sources. The greatest exposure to liquidity risk would be where the company is unable to meet specific cash flows required by specific debt agreements. The most significant of these would be the cash flow requirements of the RCF, deferred hedging loan and the SSNs.

The term of the company's R550 million RCF expires on 27 December 2013. Current cash flow projections estimate that the facility will not have a cash drawdown against it at the maturity date. A facility will be required for existing guarantees issued of approximately R60 million at the facility's maturity. As part of the ongoing restructuring negotiations, the company is engaging with local banks on obtaining a new reduced facility to match its needs after the restructuring has taken place and will negotiate the required guarantee facility when it is needed.

The Peermont group is in discussions with its shareholders, debt holders and a number of financial institutions to restructure and/or renew the group debt facilities which mature in December 2013 and April 2014.

Maturity analysis

	Carrying value R'm	Within one year R'm	1 – 5 years R'm	More than 5 years R'm	No fixed maturity R'm
Company					
2012					
Financial assets					
Loans and receivables	1,3	0,6	0,7	_	_
Derivative instruments	354,4	_	354,4	_	_
Investment in preference shares	3,7	1,2	2,5	_	_
Trade and other receivables	26,2	26,2	_	_	_
Amounts due by related parties	200,7	200,7	_	_	_
Cash and cash equivalents	28,1	28,1	_	_	_
Financial liabilities					
Interest-bearing long-term borrowings*	9 895,7	98,5	4 900,5	4 896,7	
Derivative instruments	328,7	328,7	4 300,3	4 050,7	_
Trade and other payables	253,4	253,4	_	_	_
Amounts due by related parties	9,1	233, 4 9,1	_	_	_
Bank overdraft	134,8	134,8	_	_	
	134,0	134,0			
2011					
Financial assets					
Loans and receivables	1,5	0,4	1,1	_	_
Investment in preference shares	4,3		4,3	_	
Trade and other receivables	26,0	26,0	_		
Amounts due by related parties	258,2	258,2	_		
Cash and cash equivalents	30,9	30,9			
Financial liabilities					
Interest-bearing long-term borrowings*	8 740,1	73,5	4 164,1	4 502,5	_
Derivative instruments	356,0	293,6	62,4		_
Trade and other payables	201,3	201,3	_	_	_
Amounts due by related parties	8,8	8,8	_	_	_
Bank overdraft	202,0	202,0	_	_	_

^{*} It is currently the company's intention to refinance/restructure the deeply subordinated shareholder loans (not due before 2037), 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, the deeply subordinated shareholder 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 in enforcement action prior to that date.



for the year ended 31 December 2012

26. Financial instruments (continued)

26.4 *Liquidity risk* (continued)

Maturity analysis (continued)

Contracted cash flows are expected to be equal to the maturity analysis with the exception of shareholder loans and interest-bearing long-term borrowings.

	0 0				
Company	Carrying	Contractual	Within	1 – 5	More than
2012	value	cash flows	one year	years	5 years
Rand	R'm	R'm	R'm	['] R'm	['] R'm
SSNs	4 561,0	5 474,3	725,0	4 749,3	_
PIK Notes Loan	1 944,1	2 891,8	_	_	2 891,8
PIK Equity Loan	2 952,6	4 410,8	_	_	4 410,8
Deferred hedging loan	410,4	680,1	61,3	618,8	_
Other interest-bearing long-term					
borrowings	27,6	29,5	29,5		
Euro	€m	€m	€m	€m	€m
SSNs	421,4	464,4	32,2	432,2	_
2011					
Rand	R'm	R'm	R'm	R'm	R'm
SSNs	4 206,4	6 149,3	675,0	5 474,3	_
PIK Notes Loan	1 610,6	2 906,8			2 906,8
PIK Equity Loan	2 480,7	4 456,8	_	_	4 456,8
Deferred hedging loan	410,9	743,8	62,6	250,1	431,1
Other interest-bearing long-term					
borrowings	31,5	41,3	6,3	22,7	12,3
Euro	€m	€m	€m	€m	€m
SSNs	421,4	496,6	32,2	464,4	_

The PIK Equity Loan is contractually due in 2106 by PGH I. If PGH I has not met this contractual repayment by April 2015, the rights attaching to the ordinary shares issued by it will commence diluting in favour of the holders of the loan, up to 2024 when the holders of the loan will hold all such rights. Therefore, the amount disclosed is the contractual obligation to April 2015.

26.5 Fair values

The fair values of all financial instruments shown in the statement of financial position are set out as below.

Estimation of fair values

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

Interest-bearing long-term borrowings

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

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

Trade and other receivables/payables

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



for the year ended 31 December 2012

26. Financial instruments (continued)

26.5 Fair values (continued)

Derivative instruments

The SRSs are valued by external advisors utilising standard market practices and assumptions. A risk-based discounted cash flow approach is used to estimate the fair value of the SRSs. These cash flows are discounted using discount factors that are further adjusted for the credit risk of Peermont as implied by the market price of the SSNs. The estimated recovery rate of the SSNs is taken into account when valuing the SRSs.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data.

	Level 2
	R'm
Company	
2012	
Trading assets	
Derivative instruments	25,7
2011	
Trading liabilities	
Derivative instruments	(356,0)



for the year ended 31 December 2012

26. Financial instruments (continued)

26.5 Fair values (continued)

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

	Fair	Carrying
		value
	K'M	R'm
Company		
2012		
Financial assets		
Loans and receivables		1,3
Derivative instruments	· · · · · · · · · · · · · · · · · · ·	354,4
Investment in preference shares	,	3,7
Trade and other receivables		26,2
Amounts due by related parties		200,7
Cash and cash equivalents	28,1	28,1
	614,4	614,4
Financial liabilities		
Interest-bearing long-term borrowings	8 286,7	9 895,7
Derivative instruments	328,7	328,7
Bank overdraft	134,8	134,8
Trade and other payables	253,4	253,4
Amounts due to related parties	9,1	9,1
	9 012,7	10 621,7
2011		
Financial assets		
Loans and receivables	1,5	1,5
Investment in preference shares	4,3	4,3
Trade and other receivables	26,0	26,0
Amounts due by related parties	258,2	258,2
Cash and cash equivalents	value R'm 1,3 354,4 es 3,7 26,2 es 200,7 28,1 614,4 rowings 8 286,7 328,7 134,8 253,4 s 9,1 9 012,7 es 4,3 26,0 es 258,2 30,9 rowings 6 285,0 356,0 202,0 201,3	30,9
	320,9	320,9
Financial liabilities		
Interest-bearing long-term borrowings	6 285,0	8 740,1
Derivative instruments	356,0	356,0
Bank overdraft	202,0	202,0
Trade and other payables	201,3	201,3
Amounts due to related parties	8,8	8,8
		9 508,2

At 31 December 2012 the SSNs were trading on the Global Exchange Market of the Irish Stock Exchange at approximately 97,0% (2011: 80,0%) of the initial issue price of €416,1 million. The fair market value was estimated at R4 475,3 million (2011: R3 474,8 million). The fair market value of the PIK Notes Loan was estimated at 92,0% (2011: 70,0%) of the face value being R1 788,6 million (2011: R1 127,4 million). The fair market value of the PIK Equity Loan was estimated at 53,7% (2011: 50,0%) of the face value being R1 584,8 million (2011: R1 240,4 million).



$Notes\ to\ the\ company\ annual\ Financial\ statements\ ({\it continued})$ for the year ended 31 December 2012

26. Financial instruments (continued)

26.6 Basis of measurement

		At fair value directly	Loans and receivables/ liabilities at	Non- financial
	Total	in profit or loss	amortised	assets and liabilities
	R'm	R'm	cost R'm	R'm
Company				
2012				
Assets				
Property, plant and equipment	3 102,9	_	_	3 102,9
Intangible assets	4 174,1	_	_	4 174,1
Investments in subsidiaries	1 726,3	_	_	1 726,3
Loans and receivables	1,3	_	1,3	<u></u>
Derivative instruments	354,4	354,4	_	_
Investment in preference	,	,		
shares	3,7	_	3,7	_
Non-current asset held for sale	36,6	_	_	36,6
Inventories	28,9	_	_	28,9
Trade and other receivables	80,1	_	26,2	53,9
Amounts due by related parties	200,7	_	200,7	<u></u>
Cash and cash equivalents	28,1	_	28,1	_
	9 737,1	354,4	260,0	9 122,7
Liabilities				
Interest-bearing long-term borrowings	9 895,7		9 895,7	
Derivative instruments	328,7	328,7	3 033,7	_
Deferred taxation		320,7	_	430,4
	430,4 268,3	_	253,4	
Trade and other payables Bank overdraft		_	,	14,9
Amounts due to related parties	134,8 9,1	_	134,8 9,1	_
Amounts due to related parties	· · · · · · · · · · · · · · · · · · ·	220.7		445.2
	11 067,0	328,7	10 293,0	445,3
2011				
Assets				
Property, plant and equipment	3 215,9	_	_	3 215,9
Intangible assets	4 174,6	_	_	4 174,6
Investments in subsidiaries	1 626,6		_	1 626,6
Loans and receivables	1,5		1,5	
Investment in preference shares	4,3		4,3	
Inventories	28,7			28,7
Trade and other receivables	59,1		26,0	33,1
Amounts due by related parties	258,2		258,2	
Cash and cash equivalents	30,9		30,9	_
	9 399,8	_	320,9	9 078,9
Liabilities				
Interest-bearing long-term				
borrowings	8 740,1		8 740,1	
Derivative instruments	356,0	356,0		
Deferred taxation	460,1		_	460,1
Trade and other payables	215,1		201,3	13,8
Bank overdraft	202,0	_	202,0	
Amounts due to related parties	8,8		8,8	
	9 982,1	356,0	9 152,2	473,9
	3 302,1	330,0	3 132,2	1, 3, 3



for the year ended 31 December 2012

		Company	
		2012	2011
		R'm	R′m
27.	Contingent liabilities		
	Guarantees		
	Guarantees issued by financial institutions on behalf of the company in favour of various gambling boards and other institutions as security for the payment of		
	amounts due	58,6	58,2
	Guarantee provided to Eskom by Peermont in respect of an electricity deposit	0,7	0,7
	Guarantee issued by FNB on behalf of Peermont in favour of the South African		
	Post Office	0,5	0,5

Staff housing loans

The company assists its employees to obtain housing loans through FNB. This is achieved by employees granting FNB security over their provident fund assets for housing loans granted to them. The company has given a further guarantee to FNB for any shortfall realised by the bank on the foreclosure on any housing loans. At 31 December 2012 and 31 December 2011 the balances accrued to the members in the provident fund, exceed the loans granted by FNB and as such there in no current or expected future liability.

Restructure advisors

The terms of the mandates agreed with financial advisors, currently and formerly retained by the company, in relation to a review of the group debt and equity structures, provide that a combined success fee of approximately R35,8 million will be payable if a definitive restructuring and/or refinancing transaction is concluded and an additional US\$2,25 million, less R2,5 million already paid, if this transaction is announced on or before 31 March 2013. All other costs incurred to date have been capitalised (refer to note 16).

Other

The company is party to various claims and legal actions in the ordinary course of business. Management believes that such claims and actions, either individually or in the aggregate, will not have a material adverse effect on the business, financial position or results of operations.

28. Going concern basis of accounting

The company's current liabilities exceed its current assets and the entity is in a shareholder deficit position.

The net current liability position is consistent with historical trends and is similar to many entities within the gaming industry. Generally the working capital cycle generates cash for the entity and current liabilities continue to be met by cash generated from operations.

The company is in a net equity deficit position of R1 329,9 million (2011: R582,3 million). The shareholder loans of R4 896,7 million (2011: R4 091,3 million) are deeply subordinated in favour of third parties, and are sufficient to cover the accumulated deficits. Technical insolvency is specifically excluded as an event of default in the various group debt agreements

Based on the current cash flow forecasts of Peermont, and the redemption date of the SSNs being 30 April 2014, the deferred hedging loan being 30 April 2017 and that the lender of the deeply subordinated shareholder loans may not declare any event of default or take any enforcement action prior to April 2037, the directors do not foresee any liquidity shortfalls in the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

The term of the company's R550 million RCF expires on 27 December 2013. Current cash flow projections estimate that the facility will not have a cash drawdown against it at the maturity date. A facility will be required for existing guarantees issued of approximately R60 million at the facility's maturity. As part of the ongoing restructuring negotiations, the company is engaging with local banks on obtaining a new reduced facility to match its needs after the restructuring has taken place and will negotiate the required guarantee facility when it is needed.

The Peermont group is in discussions with its shareholders, debt holders and a number of financial institutions to restructure and/or renew the group debt facilities which mature in December 2013 and April 2014.

for the year ended 31 December 2012

29. Borrowings

The company's articles of association place no limitations as to the quantum of borrowings the company may raise.

The company's borrowing capacity is, however, constrained by certain loan agreements, which place a limit on borrowings.

In common with many issues of SSNs, the company has various restrictions placed on future borrowings, permitted payments, awarding of guarantees or liens, future issues and sales of capital stock of restricted subsidiaries, transactions with affiliates and the sale of assets by the indenture agreement entered into at the time of issuing the SSNs. These remain in place until the SSNs are redeemed. Details of these are set out in the offering memorandum published at the time the SSNs were issued.

Refer to note 19 for further details.

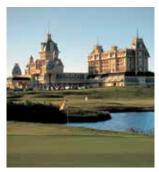
30. Significant accounting judgements and estimates

Refer to note 30 of the group annual financial statements for detailed information.

31. Standards and interpretations issued but not yet effective at date of signature of the annual financial statements
Refer to note 31 of the group annual financial statements for detailed information.







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