PEERMONT

HOTELS CASINOS RESORTS

Peermont Global (Proprietary) Limited

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www.peermont.com

QUARTERLY REPORT

for the three and six months ended 30 June 2008

Required in terms of the indenture of the original €520 000 000 7 3/4% Senior Secured Notes due 2014

DATE: 28 AUGUST 2008

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INTRODUCTION

On 23 April 2007, Peermont Global (Proprietary) Limited ("Peermont, successor or the issuer"), issued €520 000 000 7$^{3}/_{4}$% Senior Secured Notes due 2014 ("the notes"). The notes were issued and guaranteed under an indenture ("the indenture"), dated as of 23 April 2007, by Peermont, a company incorporated under the laws of the Republic of South Africa, Peermont Global Holdings II (Proprietary) Limited ("PGH II"), as parent guarantor, and Peermont Global (North West) (Proprietary) Limited, Peermont Global (KZN) (Proprietary) Limited, Peermont Global (Limpopo) (Proprietary) Limited, Peermont Global Management (NW&L) (Proprietary) Limited and Peermont Global Management (KZN) (Proprietary) Limited, as "guarantors" (each a "guarantor" and collectively the "guarantors"), Maxitrade 85 Security Holding Company (Proprietary) Limited, a special purpose vehicle ("the Security SPV"), BNY Corporate Trustee Services Limited, as trustee ("the Trustee"), The Bank of New York, as registrar, transfer agent and principal paying agent and BNY Fund Services (Ireland) Limited, as Irish paying agent.

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

Effective on 5 May 2008, Peermont completed a notes repurchase programme in terms of which the company purchased a nominal value of R1 268,6 million (€103,9 million) of the notes in issue for R1 129,2 million (€92,5 million) or 89% of the face value. A public tender process was utilised to purchase a nominal value of R1 060,8 million (€86,9 million) and a further R207,5 million (€17,0 million) was subsequently purchased in the open market. All purchased notes were cancelled. Following such cancellation, the outstanding principal amount of notes is €416,1 million.

The notes bear interest at a rate of 7$^{3}/_{4}$% per year. Interest on the notes is payable on 30 April and 30 October of each year, and commenced on 30 October 2007. The notes will mature on 30 April 2014. Peermont may redeem the notes in whole or in part at any time on or after 30 April 2010 at the redemption price specified in the indenture. Prior to 30 April 2010, we may also redeem all or part of the notes by paying a "make whole" premium. In addition, prior to 30 April 2010, we may also redeem up to 35% of the aggregate principal amount of the notes with the net proceeds from certain equity offerings.

The notes, which are the issuer's senior secured obligations, are guaranteed by the guarantors, and rank equal in right of payment with all of the issuer's existing and future unsubordinated indebtedness and senior in right of payment to all of the issuer's existing and future indebtedness that is subordinated in right of payment to the notes.

The notes are effectively senior to all of the issuer's existing and future unsecured indebtedness to the extent of the assets securing the notes and are secured by first priority security interests over all of the issuer's capital stock and certain of the assets of the issuer and the guarantors. The guarantees of the notes by the guarantors rank equal in right of payment with all of the existing and future unsubordinated indebtedness of the guarantors, senior in right of payment to all of the existing and future indebtedness of the guarantors that is subordinated in right of payment to the guarantors, guarantees of the notes and are effectively senior to all existing and future unsecured indebtedness

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

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

CERTAIN DEFINITIONS

Peermont, successor or the issuer

The issuer was formed for the purpose of acquiring all of the operations, assets and liabilities of Peermont Global Investments Limited (Registration number 1995/004449/06) ("Old Peermont Global" or "Predecessor") and substantially all its subsidiaries ("the Corporate Reorganisation"), which forms part of the Transactions (as defined herein). Following the completion of the Transactions, which occurred on 24 April 2007, the issuer changed its legal name to Peermont Global (Proprietary) Limited, and directly owns and operates all of the assets of Old Peermont Global and is wholly owned by PGH II which, in turn, is wholly owned by Peermont Global Holdings I (Proprietary) Limited ("PGH I") (Registration number 2006/023109/07), each of which was a newly established private company with no trading history, assets or liabilities.

For purposes of this report, references to Old Peermont Global and Predecessor Company are to Peermont Global Investments Limited and references to Peermont, the issuer and/or successor company are to Peermont Global (Proprietary) Limited, the issuer of the notes. In addition, references to we, us, our, the company and Group, in respect of periods prior to the Transactions, refer to the operations of Old Peermont Global and in respect of periods subsequent to the Transactions, to the operations of the issuer giving effect to the Transactions, in each case, unless the context otherwise requires, including Peermont and the issuer consolidated subsidiaries during the relevant periods.

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

ORGANISATIONAL INFORMATION

The Peermont Group consists predominantly of:

- Peermont Global (Proprietary) Limited, a limited liability company incorporated under the laws of the Republic of South Africa under the Registration number 2006/006340/07, including the Emperors Palace Hotel Casino and Convention Resort ("Emperors Palace"), Mondazur Resort Estate Hotel ("Mondazur"), and Head Office management and investment divisions;
- Peermont Global (North West) (Proprietary) Limited ("PGNW"), a limited liability company incorporated under the Laws of the Republic of South Africa under Registration number 2006/028470/07, including the Rio Casino Resort ("Rio"), Tusk Mmabatho Casino Resort ("Tusk Mmabatho") and Tusk Taung Hotel ("Tusk Taung") divisions;
- Peermont Global (KZN) (Proprietary) Limited ("PGKZN" or "Tusk Umfolozi"), a limited liability company incorporated under the laws of the Republic of South Africa under Registration number 2006/029290/07;
- Peermont Global (Limpopo) (Proprietary) Limited ("PGLim" or "Khoroni"), a limited liability company incorporated under the laws of the Republic of South Africa under Registration number 2006/034446/07;
- Peermont Global Management (NW&L) (Proprietary) Limited ("PGMNW&L"), a limited liability company incorporated under the laws of the Republic of South Africa under Registration number 2006/029265/07;
- Peermont Global Management (KZN) (Proprietary) Limited ("PGMKZN"), a limited liability company incorporated under the laws of the Republic of South Africa under Registration number 2006/000558/07;
- Peermont Global (Southern Highveld) (Proprietary) Limited ("PGSH" or "Graceland"), a limited liability company incorporated under the laws of the Republic of South Africa under Registration number 1995/004452/07;
- Peermont Global (Botswana) (Proprietary) Limited ("PGB"), a limited liability company incorporated under the laws of the Republic of Botswana under Registration number 95/414, including all operations based in Botswana, namely the Grand Palm Hotel, Casino and Convention Centre, Mondior Summit Hotel, Metcourt Lodge Hotel, Metcourt Inn Hotel, the Gaborone International Convention Centre, all in Gaborone, Sedibeng Casino in Francistown and Syringa Casino in Selebi-Phikwe;
- Peermont Global (Tubatse) (Proprietary) Limited ("Tubatse"), a limited liability company incorporated under the laws of the Republic of South Africa under Registration number 2006/019823/07;
- Peermont Global (Eastern Free State) (Proprietary) Limited ("PGEFS" or "Frontier Inn"), a limited liability company incorporated under the laws of the Republic of South Africa under Registration number 1999/011534/07; and
- Various other dormant or intermediate holding companies.

The business address of Peermont is Peermont Place, 152 Bryanston Drive, Bryanston, Johannesburg, South Africa, and its primary telephone number is +27 (11) 557 0557. We maintain an internet website at www.peermont.com. Information on our internet website does not form part of this report.

PRESENTATION OF FINANCIAL INFORMATION

We have prepared the condensed unaudited consolidated financial statements contained in this quarterly report in accordance with International Financial Reporting Standards ("IFRS"). We present our financial statements in South African rand. In this quarterly report, unless otherwise indicated, all amounts are expressed in South African rand.

Management has included, as additional information that does not form part of this report, certain additional unaudited pro forma financial information prepared on a "like for like basis" to give investors a more comparable picture of the performance of the group in the periods reported on, in Annexure B.

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

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the risk factors discussed in the offering memorandum. Among the key risk factors that have a direct bearing on the results of operations are:

- our dependence on a single property, Emperors Palace, and the relatively concentrated casino market in Gauteng Province to generate a significant portion of our revenue, profits and cash flow;
- our dependence on a functional and efficient power and transport infrastructure to provide access to our casinos and hotels;
- competition from other casinos in Gauteng Province and other regions of South Africa;
- our ability to amend current licence terms to increase our gaming positions and introduce new games and our ability to renew our licences;
- changes in the gaming laws and the wider regulatory and legal environment in South Africa;
- general economic conditions that impact growth trends in disposable income and discretionary consumer spending; and
- our ability to integrate newly acquired operations.

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

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

Overview

Peermont is the holder of the second largest number of casino licences in South Africa. We operate a total of 14 properties, nine in South Africa and five in neighbouring Botswana. Together, as of 30 June 2008, these included 3 254 slot machines, 144 gaming tables and 1 312 hotel rooms. Our flagship property is Emperors Palace, which is strategically located near the OR Tambo International Airport in the greater Johannesburg metropolitan area. In addition to Emperors Palace, our property portfolio includes five other casino resorts, four stand-alone casinos and four stand-alone hotels. Certain of our larger casino resorts also feature convention facilities and theatres.

Financial statements discussed

The issuer of the notes was formed for the purpose of acquiring all of the assets of Old Peermont Global. The transaction occurred on or about 24 April 2007, the closing date of the offering of the notes. The issuer today directly owns and operates substantially all of the assets owned and operated by Old Peermont Global prior to the transactions.

In terms of the scheme of arrangement, almost all of the businesses of Old Peermont Global were sold to Peermont with effect from the morning of 25 April 2007. This resulted in a cut-off date of 24 April being applied to all Old Peermont Global companies where the businesses were sold to new entities, and the new businesses/entities commencing trading on 25 April 2007. Thus, the four month period to 24 April 2007 consists of 114 days and the two month period thereafter includes 67 days' trading results.

For the six month period ended 30 June 2008 and the prior year comparative period, we have provided condensed unaudited consolidated financial information which is derived from the condensed unaudited consolidated income statements of our predecessor company for the four month period from 1 January 2007 to 24 April 2007 and the condensed unaudited consolidated income statements of the successor company for the two month period from 25 April 2007 to 30 June 2007 and for the six month period from 1 January 2008 to 30 June 2008. The condensed unaudited financial

information has been derived exclusively from the income statements of the predecessor and successor companies. This does not take into account that the two companys' accounts are reported on a different basis, for example, amounts for depreciation in the income statement of the predecessor company calculated on a historical cost basis are included with amounts for depreciation in the income statement of the successor company calculated on a fair value basis.

It must be highlighted that the information for the predecessor company only proportionately consolidated the Emperors Palace operation at approximately 83% whereas this operation is fully consolidated in the successor company.

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

Joint venture

PGSH is not a subsidiary of Peermont and did not become a subsidiary in connection with the Transactions. It is also operated as a joint venture that is not under Peermont's exclusive control during the periods discussed. Its results of operations were proportionately consolidated with the results of Peermont's other operations during the periods under review. 97% of PGSH's results were proportionally consolidated in Peermont's condensed unaudited consolidated results of operations for all periods presented, except for the pro forma information provided in Annexure B.

We currently own 50% of the issued ordinary shares in PGSH, the entity that owns and operates Graceland. Under the terms of the shareholders' agreement entered into with our joint venture partners in respect of PGSH, we are entitled to dilute our joint venture partner's holdings so that we will own up to approximately 97% of the issued share capital in PGSH, any such dilution being subject to the approval of the relevant gambling board. Having regard to the gambling board's requirements, we may not be able to exercise our rights in full. Subject to the approval of the relevant gambling board, we intend to partially exercise these rights so that we will, directly or indirectly, hold between 70% and 75% of the issued share capital in PGSH. Following such event, PGSH will become our subsidiary and, accordingly, we will fully consolidate its results of operations, assets and liabilities in our condensed unaudited consolidated financial statements and reflect a minority interest of between 30% and 25% in PGSH.

Key income statement items

Revenue

Our revenue consists of gaming revenue, rooms revenue, food and beverage revenue and other revenue. For the year ended 31 December 2007, we generated 81,4% of our total revenue from gaming, 8,1% from food and beverage, 7,6% from rooms and 2,9% from other revenue.

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

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

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

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

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

Other income

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

Operating costs

Our operating costs consist of employee costs, other operational costs, VAT and gaming levies on gross gaming revenue, promotions and marketing costs, depreciation and amortisation and property and equipment rentals. These represented 32,3%, 25,6%, 22,8%, 8,1%, 9,1% and 2,1% of total operating costs, respectively, for the financial year ended 31 December 2007.

Employee costs consist of salaries, wages and employee benefits for all of our employees, including management. VAT and gaming levies on gross gaming revenue are as discussed above.

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

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

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

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

Primary factors affecting results of operations

The Transactions

A total of R78,0 million of employee costs relating to the Transactions are included in operating costs for the six months ended 30 June 2007. These consist of exit packages paid to executives that left the company on the implementation of the Transactions totalling R17,2 million; benefits paid/distributed to consolidated employee share trusts of R40,4 million, as described below; and, the cost of settling the share employee incentive schemes on implementation of the Transactions of R20,4 million.

Other professional fees of R2,6 million relating to the Transactions were incurred and/or accrued in other operational costs in the 2007 period.

On implementation of the scheme, Peermont Global (East Rand) (Proprietary) Limited, the previous operating company for the Emperors Palace operations, released provisions for marketing (R6,8 million), share scheme costs (R1,6 million) and other unclaimed amounts (R5,8 million) totalling R14,2 million to the income statement. These had been raised in line with budget and in prior years, but on implementation of the corporate reorganisation, were required to be released. The release of these provisions has improved the results of the Group and therefore we have adjusted for the release in our adjusted 2007 earnings before interest, taxation, depreciation and amortisation ("EBITDA") calculation.

Total transaction costs included in operating costs amounted to R90,1 million and consisted of:

- Employee costs of R78,0 million described above;
- Professional fees of R2,6 million;
- Professional fees incurred by Old Peermont Global amounting to R17,9 million; less
- Release of accruals and provisions amounting to R8,4 million (the balance of R5,8 million related to unclaimed credits and was included in revenue).

A total of R94,8 million of finance costs was incurred at the time of the Transactions, mostly relating to the retirement of Old Peermont Global debt existing at the time of the transaction. These are included in finance costs for the two months to 30 June 2007. These costs consist of preference dividends paid of R67,0 million on settlement of preference share liabilities and R27,8 million paid in break fees for the early settlement of term and other loans and the related derivative instruments in the Old Peermont Global companies.

An amount of R20,4 million of finance income was recorded at the time of the Transactions, relating to write up of an asset to fair value.

Staff Trusts

The Tusk Group, which was acquired by Old Peermont Global in 2006, had created two trusts for the benefit of its employees. These trusts were intended to be share-based trusts to allow the employees of its operations in the North West and Limpopo provinces, and KwaZulu-Natal province, to benefit from growth in the value of the casino and hotel operating companies in those provinces. As part of the transactions, a new trust was to be formed for the benefit of employees in the KwaZulu-Natal province, to replace the existing trust structure.

The trust for employees in the North West and Limpopo provinces held 10% of the shares in the Tusk Resorts (Proprietary) Limited group, and on realisation of the sale of businesses from that entity, the trust received dividends of R49,4 million by June 2007. By the end of 2007 this had increased to R52,3 million. As a condition of approving the transaction, the provincial gambling boards required that the trust acquire a 10% holding in the new operating and management companies of the North West and Limpopo operations, and this has taken place.

As a condition of the approval of the acquisition of the Tusk group of companies by Old Peermont Global ("the Tusk transaction") in 2006, the KwaZulu-Natal Gambling Board required that 15% of the shares in the KwaZulu-Natal casino operating company and 10% of the shares in the KwaZulu-Natal casino management company be sold to a staff trust for the benefit of staff employed by Peermont at the Tusk Umfolozi casino. At the date of the Peermont acquisition of the Old Peermont Global Group, this had not yet occurred. As a condition of approving the Peermont transaction, the KwaZulu-Natal Gambling Board required that the new trust be placed in the position that it would have been in had the share sales taken place prior to the Peermont transaction having taken place. This resulted in a cost of R8,9 million being incurred by Peermont in the reporting period to June 2007. By the end of 2007 this amount had increased to R13,2 million.

As the boards of trustees of the abovementioned trusts are, or will be, controlled by Peermont, IFRS requires that these trusts be consolidated into the results of the Peermont Group. On consolidation, the group accounting policy recognises the amounts vesting under the control of the trustees of the trusts as an expense in employee costs in the period that any distributions/dividends are paid, and the resulting assets retained by the trusts at the end of a reporting period, as a liability. The existing trust resources will be distributed to beneficiaries in the future.

As R17,9 million was accrued by Old Peermont Global before the Transactions, Peermont recognised the remaining amount of R40,4 million as an employee cost in the prior period as a consequence of the Transactions. This cost has been adjusted in determining our adjusted EBITDA.

Acquisitions

As explained previously, the unaudited results for the predecessor company include the results of Emperors Palace on a proportionately consolidated basis at approximately 83%, whereas the successor company fully consolidates the results of Emperors Palace. As Emperors Palace has historically contributed approximately 69% of the group's revenues, this factor, as well as the expenses relating to the Transactions, have a significant impact on the comparisons. This reduces the effectiveness of the comparative results for the periods presented.

Results of operations of Peermont

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

	Three months ended 30 June		Six months ended 30 June	
Income statement data	**Successor 2008 (unaudited) R'm**	Predecessor 2007 (unaudited) R'm	**Successor 2008 (unaudited) R'm**	Predecessor 2007 (unaudited) R'm
Revenue	**641,8**	570,0	**1 239,9**	1 069,6
Other income	**(0,1)**	(0,3)	**—**	(0,4)
Operating costs	**(424,5)**	(459,5)	**(823,4)**	(782,6)
Operating profit	**217,2**	110,2	**416,5**	286,6
Finance income	**191,2**	66,7	**1 493,7**	78,0
Finance expenses	**(64,8)**	(326,8)	**(1 760,2)**	(377,1)
Profit/(loss) before taxation	**343,6**	(149,9)	**150,0**	(12,5)
Taxation	**(94,4)**	(9,7)	**8,7**	(44,6)
Net profit/(loss) for the period	**249,2**	(159,6)	**158,7**	(57,1)
Attributable to:				
Equityholders of Peermont	**247,1**	(163,2)	**150,0**	(67,7)
Minority shareholders	**2,1**	3,6	**8,7**	10,6
	249,2	(159,6)	**158,7**	(57,1)
EBITDA Reconciliation[2]				
Operating profit	**217,2**	110,2	**416,5**	286,6
Add: Depreciation and amortisation	**44,9**	35,2	**86,7**	59,1
EBITDA	**262,1**	145,4	**503,2**	345,7
Adjustments to EBITDA				
Add: Employee costs	**—**	78,0	**—**	78,0
Add: Other operational expenditure for professional fees	**—**	2,6	**—**	2,6
Add: Other operational expenditure paid by the predecessor company for professional fees	**—**	17,9	**—**	17,9
Less: Release of accruals and provisions	**—**	(8,4)	**—**	(8,4)
Adjusted EBITDA	**262,1**	235,5	**503,2**	435,8
Adjusted EBITDA margin[3]	**40,84%**	41,74%	**40,58%**	40,97%

[1] For a presentation of the components of the results of operations above, see the condensed unaudited consolidated financial statements in Annexure A.

[2] We define EBITDA as earnings before interest, taxation, depreciation and amortisation. We believe that EBITDA serves as a useful supplementary financial indicator to investors since it is commonly reported and widely accepted by analysts and investors in measuring a company's ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDA is a widely accepted indicator in comparing a company's underlying operating profitability with that of other companies in the same industry. EBITDA is not an IFRS measure and you should not consider EBITDA as an alternative to measures of net profit/(loss) as an indicator of operating performance, as a measure of cash flow from operations or as an indicator of liquidity under IFRS. Funds depicted by this measure may not be available for our discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDA is not a uniform or standardised measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies. A reconciliation of EBITDA to operating profit for the three and six months ended 30 June 2007 and 30 June 2008 is presented above.

[3] Revenue for the six months ended 30 June 2007 was reduced by R5,8 million for the reversal of unclaimed credits mentioned above.

Commentary on the results for the period

The three month period ended 30 June 2008 (unaudited) compared to the three month period ended 30 June 2007 (unaudited)

Revenue

Our revenue increased by 12,6% from R570,0 million for the three months ended 30 June 2007 to R641,8 million for the three months ended 30 June 2008, partially as a result of the current period including 100% of the revenues of Emperors Palace, compared with 83% for the four months in the prior period; and partially as a result of organic growth.

Gaming revenues improved by 9,4% from R468,3 million to R512,1 million. Emperors Palace gaming revenues grew by 5,1% and PGB and Tusk Mmabatho performed well with growth of 46,8% and 17,4%, respectively.

Rooms revenues improved by 30,0% in the three months. In addition, room rates and occupancies increased at most units.

Operating costs

Operating costs for the three months ended 30 June 2008 were R424,5 million, a decrease of R35,0 million, or 7,6%, from R459,5 million for the three months ended 30 June 2007. This was mainly due to the change in holding of Emperors Palace being more than offset by the transaction related costs totalling R90,1 million as described above. In addition, VAT and gaming levies on gross gaming revenue at R100,6 million were R10,0 million up on the prior period, due to the higher revenues reported.

Depreciation and amortisation for the three months ended 30 June 2008 was R44,9 million, an increase of R9,7 million, or 27,6%, from R35,2 million for the three months ended 30 June 2007. This increase was due primarily to the increased size of the group, as well as additional depreciation on the revalued property, plant and equipment acquired from the date of the Transactions. From 25 April 2007 the group increased the average depreciation rate on certain buildings from 1% to 2,6% based on a re-estimation of the future lives of these buildings.

Operating profit

The resulting operating profit at R217,2 million was R107,0 million, or 97,1% above the prior period. After adjusting for the effect of the Transactions, the increase was approximately 10,2%.

EBITDA

EBITDA increased by 80,3% from R145,4 million to R262,1 million over the same period, due to the growth in revenues, the change in holding in Emperors Palace and the transaction related costs totalling R90,1 million as described above. The adjusted EBITDA improved by approximately 11,3%.

Finance income

Finance income for the three months ended 30 June 2008 was R191,2 million, an increase of R124,5 million over the prior period. The variance to the prior period was due to foreign exchange gains that resulted from the restatement of the Forward Exchange Contract ("FECs") hedging the notes liability at the end of the current quarter. During the quarter the group changed its accounting policy from that of cash flow hedging the fair value accounting on the FEC contracts, to processing all movements on the Forward FECs hedged and the notes coupon payments in the income statement. This resulted in a net gain of R31,7 million being recognised in the income statement for the quarter. Included in finance income for the quarter is R139,6 million, being the discount received on the notes buy back. Included in the prior period was R20,4 million for the write up of a loan, which was closed out on completion of the transaction.

Finance expenses

Finance expenses at R64,8 million were R262,0 million below the prior period, largely due to a reversal of R222,5 million of the previous quarter's foreign exchange losses; interest costs of R165,7 million incurred on the notes; and interest of R108,5 million on the deeply subordinated shareholder loans. The foreign exchange gain for the period was recorded on the translation of the notes liability at the end of the quarter, as a result of the revaluation of the local currency against the Euro. The prior period included early settlement penalties/dividends of R67,0 million on redemption of preference shares liabilities in the predecessor group and debt break costs of approximately R27,8 million.

Taxation

The taxation charge of R94,4 million was in line with the profits reported above.

Profit for the period

The resulting profit after taxation was R249,2 million as compared to the prior period loss of R159,6 million. The overall variance to prior period was mainly due to the increased holding in Emperors Palace, decreased financing charges and the effects of the foreign exchange contracts/exposures.

The six month period ended 30 June 2008 (unaudited) compared to the six month period ended 30 June 2007 (unaudited)

Overview

Our revenue increased by 15,9% from R1 069,6 million for the six months ended 30 June 2007 to R1 239,9 million for the six months ended 30 June 2008, partially as a result of the current period including 100% of the revenues of Emperors Palace with effect from 25 April 2007, compared with 83% in the prior year; and, partially as a result of organic growth. Organic revenue growth is estimated at approximately 8,4% for the period. Emperors Palace revenues grew by 4,8% and PGB and Tusk Mmabatho performed well with growth of 34,7% and 31,4%, respectively.

Gaming revenues improved by 13,7% from R873,5 million to R993,2 million in June 2008.

Rooms revenues improved by 30,8% in the six months. The room rates and occupancies increased at most units.

Operating costs

Operating costs for the six months ended 30 June 2008 were R823,4 million, an increase of R40,8 million, or 5,2%, from R782,6 million for the six months ended 30 June 2008. This was mainly due to the change in holding of Emperors Palace partially offset by the transaction related costs totalling R90,1 million as described above. In addition, VAT and gaming levies on gross gaming revenue at R194,8 million were R25,3 million up on the prior year, due to the higher revenues reported.

Depreciation for the six months ended 30 June 2008 was R86,7 million, an increase of R27,6 million, or 46,7%, from R59,1 million for the six months ended 30 June 2007. This increase was due primarily to the increased size of the group, as well as additional depreciation on the revalued property, plant and equipment acquired, from the date of the transaction. In 2007 the group increased the depreciation rate on certain buildings from approximately 1 to 2,6% based on a re-estimation of the future lives of these buildings.

Operating profit

The resulting operating profit at R416,5 million was R129,9 million, or 45,3% up on the prior period. The increase in adjusted operating profit, after the effects of the Transactions, would have been 10,6%.

EBITDA

EBITDA increased by 45,6% from R345,7 million to R503,2 million over the same period. The change in EBITDA was due primarily to the Emperors Palace change in holding offset by exceptional employee and other operational costs incurred as a result of the Transactions.

Adjusted EBITDA grew by 15,5% during the six months, before adjusting for the effect of the change in holding of Emperors Palace. The comparable pro forma EBITDA growth for the six months was approximately 8,2%.

Finance income

Finance income for the six months ended 30 June 2008 was R1 493,7 million, an increase of R1 415,7 million over the prior period. The variance to the prior period was mostly due to the foreign exchange gains that resulted from the restatement of FECs hedging the notes liability at the end of the six months, as the local currency weakened considerably against the Euro during the six months. The gain was largely offset by the foreign exchange losses described below.

Finance expenses

Finance expenses at R1 760,2 million were R1 383,1 million up on the prior period, largely due to interest costs of R306,5 million incurred on the notes; interest of R210,1 million on the deeply subordinated shareholder loans; and net foreign exchange losses of R1 225,2 million. The foreign exchange loss for the six months was recorded on the translation of the notes liability at the end of the period, largely as a result of the devaluation of the local currency against the euro.

Taxation

Taxation at a credit of R8,7 million was down on the prior year, primarily due to the change in taxation rate from 29% to 28% and the resultant change in rate for the opening deferred taxation balance.

Profit for the period

The resulting profit after tax at R158,7 million is to be compared to the prior period loss of R57,1 million. The overall variance to prior period was mainly due to the increased holding in Emperors Palace, more than offset by the Transactions costs, greatly increased financing charges and the effects of the foreign exchange contracts/exposures.

Liquidity and capital resources

Historically, our liquidity requirements have arisen primarily from the need to fund our capital expenditure and our acquisitions. Our principal source of liquidity has been our cash flows from operating activities and borrowings under our credit facilities. Our liquidity requirements will arise primarily to meet our debt service obligations in respect of the notes and to fund capital expenditures and working capital requirements, if any. Our principal sources of liquidity are expected to be cash flows from operations; future borrowings permitted by the indenture; and, amounts available under our revolving credit facility.

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

Cash flows

For the six month period ended 30 June 2007 and 2008, we have provided condensed unaudited consolidated cash flow information which is derived from the condensed unaudited consolidated cash flow statement of our predecessor company for the four month period from 1 January 2007 to 24 April 2007 and of the successor for the two month period from 25 April 2007 to 30 June 2007, and the condensed unaudited consolidated cash flow statement of the successor company for the six month period from 1 January 2008 to 30 June 2008.

The condensed unaudited financial information has been derived exclusively from the cash flow statements of the predecessor and successor companies. These do not take into account that the two companies' accounts are reported on a different basis. Amounts reported in the income statement of the predecessor company on a historical basis have been presented with amounts reported in the income statement of the successor company on a fair value basis adjusted as of the date of the Peermont purchase. The condensed unaudited cash flow information is provided for information purposes only and does not purport to present our historical cash flows for the periods presented, nor is it necessarily representative of our cash flows for any future periods.

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

	Six months ended 30 June	
	Successor 2008 (unaudited) R'm	Predecessor 2007 (unaudited) R'm
Cash flows from operating activities	**512,2**	385,6
Finance income	**30,2**	33,2
Finance expenses	**(222,3)**	(141,7)
Taxation paid	**(23,0)**	(38,6)
Cash flows generated from operating activities	**297,1**	238,5
Cash flows from investing activities	**(117,9)**	(5 510,8)
Cash flows from financing activities	**(17,4)**	5 529,0
Net increase in cash and cash equivalents	**161,8**	256,7

Cash flows from operating activities

Net cash in flows from operating activities for the period were R512,2 million compared to R385,6 million in the predecessor/successor company. This increase was due to the effect of the increased holding in Emperors Palace, the Transactions included in EBITDA in the prior period and organic growth.

Finance income

This consists mainly of interest received on cash deposits at financial institutions.

Finance expenses
This is made up predominantly of interest paid on the notes of R208,7 million, the borrowings by PGB and the PGEFSH Group. In the prior period the expense consisted predominantly of cash paid as preference dividends to the holders of preference shares of R67,0 million; debt break costs of approximately R27,8 million and interest costs incurred on debt in the predecessor company, prior to the Transactions. All interest relating to the shareholders loans has been eliminated as non cash flow at the reporting date.

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

Cash flows from investing activities
Capital expenditure for the six months was R118,1 million, predominantly on new projects, building maintenance and replacement of gaming equipment.

Cash flows from financing activities
Net cash outflows from financing activities for the period amounted to R17,4 million.

The outflow for the notes buy back was R1 129,2 million, which was funded by the realisation of R1 134,0 million of value that arose in the Forward Exchange Contracts.

In the prior period the company:
- issued new shares to a value of R381,2 million at the time of the Transactions;
- raised R1 946,7 million in deeply subordinated shareholder loans;
- raised a bridge loan of R4 995,7 million to fund the acquisition of the shares in Old Peermont Global;
- repaid the bridge loan of R4 997,5 million on the same day;
- repaid borrowings existing in the Old Peermont Global Group of R336,0 million;
- repaid R61,5 million of long-term borrowings;
- redeemed preference shares to the value of R1 095,5 million;
- raised R4 994,6 million through the notes issue; and,
- incurred costs of R266,0 million relating to the notes.

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

Cash and cash equivalents
At 30 June 2008 the Peermont Group had R623,9 million in cash resources available to service debt, working capital requirements and new projects. Approximately R40,0 million of this is required for operational and casino floats at the various properties and approximately R45,7 million is controlled on behalf of the beneficiaries of the trusts, consolidated for accounting purposes, as mentioned earlier.

Capital expenditures
Our capital expenditures in the six months ended 30 June 2008 and 30 June 2007 were R116,6 million and R55,4 million, respectively, representing approximately 9,4% and 5,2% of total revenue for those periods. Cash used for capital expenditures consists primarily of (a) cash used for the replacement of gaming equipment and hotel furniture, fittings and equipment and property refurbishment as well as other assets used for the maintenance of our properties, plant and equipment net of proceeds received from the sale of property, plant and equipment ("maintenance capital expenditure"); and, (b) cash used to expand (other than by way of acquisitions) our business capacity to increase revenue and profitability ("expansion capital expenditure"). Expansion capital expenditure includes the purchase of additional gaming equipment, expansion of existing properties and the development of new properties.

Our maintenance capital expenditures in the six months ended 30 June 2008 and 30 June 2007 were R42,3 million and R55,4 million, representing approximately 3,4% and 5,2% of total revenue, respectively. Our maintenance capital expenditures for both periods reflected ordinary course maintenance and replacement of gaming equipment, primarily slot machines, hotel furniture, fittings and equipment.

Our expansion capital expenditures in the six months ended 30 June 2008 was R74,3 million, representing approximately 6,0% of total revenue for the period. This consisted of payments by PGB of R5,0 million for the upgrade and expansion work performed at the Sedibeng and Syringa Casinos completed during 2007; R21,7 million incurred by PGNW on construction work performed on the Rio Metcourt Hotel; R0,8 million incurred on initial costs relating to the relocation of the Tusk Umfolozi complex to Richards Bay; and, approximately R46,8 million was spent on the new Metcourt Hotel at Emperors Palace. No expansion capital expenditure was incurred during the six month period ended 30 June 2007.

Available capital resources

Following the completion of the offering of the notes, our principal sources of funds are provided by cash flows from operations; amounts raised as specific project debt allowed per the indenture; and, amounts available under our revolving credit facility. At 30 June 2008, of the R400,0 million available under our revolving credit facility for working capital and general corporate purposes, R300,4 million of the facility had been utilised to provide guarantees to various gambling boards and financial institutions, and R99,6 million was available for future borrowings.

Subsequent to quarter end, the R210 million guarantee previously held by the Eastern Cape Gambling and Betting Board ("ECGBB") has been released, and this facility is now available to the group.

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

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

Scheduled repayments of our current obligations

Set out below is a summary of amounts due and committed under our contractual cash obligations at 30 June 2008:

	Less than 1 year R'm	1–3 years R'm	3–5 years[6] R'm	After 5 years R'm	Total R'm
First priority senior secured notes due 2014[1] [6]	82,0	—	5 008,7	—	5 090,7
Deeply subordinated shareholder loans[2] [6]	—	—	2 417,3	—	2 417,3
Bank borrowings[3]	17,2	23,1	20,4	23,8	84,5
Corporate bond[4]	—	27,8	—	—	27,8
Promissory note liabilities	5,2	11,8	2,0	—	19,0
Retention creditors	11,7	—	—	—	11,7
Finance lease agreements	0,4	1,3	1,0	—	2,7
Shareholder loan[5]	—	—	—	3,7	3,7
	116,5	64,0	7 449,4	27,5	7 657,4
Operating lease commitments	10,0	14,2	8,3	65,2	97,7
Total	126,5	78,2	7 457,7	92,7	7 755,1

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

Pension plans

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

Off-balance sheet arrangements

We have no off-balance sheet arrangements.

Contingent liabilities

SARS has challenged the taxation effect of a R33,8 million gain made by PGER Holdings (Pty) Ltd on the realisation of a foreign currency option contract in 2005. The company obtained Senior Counsel opinion at the time of submitting the taxation return and consequently treated the gain as non-taxable. The company intends to challenge SARS on its interpretation of the law and has referred the matter to its taxation advisers. Should the SARS interpretation prove to be correct, the group may be exposed to an additional taxation liability of approximately R9,8 million, which has currently not been provided for.

Market risk

Foreign currency risk

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

In connection with the issuance of the notes, we entered into forward exchange contracts for the first four years from date of issue, covering the rand equivalent of the principal amount of €520 million, substantially all of the estimated early settlement premium and interest due under the notes to that date. During the quarter, we repurchased €103,9 million of the notes and revised the hedging arrangements.

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

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

Currency transaction effects occur due to the fact that in 2007 we earned 93% of our revenue in rand and incurred approximately 8% of our total costs in pula. We do not hedge this exposure. Currency translation effects occur due to the fact that our Botswana operations earned all of their revenue in pula and also prepared their financial statements in this currency. For group consolidation purposes these financial statements are translated to rand, the group's reporting currency.

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

Interest rate risk

We generally adopt a policy of managing our exposure to changes in floating interest rates on our borrowings through interest rate swaps.

The notes interest is fixed at $7^{3}/_{4}$% until 2014. The interest on the shareholder loans, the balances of which were R1 077,6 million and R1 339,7 million at period end is set at 18,2% and 18,4% respectively.

Critical accounting policies and use of estimates

The Group's accounting policies are set out in Annexure C. The policies of the predecessor company were accepted as those of the successor company and have been consistently applied except as disclosed below.

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

Cash flow hedging

The group discontinued the cash flow hedge accounting for the notes hedging instruments during the quarter. Based on advice received as a consequence of the company entering into the cross-currency swap transaction, the hedge effectiveness of the credit contingent cross currency swaps would result in reduced hedge effectiveness, until the date of final settlement. It was therefore decided to discontinue cash flow hedging the notes hedging instruments.

Depreciation of buildings

On acquisition, the successor group reviewed the future expected life of buildings and the components parts thereof and changed the estimated average useful life from 100 to approximately 40 years (1% depreciation to 2,6%).

Business acquisitions

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

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

Residual value and useful life

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

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

Income taxes

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

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

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

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

New accounting interpretations issued and not yet implemented
IAS 1 (revised 2007) Presentation of Financial Statements
Comprehensive revision including requiring a statement of comprehensive income – effective 1 January 2009
IAS 23 (revised 2007) Borrowing Costs
Comprehensive revision to prohibit immediate expensing – effective 1 January 2009
IAS 27 (revised 2008) Consolidated and Separate Financial Statements
Consequential amendments arising from amendments to IFRS 3 – effective 1 July 2009
IAS 32 (revised 2008) Financial instruments presentation
Amendments relating to puttable instruments and obligations arising on liquidation – effective 1 January 2009
IFRS 8 Operating Segments
Effective 1 January 2009
IFRIC 13 Customer Loyalty Programmes
Effective 1 July 2008
IFRIC 14 Interpretation of IAS 19
The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective 1 January 2008

The company has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to the date of this report, which would be effective for the company's accounting period on or after 1 July 2008. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the company's results.

New and ongoing developments

New Metcourt Hotel at Emperors Palace

The new 248 room Metcourt hotel, the fourth hotel at the group's Emperors Palace resort, is progressing well and is expected to be completed within the budgeted cost of R170 million. The hotel is scheduled for opening in the first quarter of 2009.

Burgersfort Casino licence

We were informed that the Limpopo Gambling Board ("LGB") is planning to commence a new bidding process during 2008. Peermont has acquired the land required for this project and is therefore well placed to submit a revised bid.

Mthatha Casino licence

Peermont engaged with the ECGBB and requested the release of our R210 million guarantee for the project. Due to the delays caused by the land claims, the legal challenges to the award of the licence and the increase in building costs being experienced in the country, we believed that the project in the form committed to in our licence bid, was no longer viable. The ECGBB agreed to release Peermont's guarantee on condition that the preferred bidder status for the licence was revoked. Accordingly the guarantee has now been released.

During the current quarter the group wrote off R3,4 million of previously capitalised casino licence application costs relating to this project.

Tusk Umfolozi Casino relocation

The Peermont board previously approved the relocation of the Tusk Umfolozi Casino at Empangeni to the Richards Bay waterfront area, at a budgeted cost of R233 million. The process of finalising land purchase agreements, completing the environmental impact assessment and obtaining the appropriate local governmental approvals is ongoing.

Construction is expected to commence in the first quarter of 2009, with the resort planned to open in the second quarter of 2010.

Rio Casino Hotel

The construction of the 70 room hotel, a 300 seat conference centre, a new restaurant and an enlarged kitchen to serve the increased requirements of the complex is well under way. The total budgeted cost of this project remains at R70,0 million. R3,0 million of this was spent in 2007 and the balance of R67,0 million is expected to be spent in 2008 and 2009. Subject to the necessary approvals from the local authorities and the North West Gambling Board, the hotel is planned to open in the first quarter of 2009.

Annexure A

CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF:

Peermont Global (Proprietary) Limited
and its subsidiaries (Successor)

for the six months ended on 30 June 2008 and as at 30 June 2008, and for the period from 25 April and ended on 30 June 2007 ("two months") and as at 30 June 2007

and

Peermont Global Investments Limited
and its subsidiaries (Predecessor)

for the four months ended 24 April 2007 ("four months")

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Income statements

for the three months ended 30 June 2008 and 2007

	Note	**Successor three months ended 30 June 2008 (unaudited) R'm**	Predecessor/ successor three months ended 30 June 2007 (unaudited) R'm
Revenue		**641,8**	570,0
Gaming		**512,1**	468,3
Rooms		**55,9**	43,0
Food and beverage		**60,8**	39,2
Other		**13,0**	19,5
Other income	1	**(0,1)**	(0,3)
		641,7	569,7
Operating costs		**(424,5)**	(459,5)
Employee costs		**(117,5)**	(190,4)
VAT and gaming levies on gross gaming revenue		**(100,6)**	(90,6)
Promotions and marketing costs		**(41,4)**	(30,9)
Depreciation and amortisation		**(44,9)**	(35,2)
Property and equipment rentals		**(8,3)**	(8,0)
Other operational costs		**(111,8)**	(104,4)
Operating profit		**217,2**	110,2
Net finance income/(expenses)		**126,4**	(260,1)
Finance income	2	**191,2**	66,7
Finance expenses	2	**(64,8)**	(326,8)
Profit/(loss) before taxation		**343,6**	(149,9)
Taxation		**(94,4)**	(9,7)
Profit/(loss) for the period		**249,2**	(159,6)
Attributable to:			
Equityholders of Peermont		**247,1**	(163,2)
Minority shareholders		**2,1**	3,6
		249,2	(159,6)

INCOME STATEMENTS

for the six months ended 30 June 2008 and 2007

	Note	**Successor six months ended 30 June 2008 (unaudited) R'm**	Predecessor/ successor six months ended 30 June 2007 (unaudited) R'm
Revenue		**1 239,9**	1 069,6
Gaming		**993,2**	873,5
Rooms		**109,5**	83,7
Food and beverage		**110,0**	74,2
Other		**27,2**	38,2
Other income	1	**—**	(0,4)
		1 239,9	1 069,2
Operating costs		**(823,4)**	(782,6)
Employee costs		**(227,0)**	(286,3)
VAT and gaming levies on gross gaming revenue		**(194,8)**	(169,5)
Promotions and marketing costs		**(84,3)**	(57,2)
Depreciation and amortisation		**(86,7)**	(59,1)
Property and equipment rentals		**(16,3)**	(15,1)
Other operational costs		**(214,3)**	(195,4)
Operating profit		**416,5**	286,6
Net finance expenses		**(266,5)**	(299,1)
Finance income	2	**1 493,7**	78,0
Finance expenses	2	**(1 760,2)**	(377,1)
Profit/(loss) before taxation		**150,0**	(12,5)
Taxation		**8,7**	(44,6)
Profit/(loss) for the period		**158,7**	(57,1)
Attributable to:			
Equityholders of Peermont		**150,0**	(67,7)
Minority shareholders		**8,7**	10,6
		158,7	(57,1)

BALANCE SHEETS

at 30 June 2008 and 30 June 2007

	Notes	**Successor 30 June 2008 (unaudited) R'm**	Successor 30 June 2007 (unaudited) R'm
Assets			
Total non-current assets		**9 176,5**	8 641,2
Property, plant and equipment	3	**4 095,9**	4 017,3
Intangible assets	4	**4 567,2**	4 615,3
Amount due by joint venture partner		**2,8**	3,5
Derivative instruments		**510,3**	3,7
Deferred taxation asset		**0,3**	1,4
Total current assets		**720,1**	473,2
Inventories		**38,9**	38,8
Trade and other receivables		**47,6**	67,5
Amounts due by joint venture		**0,3**	0,1
Amounts due by related parties		**5,0**	—
Current portion of derivative instruments		**1,8**	1,0
Taxation		**2,6**	7,6
Cash and cash equivalents		**623,9**	358,2
Total assets		**9 896,6**	9 114,4
Equity and liabilities			
Equity			
Capital and reserves		**293,2**	154,1
Minority interest		**32,2**	23,3
Total equity		**325,4**	177,4
Total non-current liabilities		**8 935,0**	8 448,2
Interest-bearing long-term borrowings	5	**7 540,9**	6 898,3
Preference share liabilities		**—**	0,5
Derivative instruments		**—**	86,8
Amounts due to related parties		**42,6**	—
Deferred taxation liabilities		**1 351,5**	1 462,6
Total current liabilities		**636,2**	488,8
Trade and other payables		**269,2**	300,6
Provisions		**13,5**	44,3
Amounts due to related parties		**7,9**	4,8
Current portion of interest-bearing long-term borrowings	5	**116,5**	92,2
Current portion of derivative instruments		**217,7**	15,6
Taxation liabilities		**11,4**	31,3
Total equity and liabilities		**9 896,6**	9 114,4

Statement of changes in equity

for the six months ended 30 June 2008

	Share capital and premium R'm	Hedging reserve R'm	Translation reserve R'm	Retained earnings R'm	Sub-total R'm	Minority interest R'm	Total R'm
Successor Group							
Balance at 1 January 2008	381,2	18,6	(1,7)	(242,1)	156,0	28,6	184,6
Profit for the period	—	—	—	150,0	150,0	8,7	158,7
Foreign exchange translation gain	—	—	1,3	—	1,3	—	1,3
Dividends paid	—	—	—	—	—	(5,1)	(5,1)
Unrealised gains on fair value of cash flow hedge	—	(14,1)	—	—	(14,1)	—	(14,1)
Unaudited balance at 30 June 2008	**381,2**	**4,5**	**(0,4)**	**(92,1)**	**293,2**	**32,2**	**325,4**

CASH FLOW STATEMENTS

for the six months ended 30 June 2008 and 2007

	Successor six months ended 30 June 2008 (unaudited) R'm	Predecessor/ successor six months ended 30 June 2007 (unaudited) R'm
Cash flows from operating activities	**512,2**	385,6
Finance income	**30,2**	33,2
Finance expenses	**(222,3)**	(141,7)
Taxation paid	**(23,0)**	(38,6)
Cash flows generated from operating activities	**297,1**	238,5
Cash flows from investing activities	**(117,9)**	(5 510,8)
Acquisition of shares in subsidiaries	**—**	(5 454,2)
Replacement of property, plant and equipment to maintain operations	**(42,7)**	(60,2)
Acquisition of property, plant and equipment to expand operations	**(74,3)**	—
Replacement of intangible assets	**(1,5)**	(1,5)
Proceeds on disposal of property, plant and equipment	**0,4**	4,8
Repayment of shareholders loan by joint venture	**0,2**	0,3
Cash flows from financing activities	**(17,4)**	5 529,0
Proceeds on issue of shares	**—**	381,2
Shareholders' loans raised	**—**	1 946,7
Bridging loan raised	**—**	4 995,7
Bridging loan repaid	**—**	(4 997,5)
Debt buy back/issuance costs paid	**(4,2)**	(266,0)
Repayment of preference share liabilities	**—**	(1 095,5)
Advance to shareholders for deal costs	**—**	(1,8)
Interest-bearing long-term borrowings raised	**—**	4 994,6
Interest-bearing long-term borrowings repaid	**(13,8)**	(397,5)
7,75% Senior Secured Notes repurchased	**(1 129,2)**	—
Cash settlement in respect of derivative instruments	**1 134,9**	6,0
Dividends paid	**(5,1)**	(36,9)
Net increase in cash and cash equivalents	**161,8**	256,7
Cash and cash equivalents at beginning of the period	**462,1**	102,4
Effect of exchange rate fluctuations on cash held	**—**	(0,9)
Cash and cash equivalents at end of the period	**623,9**	358,2

NOTES TO THE FINANCIAL STATEMENTS

for the three and six months ended 30 June 2008

		Successor three months ended 30 June 2008 (unaudited) R'm	Predecessor/ successor three months ended 30 June 2007 (unaudited) R'm	**Successor six months ended 30 June 2008 (unaudited) R'm**	Predecessor/ successor three months ended 30 June 2007 (unaudited) R'm
1	**Other income**				
	Loss on sale of assets	**(0,1)**	(0,3)	**—**	(0,4)
		(0,1)	(0,3)	**—**	(0,4)
2	**Net finance expenses**				
	Interest received	**15,0**	26,3	**30,1**	32,3
	Foreign exchange gains	**35,2**	40,4	**1 322,6**	40,4
	Fair value adjustment on interest rate swaps	**1,4**	—	**1,4**	5,3
	Discount on 7,75% notes repurchased	**139,6**	—	**139,6**	—
	Finance income	**191,2**	66,7	**1 493,7**	78,0
	Preference dividends	**—**	(74,9)	**—**	(88,7)
	Interest charge	**(278,8)**	(192,9)	**(526,5)**	(224,1)
	Foreign exchange gains/(losses)	**222,5**	—	**(1 225,2)**	—
	Fair value adjustments on interest rate swap	**—**	(59,0)	**—**	(64,3)
	Other finance costs	**(8,5)**	—	**(8,5)**	—
	Finance expenses	**(64,8)**	(326,8)	**(1 760,2)**	(377,1)

3 Property, plant and equipment

	Depreciation rate %	Cost (unaudited) R'm	Impairment (unaudited) R'm	Accumulated depreciation (unaudited) R'm	Carrying value (unaudited) R'm
Successor 30 June 2008					
Land	**—**	**188,7**	**—**	**—**	**188,7**
Freehold buildings	2,6	**3 458,0**	**—**	**(108,1)**	**3 349,9**
Leasehold buildings	Lease period	**158,8**	**—**	**(4,9)**	**153,9**
Furniture, fittings and equipment	10 – 100	**354,1**	**—**	**(81,3)**	**272,8**
Capital work in progress	**—**	**130,6**	**—**	**—**	**130,6**
		4 290,2	**—**	**(194,3)**	**4 095,9**
Successor 30 June 2007					
Land	—	159,0	—	—	159,0
Freehold buildings	1 – 2,6	3 436,9	—	(11,3)	3 425,6
Leasehold buildings	Lease period	169,0	—	(0,5)	168,5
Furniture, fittings and equipment	10 – 100	253,5	—	(15,0)	238,5
Capital work in progress	—	25,7	—	—	25,7
		4 044,1	—	(26,8)	4 017,3

NOTES TO THE FINANCIAL STATEMENTS

for the three and six months ended 30 June 2008 (continued)

		Successor 30 June 2008 (unaudited) R'm	Predecessor 30 June 2007 (unaudited) R'm
3	**Property, plant and equipment (continued)**		
	Freehold land and buildings comprise the following properties:		
	– Stand 64, Jones Road, Kempton Park	**3 023,3**	3 102,0
	– Portions 25, 28, 38 of the farm Driehoek 275 IS, portion 71 of the farm Driehoek 137 IS, and erven 5868 and 5869 Secunda Extension 16	**174,3**	178,9
	– Erf 101 San Lameer, Registration Division ET, Province of KwaZulu-Natal in extent 6933 metres	**39,6**	40,2
	– Lot 16145, Francistown, Botswana	**21,1**	13,0
	– Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem	**64,2**	65,9
	– Erven 995 and 996, Meiringspark Extension 8, Klerksdorp	**116,8**	119,6
	– Erf 20, Thohoyandou	**70,4**	57,1
	– Portion 1 of Erf 113, Kuleka, Empangeni	**7,9**	7,9
	– Farm Leeuwvallei 297 KT, Burgersfort	**21,0**	—
		3 538,6	3 584,6

4 Intangible assets

	Amortisation rate %	Cost (unaudited) R'm	Accumulated amortisation (unaudited) R'm	Carrying value (unaudited) R'm
Successor 30 June 2008				
Goodwill	**—**	**1 385,3**	**—**	**1 385,3**
Casino licences	**—**	**2 765,0**	**(0,4)**	**2 764,6**
Right to receive management fees	**—**	**382,4**	**—**	**382,4**
Trademarks	**—**	**20,0**	**—**	**20,0**
Computer software	33,3 – 50	**7,7**	**(4,4)**	**3,3**
Franchise costs	Lease period	**3,3**	**(0,7)**	**2,6**
Right of use of buildings	Lease period	**13,0**	**(4,0)**	**9,0**
		4 576,7	**(9,5)**	**4 567,2**
Successor 30 June 2007				
Goodwill	—	1 338,4	—	1 338,4
Casino licences	—	2 855,4	—	2 855,4
Right to receive management fees	—	382,4	—	382,4
Trademarks	—	20,0	—	20,0
Computer software	33,3 – 50	5,4	(0,9)	4,5
Franchise costs	Lease period	3,3	(0,1)	3,2
Right of use of buildings	Lease period	12,1	(0,8)	11,3
		4 617,0	(1,8)	4 615,2

NOTES TO THE FINANCIAL STATEMENTS

for the three and six months ended 30 June 2008 (continued)

		Successor 30 June 2008 (unaudited) R'm	Predecessor 30 June 2007 (unaudited) R'm
5	**Interest-bearing long-term borrowings**		
	South African – secured		
	Senior Secured Notes 2014	**5 090,7**	4 774,6
	ABSA term loans – PGEFS	**74,8**	90,8
	South African – unsecured		
	Deeply subordinated shareholders' loans	**2 417,3**	2 013,7
	Promissory note liabilities	**19,0**	24,2
	Minority shareholder of PGEFSH	**3,7**	3,1
	Retention creditors	**11,7**	24,1
	Foreign – secured		
	First National Bank of Botswana Limited	**9,7**	28,7
	Foreign – unsecured		
	Corporate bond – Botswana	**27,8**	28,0
	Finance leases		
	Iskhus Power (Proprietary) Limited	**2,7**	3,3
	Total interest-bearing long-term borrowings	**7 657,4**	6 990,5
	Current portion included in current borrowings	**(116,5)**	(92,2)
		7 540,5	6 898,3

Annexure B

Peermont Global (Proprietary) Limited
Registration number 2006/006340/07
("Peermont" or "the company")

PRO FORMA UNAUDITED CONSOLIDATED GROUP INFORMATION FOR THE THREE MONTHS ENDED 30 JUNE 2008

	Pro forma consolidated three months ended 30 June 2008 (unaudited) R'm	Change %	Pro forma consolidated three months ended 30 June 2007 (unaudited) R'm
Revenue	**634,3**	10,3	575,2
Gaming	**506,6**	5,9	478,3
Rooms	**55,3**	28,6	43,0
Food and beverage	**59,6**	55,6	38,3
Other	**12,8**	(17,9)	15,6
EBITDA	**261,5**	9,2	239,4

PRO FORMA UNAUDITED CONSOLIDATED GROUP INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Pro forma consolidated six months ended 30 June 2008 (unaudited) R'm	Change %	Pro forma consolidated six months ended 30 June 2007 (unaudited) R'm
Revenue	**1 224,9**	8,4	1 129,9
Gaming	**982,2**	5,1	934,8
Rooms	**108,2**	24,9	86,6
Food and beverage	**107,6**	42,3	75,6
Other	**26,9**	(18,2)	32,9
EBITDA	**499,8**	8,2	461,9

Results of operations for the three month period ended 30 June 2008 (pro forma) compared to the results of operations for the three month period ended 30 June 2007 (pro forma)

Overview

Group revenue for the quarter increased by 10,3% from R575,2 million to R634,3 million. Despite Easter falling in the first quarter this year as opposed to the second quarter in the prior year, gaming revenue increased by 5,9% to R506,6 million and hotel and resort revenue increased by 31,8% to R127,7 million. Operating costs excluding depreciation and amortisation were well contained, and notwithstanding a R3,4 million write off of previously capitalised casino licence application costs relating to Mthatha, increased by 11,1% to R372,9 million for the quarter (or 10,1% excluding this write off). Under these challenging conditions, EBITDA increased by 9,2% to R261,5 million.

Revenue and EBITDA at Emperors Palace grew by R29,6 million (7,3%) and R8,5 million (5,0%) for the period while revenue and EBITDA derived from the balance of the group operations grew by R29,5 million (17,4%) and R13,6 million (19,3%) respectively. In particular, our Botswana operations delivered an exceptional performance with revenues and EBITDA increasing by 34,4% and 64,3% respectively.

The lower growth in gaming revenue can be attributed mainly to the Emperors Palace operation in Gauteng, where growth in the casino gaming market slowed significantly and there was additional competitive pressure from the Silverstar casino that opened in December 2007. Pressure on disposable income in the form of rising interest rates, increases in food and fuel prices all contributed to the subdued performance.

The reduction in other revenue can be attributed mainly to the decision to in-source food and beverage operations at Tusk Mmabatho and Khoroni, the in-sourcing of the Queen of the Nile buffet restaurant at Emperors Palace, a reduction in entertainment income, and the closure of Monsoon Lagoon (in its previous form as a nightclub at Emperors Palace). The in-sourcing of these food and beverage operations resulted in the revenue from concessionaires previously included in other operational income in 2007, being replaced by food and beverage revenue from these operations in 2008.

Operations

Emperors Palace

Revenue at Emperors Palace grew by 7,3% to R435,2 million compared to R405,6 million in the same period of the prior year. Gross gaming revenues ("GGR") grew by 5,1% to R368,6 million. This subdued growth was as a result of the pressures on disposable income as mentioned above and the opening of the seventh casino in Gauteng.

The Silverstar casino on the West Rand opened its doors to the public from 16 December 2007. Despite the opening of the new casino, GGR for Gauteng in the second quarter grew by 8,6%, resulting in a reduction in the market share of competing casinos in Gauteng. Emperors Palace withstood the increased competition relatively well as a result of increased marketing focus and spend. We managed to maintain our market share for the quarter at approximately 25%.

In contrast to our gaming activities, hotel and resort operations produced very strong rooms revenue growth and increased levels of banqueting business. The weak rand is continuing to make South Africa a more attractive destination and we are continuing to see strong growth in our international segment of rooms revenue. Rooms revenue increased by 29,4% to R27,7 million compared to R21,4 million in the prior period. The continued positive performance of the rooms department bodes well for the opening of the fourth hotel on the property at the beginning of the new year.

Emperors Palace (continued)

EBITDA at Emperors Palace increased by 5,0% to R177,5 million. EBITDA growth was marginal due to cost growth exceeding the subdued revenue performance against the backdrop of higher inflation levels and the difficult economic climate.

The EBITDA margin declined for the quarter from 41,7% as at 30 June 2007 to 40,8% as at 30 June 2008.

Graceland

Graceland revenues decreased by 4,8% from R26,9 million in 2007 to R25,6 million. The adverse performance was due to a decline in GGR which was 7,2% lower than the prior period at R18,7 million, mainly due to economic factors, but also partially due to roadworks on the N17 highway, the major access route to the property from Johannesburg.

Overhead expenses remained relatively constant as compared to the prior period. However, the increased marketing expenditure to promote the property, combined with the revenue deficit on the prior period, resulted in an EBITDA reduction of 15,9% from R6,9 million to R5,8 million. This resulted in a margin decline from 25,7% for the second quarter in 2007, to 22,7% for the second quarter in 2008.

Botswana

The Botswana operations produced an exceptional performance and increased revenue by 44,4% in pula terms from pula 35,1 million (R40,4 million) for the quarter ended 30 June 2007 to pula 50,7 million (R54,3 million) for the same period in 2008. Gaming revenues improved by 46,8% on the prior period with tables and slots contributing growth of 115,8% and 26,8% respectively. Hotel and resort revenue grew by 42,9% to pula 32,1 million. The Walmont Ambassador hotel delivered the strongest hotel and resort revenue growth of 43,9% for the quarter. Included in the current quarter is revenue of pula 1,4 million for the Sedibeng and Syringa casinos in northern Botswana, which opened in December 2007.

During the second quarter the Grand Palm commenced with a refurbishment programme which will comprise a revamp of the casino, the refurbishment of the fifth floor at the Walmont Ambassador hotel and the refurbishment of the Livingstone's restaurant. This will cause some disruption to operations in the future but contingency plans have been put in place to keep this to a minimum.

EBITDA grew in pula terms by 88,4% to pula 17,1 million (2007: pula 9,1 million) for the quarter. The EBITDA margin improved to 33,7% (2007: 25,9%).

Rio

Rio grew revenue by 3,7% to R33,9 million, despite a very strong revenue performance in the prior year's second quarter. The prior year performance was on the back of the resurgent mining activity in the area.

Increased marketing spend to drive gaming revenue growth coupled with an increase in administrative expenses, water and electricity costs caused EBITDA to decrease by 4,7% from R15,0 million in 2007 to R14,3 million in 2008. This resulted in a decline of the EBITDA margin to 42,2% (2007: 45,9%).

Tusk Mmabatho

Tusk Mmabatho achieved total revenue of R23,7 million for the quarter, up 33,9% on the same quarter in 2007. This includes additional revenues from the food and beverage department which was in-sourced from January 2008. On a comparable basis, the revenue growth was 19,5% for the period. Tables had an exceptional quarter, growing revenues by 74% to R2,7 million. EBITDA increased by 64% to R6,4 million, resulting in a improvement of the EBITDA margin to 27,0% (2007: 22,0%).

Khoroni (previously Tusk Venda)

Khoroni completed its rooms and public areas refurbishment in 2007 and the unit has in-sourced the food and beverage department from December 2007. The unit achieved revenue growth of 36,0% to R15,5 million for the quarter. On a comparable basis, excluding the food and beverage department, the revenue growth was 13,0%. EBITDA at R3,5 million was above the R3,3 million for the same period in 2007. The margin reduction was as a direct result of the decision to in-source the food and beverage department.

Tusk Umfolozi

Tusk Umfolozi continued to perform well and revenue was up by 10,5% at R30,4 million compared to the same period in the prior year. EBITDA at R10,9 million was 9,0% up on the prior period. The EBITDA margin was slightly lower for the quarter at 35,9% compared to 36,4% for the same period in 2007.

Frontier Inn

The Frontier Inn and casino achieved revenues of R9,0 million, a decrease of 7,2% on the prior period. This is largely attributed to the subdued local economy, with tables play showing a reduction on the prior year period. EBITDA at R1,7 million was 26,1% less than the 2007 quarter. The EBITDA margin decreased to 18,9% (2007: 23,7%).

Head office and management companies (head office)

Head office revenue increased by 19,4%, from R36,1 million in the second quarter in 2007 to R43,1 million in the second quarter in 2008.

Head office EBITDA increased by 25,9% from R18,5 million in the 2007 quarter to R23,3 million in the 2008 quarter. The EBITDA margin reflected an improvement at 54,1% when compared to the 51,2% achieved in the prior period.

Head office expensed R3,4 million in respect of previously capitalised casino licence application costs for the Mthatha casino licence in June 2008. The increase in revenue and EBITDA can largely be attributed to growth in revenues and profitability in the managed units and an adjustment made to the management fees earned from Emperors Palace to take into account the revised group structure after the transactions.

Results of operations for the six month period ended 30 June 2008 (pro forma) compared to the results of operations for the six month period ended 30 June 2007 (pro forma)

Overview

Group revenue for the six months increased by 8,4% from R1 129,9 million to R1 224,9 million. Gaming revenue increased by 5,1% to R982,2 million and hotel and resort revenue increased by 24,4% to R242,7 million. Operating costs excluding depreciation and amortisation were well contained and increased by 8,6% to R725,1 million for the six months. Under challenging conditions, EBITDA increased by 8,2% to R499,8 million.

Revenue and EBITDA at Emperors Palace grew by R38,3 million (4,8%) and R11,0 million (3,4%) for the period while revenue and EBITDA derived from the balance of the group operations grew by R56,7 million (17,2%) and R26,9 million (19,5%) respectively. In particular, our Botswana operations delivered an exceptional performance with revenues and EBITDA increasing by 34,7% and 67,8% respectively.

Operations

Emperors Palace

Revenue at Emperors Palace grew by 4,8% to R837,6 million compared to R799,3 million in the same period of the prior year. GGR grew by 3,3% to R710,1 million. This subdued growth was as a result of the pressures on disposable income as mentioned above and the opening of the seventh casino in Gauteng.

Despite the opening of the new casino, GGR for Gauteng for the first six months grew by 7,1%, resulting in a drop in the market share of competing casinos in Gauteng. Emperors Palace withstood the increased competition relatively well as a result of increased marketing focus and spend, whilst market share remained at approximately 25% for the six months.

Rooms revenue increased by 24,2% to R54,9 million compared to R44,2 million in the prior period. The continued positive performance of the rooms department bodes well for the opening of the fourth hotel on the property at the beginning of the new year.

EBITDA at Emperors Palace increased by 3,4% to R334,6 million. EBITDA growth was marginal due to cost growth exceeding the subdued revenue performance against the backdrop of higher inflation levels.

The EBITDA margin declined slightly for the six months from 40,5% as at 30 June 2007 to 39,9% as at 30 June 2008.

Graceland

Graceland revenues decreased by 3,6% from R53,0 million in 2007 to R51,1 million. The adverse performance was due to a decline in GGR which was 5,7% lower than the prior period at R37,3 million, mainly due to economic factors, but also partially due to temporary disruption arising from the implementation of a new casino management system in January 2008 and the roadworks on the N17 highway.

Overhead expenses remained relatively constant as compared to the prior period. However, the increased marketing expenditure to promote the property combined with the revenue deficit as compared to the prior period, resulted in an EBITDA reduction of 15,9% to R11,6 million from R13,8 million in the same quarter of the prior year. This resulted in a margin decline from 26,0% for the six months in 2007, to 22,7% for the six months ended in 2008.

Botswana

The Botswana operations produced an exceptional performance and increased revenue by 38,4% in pula terms from pula 67,5 million (R76,9 million) for the six months ended 30 June 2007 to pula 93,4 million (R103,6 million) for the same period in 2008. Gaming revenues improved by 45,2% on the prior period with tables and slots contributing growth of 99,4% and 29,3% respectively. Hotel and resort revenue grew by 34,6% to pula 58,7 million. The Walmont Ambassador hotel delivered the strongest hotel and resort revenue growth of 36,8% for the quarter. Included in the current year is revenue of pula 2,7 million for the Sedibeng and Syringa casinos in northern Botswana, which opened in December 2007.

EBITDA grew in pula terms by 82,1% to pula 30,6 million (2007: pula 16,8 million). The EBITDA margin improved to 32,8% (2007: 24,9%).

Rio

Rio grew revenue by 6,0% to R67,6 million, despite a very strong revenue performance in the prior year's first six months. The prior year performance was on the back of the resurgent mining activity in the area.

EBITDA increased by 1,0% from R29,3 million in 2007 to R29,6 million in 2008. In the six months to 30 June 2007 the unit received a credit adjustment to rates and taxes of R0,3 million, which boosted the prior period EBITDA. Increased marketing spend, administrative costs, water and electricity costs resulted in a decline of the EBITDA margin to 43,8% (2007: 45,9%).

Tusk Mmabatho

Tusk Mmabatho achieved total revenue of R44,8 million for the six months, up 31,4% on the same six months in 2007. This includes additional revenues from the food and beverage department which was in-sourced from January 2008. On a comparable basis, the revenue growth was 18,7% for the period. EBITDA grew by 28,7% to R11,2 million; however the EBITDA margin declined to 25,0% (2007: 25,5%). The decision to in-source the food and beverage department and the related start-up costs was a primary factor in the reduction of the margin percentage.

Khoroni

The unit achieved revenue growth of 29,6% to R29,3 million for the six months. On a comparable basis the revenue growth was 11,0%. EBITDA at R7,0 million, was flat when compared to the prior year period. The EBITDA margin declined to 23,9% (2007: 31,0%). The margin reduction was as a direct result of the decision to in-source the food and beverage department.

Tusk Umfolozi

Tusk Umfolozi continued to perform well and revenue was up by 10,8% at R59,6 million compared to the same period in the prior year. EBITDA at R22,0 million was 12,2% up on the prior period. The EBITDA margin continues to improve and was 36,9% for the six months compared to 36,4% for the same period in 2007.

Frontier Inn

The Frontier Inn and casino achieved revenues of R18,3 million, a decline of 2,7% on the prior period. EBITDA at R3,2 million was 11,1% less than the same six months of 2007. The EBITDA margin declined to 17,5% (2007: 19,1%).

Head office and management companies (head office)

Head office revenue increased by 20,6%, from R69,3 million in the first six months in 2007 to R83,6 million in the first six months in 2008.

Head office EBITDA increased by 25,7% from R37,4 million in the 2007 half year to R47,0 million in the 2008 six months. The EBITDA margin reflected an improvement at 56,2% when compared to the 54,0% achieved in the prior period.

In June 2008 head office expensed R3,4 million in respect of previously capitalised licence application costs for the Mthatha casino licence application. The increase in revenue and EBITDA can largely be attributed to growth in revenues and profitability in the managed units and an adjustment made to the management fees earned from Emperors Palace to take into account the revised group structure after the Transactions.

Basis of preparation

The pro forma unaudited consolidated income statement information for the six month periods ended 30 June 2007 and 2008 presented above were based on:

2007: the four months' historical unaudited consolidated income statements of Old Peermont Global to 24 April 2007 plus the consolidated income statements of Peermont from 25 April 2007 to 30 June 2007.

2008: the six months' unaudited consolidated income statements of Peermont, prepared in accordance with IFRS.

The pro forma unaudited group financial information presented above has been prepared in accordance with Peermont's accounting policies consistently applied during the periods presented.

Pro forma adjustments

The main differences between the pro forma information presented and the reported results in the quarterly report for the periods ended 30 June 2008 and 30 June 2007 are:

- The Emperors Palace operation has been fully consolidated for the 2007 period on a pro forma basis;
- The PGSH operations have been proportionately consolidated at 75%, the estimated future holding after the settlement expected to be reached with the minority shareholders, whereas the quarterly report consistently proportionately consolidates PGSH at the current entitlement of 97%. This adjustment has been consistently applied for 2007 and 2008; and
- Certain costs relating to the Transactions were adjusted in the 2007 figures to allow a fairer comparison. The pro forma unaudited consolidated income statement information for the six month period ended 30 June 2007 gives pro forma effect to the costs/transactions as if these had not occurred in the period.

The basis of the adjustments was explained in previous quarterly reports.

The pro forma adjustments are based on preliminary estimates, information currently available and certain assumptions that we believe are reasonable, and may be revised as additional information becomes available.

The pro forma unaudited group information is presented for illustrative purposes only and does not purport to represent what the results of the operations of Peermont or Old Peermont Global would have been had the events listed above occurred on 1 January 2007, or to project the future results of operations of Peermont for any future period.

The pro forma information for the historic Old Peermont Global periods includes the following operations:

- 100% of PGER Holdings (Pty) Ltd Group (Emperors Palace operation);
- 100% of Peermont Global (Botswana) (Pty) Ltd (all operations based in Botswana including Grand Palm Hotel, Casino and Convention Centre, Mondior Summit hotel, Metcourt Lodge hotel, Metcourt Inn hotel and the Gaborone International Convention Centre);
- 100% of PGEFS Holdings (Pty) Ltd Group (Frontier operation);
- 75% of Peermont Global (Southern Highveld) (Pty) Ltd (Graceland operation);
- 100% of Mondazur Resort Hotel (a division of Old Peermont Global);
- 100% Tusk Resorts (Pty) Ltd (including Rio, Tusk Mmabatho and Tusk Taung);
- 100% Tusk Venda Casino Ltd (Khoroni operation);
- 100% of Emanzini Leisure Resorts (Pty) Ltd (Umfolozi operation); and
- 100% of the management and holding companies in the Peermont Group.

The pro forma information for Peermont since the implementation of the scheme includes the following operations:

- 100% of the Emperors Palace division of Peermont;
- 100% of the Mondazur Resort Hotel division of Peermont;
- 100% of Peermont Global (Botswana) (Pty) Ltd (all operations based in Botswana including the Grand Palm Hotel, Casino and Convention Centre, Mondior Summit hotel, Metcourt Lodge hotel, Metcourt Inn hotel, the Gaborone International Convention Centre, Sedibeng casino in Francistown and Syringa casino in Selebi-Phikwe);
- 100% of PGEFS Holdings (Pty) Ltd Group (Frontier operation);
- 75% of Peermont Global (Southern Highveld) (Pty) Ltd (Graceland operation);
- 100% Peermont Global (North West) (Pty) Ltd (including Rio, Tusk Mmabatho and Tusk Taung);
- 100% Tusk Venda Casino Ltd (Khoroni operation);
- 100% of Peermont Global (Limpopo) (Pty) Ltd (New owner of the Khoroni operation);
- 100% of Peermont Global (KZN) (Pty) Ltd (Umfolozi operation);
- 100% of Peermont Global (Tubatse) (Pty) Ltd (Burgersfort bid company);
- 100% of the previous operating, management and holding companies in the Old Peermont Global Group (mostly dormant); and
- 100% of the management and holding companies in the Peermont Group.

Annexure C

Group accounting policies

Peermont Global (Proprietary) Limited
Quarterly report for the three and six months ended 30 June 2008

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

Statement of compliance
The annual financial statements and group annual financial statements have been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board and the Companies Act in South Africa.

Basis of preparation
The annual financial statements are presented in rand which is the group's functional currency rounded to the nearest million. The annual financial statements and group annual financial statements are prepared on the historical cost basis, except for investments in derivative financial instruments that are stated at fair value. The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

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

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

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

Revenue
Revenue derived from hotel and conference activities, food and beverage revenues, rentals, entertainment revenues and other income, is recorded on an accrual basis. Casino winnings are accounted for on a cash received basis. VAT and other taxes levied on casino winnings are included in revenue and treated as expenses as these are borne by the company and not its customers. VAT on all other revenue transactions is excluded from revenue.

Expenses

Operating lease payments

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

Finance lease payments

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

Finance income and finance expenses

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

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

Taxation

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

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

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

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

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

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

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

Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are recognised directly in equity. They are released into the income statement upon disposal.

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

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

The carrying value of freehold buildings is compared to values determined by professional valuers at least once every three years, using the open market value basis in continuation of existing use for land and buildings. When the carrying value of buildings exceeds the value determined by professional valuers, the carrying value is adjusted downwards through a charge to the income statement. The renewal value, if not insignificant, is reassessed annually.

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

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

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

The depreciation methods, residual values and useful lives are reassessed at each reporting date. Gains/(losses) on the disposal of property, plant and equipment are recognised in profit or loss. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

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

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

Leasehold buildings are depreciated over the remaining leasehold periods.

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

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

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in profit or loss.

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

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

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

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

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

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

Goodwill	Indefinite
Casino licences	Indefinite
Right of use of buildings	Lease period
Bid commitment costs	0% – 6,7%
Licence application costs	Indefinite
Computer software	33,3% – 50%
Franchise costs	Lease period
Right to receive management fees	Indefinite

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

Impairment

The carrying amount of the group's assets excluding deferred taxation is reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is an indication that an asset may be impaired, its recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

An impairment loss in respect of the group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted, where the effect of discounting is immaterial.

The recoverable amount of other assets or cash-generating units is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

Financial guarantee contracts

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

Derivative financial instruments

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

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

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

Other non-derivative financial instruments

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

Hedging

Cash flow hedges

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

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

Hedge of monetary assets and liabilities

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

Inventories

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

Accounts and other receivables

Accounts and other receivables originated by the group are stated at cost less impairment losses.

Cash and cash equivalents

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

Share capital

Preference share capital

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

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

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

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

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Accounts and other payables
Accounts and other payables are stated at cost.

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

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

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

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

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

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

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