



PEERMONT

HOTELS CASINOS RESORTS

PeerMont Global Holdings II (Proprietary) Limited

(Formerly Linkton Investments (Proprietary) Limited)

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www.peermont.com

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2007

DATE: 25 APRIL 2008





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DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 31 December 2007, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

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

Approval of the annual financial statements

The annual financial statements were approved by the board of directors on 25 April 2008 and are signed on its behalf by:

AE Puttergill
Group Chief Executive Officer

WG Robinson
Group Financial Director

DECLARATION BY COMPANY SECRETARY

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2007, the Company has lodged with the Register of Companies, all such returns as are required in terms of this Act and that all such returns are true, correct and up to date.

DL Petzer
Company Secretary



CORPORATE GOVERNANCE STATEMENT

for the year ended 31 December 2007

Introduction

The company is committed to good corporate governance and subscribes to the principles contained in the second King Report on Corporate Governance for South Africa.

The company is compliant with all material aspects of the second King Report. Compliance with relevant governance codes and the evolution of the company's governance policies and processes are regarded as and continue to be priorities.

Annual financial statements

The annual financial statements set out in this report have been prepared by management in accordance with IFRS. These annual financial statements are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements and estimates.

The directors of the company are responsible for the preparation of the annual financial statements and related financial information that fairly presents the state of affairs and the results of the company. The external auditors are responsible for independently auditing and reporting on these annual financial statements in conformity with statements of International Standards on Auditing.

Audit and risk committee

The audit and risk committee, which comprises non-executive representatives of the controlling shareholders, meets periodically with the company's external and internal auditors and executive management to review accounting, auditing and financial reporting matters to ensure that an effective control environment in the company is maintained. The committee also monitors proposed changes in accounting policy, reviews the internal audit function and discusses the accounting implications of major transactions. The internal and external auditors have unrestricted access to the audit committee. The committee also evaluates the risk management systems and risk reporting within the group. The committee reviews and assesses the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed.

Remuneration committee

The group remuneration committee, which comprises two non-executive directors of Peermont Global (Proprietary) Limited ("Peermont"), meets at least twice a year to review executive remuneration, general employee remuneration increase principles and budgeted remuneration for the forthcoming year.

Internal audit

The group's internal audit function is designed to serve management and the board of directors through independent evaluations and examinations of the company's activities and resultant business risks.

The internal audit department is designed to respond to management's needs whilst maintaining an appropriate degree of independence to render impartial and unbiased judgements in performing its services. The scope of the internal audit function includes performing independent evaluations of the adequacy and effectiveness of the company's controls, financial reporting mechanisms and records, information systems and operations, reporting on the adequacy of these controls and providing additional assurance regarding the safeguarding of company assets and financial information.

Internal controls

The board of directors is responsible for the company's systems of internal control. These systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements and to safeguard, and maintain accountability of its assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the board of directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The controls throughout the company concentrate on critical risk areas. All controls relating to the critical risk areas are closely monitored and subject to internal audit.

The framework of internal control is underscored by a comprehensive internal audit charter enabling directors to evaluate the effectiveness of the systems and procedures implemented.

Going concern

The annual financial statements have been prepared on the going concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.



INDEPENDENT AUDITORS' REPORT

To the members of Peermont Global Holdings II (Proprietary) Limited

Report on the financial statements

We have audited the annual financial statements of Peermont Global Holdings II (Proprietary) Limited, which comprise the balance sheet at 31 December 2007, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 6 to 23.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Peermont Global Holdings II (Proprietary) Limited at 31 December 2007, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Per G Aldrighetti
Chartered Accountant (SA)
Registered Auditor
Director
25 April 2008



DIRECTORS' REPORT

for the year ended 31 December 2007

The directors present their report, which forms part of the audited annual financial statements of the company, for the year ended 31 December 2007.

Nature of business

The company acts as an investment holding company, and is incorporated in South Africa.

Financial results and dividends

The financial results of the company are set out in the attached annual financial statements. No dividends have been declared during the year and none are recommended (2006: Rnil).

Share capital

The company was formed with a share capital of R100. During the year an additional 199 900 shares were issued at a premium of R381,0 million. Details of the authorised and issued share capital are contained in note 6 to the annual financial statements.

Shareholding

Peermont Global Holdings I (Proprietary) Limited ("PGH I") holds 100% of the share capital of Peermont Global Holdings II (Proprietary) Limited ("PGH II"), making the company a wholly owned subsidiary of PGH I. The ultimate holding company is Maxshell 114 Investments (Proprietary) Limited ("Maxshell").

As a wholly owned subsidiary and in accordance with the provisions of the Companies Act of South Africa, as amended, no separate group financial statements have been prepared.

Change of legal name

The company changed its legal name from Linkton Investments (Proprietary) Limited to PGH II on 16 April 2007.

Directors

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

AP Nkuna	Chairman	(Appointed 19 March 2008)
AE Puttergill	Group Chief Executive Officer	
CO Elk		(Appointed 19 March 2008)
DG Field		
P Langeni		(Appointed 19 March 2008)
HM Madima		(Appointed 19 March 2008)
ET Mokoena		(Appointed 19 March 2008)
WG Robinson		(Appointed 19 March 2008)
MT Tabata		(Appointed 19 March 2008)

Secretary

The secretary of the company is DL Petzer, appointed 8 February 2007, as a replacement for Morestat Corporate Services (Proprietary) Limited which resigned on 8 February 2007. The registered business and postal addresses are:

Business address

Peermont Place
152 Bryanston Drive
Bryanston
2021

Postal address

PO Box 98670
Sloane Park
2152

Financial year

The year ended 31 December 2006 refers to the period from date of incorporation of the company, 2 March 2006 to 31 December 2006.

Post balance sheet event

On 22 April 2008 the company's subsidiary, Peermont, announced an offer to purchase up to €104,0 million of its 7¾% Senior Secured Notes due 2014 in issue by means of a Modified Dutch Auction at a price of between €870 and €890 per €1 000 tendered by the holders. The intention of the offer is to enable Peermont to reduce its level of borrowings at the current advantageous trading prices. Peermont expects to fund the offer from cash proceeds it expects to realise upon renegotiating the terms of its current hedging obligations with the counterparties. As part of the negotiations with the hedge counterparties, it is likely that the basis of the hedge will be changed from being non-credit contingent to being credit linked to Peermont.



ACCOUNTING POLICIES

for the year ended 31 December 2007

Peermont Global Holdings II (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 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 company's functional currency. The 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 accounting policies and the 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 annual 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 annual 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 and losses 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 annual 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 purposes of these annual financial statement, as at acquisition refers to the fair value acquired and accordance with IFRS 3 *Business combinations*.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2007

Revenue

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

Expenses

Operating lease payments

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

Finance lease payments

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

Finance income and finance expenses

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

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

Taxation

Income taxation on the profit or loss for the year comprises current and deferred taxation. Income taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxation payable in respect of previous years.

Deferred taxation is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. 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.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2007

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the group entities 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 currency 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 retranslation of the net investment in foreign operations, and of related hedges, are recognised directly in equity, to the extent that the hedge is effective. 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, and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of assets will flow to the group and its cost 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 use for land and, where appropriate, the depreciated replacement cost method for buildings. When the carrying value of buildings exceeds the value determined by professional valuers, the carrying value is adjusted downwards through a charge to the income statement. The residual value, if not insignificant, is reassessed annually.

Depreciation is 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:

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.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2007

Property, plant and equipment (continued)

Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. 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 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 in the income statement as incurred.

Development expenditure

Development expenditure is capitalised if 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 expected to be indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The current estimated useful lives per category of intangible assets are as follows:

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

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





ACCOUNTING POLICIES (continued)

for the year ended 31 December 2007

Impairment

The carrying amount of the group's assets excluding deferred taxation and inventories 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 future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted, where the effect of discounting is not material.

The recoverable amount of an asset 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.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2007

Derivative financial instruments (continued)

Derivatives are recognised initially at fair value; 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 estimated market price at the balance sheet date, being the present value of the quoted forward price. Discounted using a South Africa rand yield curve.

Other non-derivative financial instruments

Other non-derivative financial instruments are recognised at fair value, plus any directed attributable transaction cost subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Other financial instruments comprise trade and other receivables, trading and other payables, amounts 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 forecasted transaction subsequently results in the recognition of 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 forecasted 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 (i.e., when interest income or expense is recognised). The ineffective part of any gain or loss is recognised immediately in the income statement.

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

Hedge of monetary assets and liabilities

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

Inventories

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

Cash and cash equivalents

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2007

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 preference 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 deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends

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

Provisions

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

Employee benefits

Short-term employee benefits

The costs of all short-term employee benefits are recognised during the period in which the employee renders the related service. The provisions for employee entitlement to wages, salaries and annual leave represent the amount which the group has a present obligation to pay as a result of employees' services provided up 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 or other 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 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.

**INCOME STATEMENT**

for the year ended 31 December 2007

	Note	2007 R'm	2006 R'm
Other operational costs		(1,2)	—
Operating loss	1	(1,2)	—
Net finance income	2	2,8	—
Finance income		260,6	—
Finance expenses		(257,8)	—
Profit before taxation		1,6	—
Taxation	3	(0,5)	—
Profit for the year		1,1	—

BALANCE SHEET

at 31 December 2007

	Note	2007 R'm	2006 R'm
Assets			
Total non-current assets		2 588,8	*
Investment in subsidiary	4	381,5	*
Amount due by subsidiary	5	2 207,3	—
Total current assets		*	—
Taxation asset		*	—
Total assets		2 588,8	*
Equity and liabilities			
Equity			
Capital and reserves		382,3	*
Total non-current liabilities		2 206,5	—
Interest-bearing long-term borrowings	7	2 204,5	—
Amount due to subsidiary	8	2,0	—
Deferred taxation liability	9	*	—
Total current liabilities		*	—
Trade and other payables	10	*	—
Total equity and liabilities		2 588,8	*

*Less than R50 000

**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 December 2007

	Note	Share capital R'm	Share premium R'm	Retained earnings R'm	Total R'm
Balance at incorporation		—	—	—	—
Share capital issued		*	—	—	*
Balance at 31 December 2006		*	—	—	*
Share capital and share premium issued	6	0,2	381,0	—	381,2
<i>Total recognised income and expense</i>					
Profit for the year		—	—	1,1	1,1
Balance at 31 December 2007		0,2	381,0	1,1	382,3

*Less than R50 000

CASH FLOW STATEMENT

for the year ended 31 December 2007

	Note	2007 R'm	2006 R'm
Cash flows from operating activities	12.1	(1,2)	—
Finance income received	12.2	—	—
Finance expenses paid	12.3	—	—
Taxation paid	12.4	(0,5)	—
Cash flows utilised in operating activities		(1,7)	—
Net cash outflows from investing activities		(2 328,2)	*
Acquisition of investment in subsidiary		(381,5)	*
Increase in amount due by subsidiary		(1 946,7)	—
Net cash flows from financing activities		2 329,9	*
Interest-bearing long-term borrowings raised		1 973,3	—
Debt issuance costs paid		(26,6)	—
Proceeds on issue of share capital and share premium		381,2	*
Increase in non-current amount due to subsidiary		2,0	—
Net increase in cash and cash equivalents		—	—
Cash and cash equivalents at beginning of the year		—	—
Cash and cash equivalents at end of the year		—	—

*Less than R50 000



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

	2007 R'm	2006 R'm
1. Operating loss		
Operating loss is stated after taking into account:		
Accounting and consulting fees	1,1	—
Auditors' remuneration		
– audit fee current period	*	—
Legal fees	*	—
2. Net finance income		
Finance income		
– Interest received	260,6	—
Finance expenses		
– Interest paid	(257,8)	—
Net finance income	2,8	—
3. Taxation		
South African normal taxation		
– Current year	0,5	—
Deferred taxation		
– Current year	*	—
Total taxation	0,5	—
<i>Reconciliation of rate of taxation</i>	%	%
South African standard taxation rate	29,0	29,0
<i>Taxation effect of reconciling items:</i>		
– disallowed expenses	0,8	—
Effective rate	29,8	29,0
<i>Reconciliation of taxation charge</i>		
Accounting profit before taxation	1,6	—
Current taxation thereon	0,5	—
<i>Taxation effect of reconciling items:</i>		
– disallowed expenses	*	—
	0,5	—

*Less than R50 000



NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

	2007	2006		
	R'm	R'm		
4. Investment in subsidiary				
The following information relates to the company's interest in subsidiary:				
<i>Unlisted</i>				
Investment in share capital	381,5	*		
Name	Country of incorporation/ residence	Number of shares held	Proportion owned	Nature of business
PeerMont	South Africa	200 000	100%	Develop and manage hotel, casino and convention resorts
			2007	2006
			R'm	R'm
5. Amount due by subsidiary				
PeerMont				
– PIK Equity Loan	1 086,3	—		
– PIK Notes Loan	860,4	—		
– Accrued interest	260,6	—		
PIK Equity Loan	140,6	—		
PIK Notes	120,0	—		
	2 207,3	—		

* Less than R50 000

On 24 April 2007 PGH I raised R1 086,3 million under a PIK Equity Loan agreement bearing interest at 18%. The full amount was advanced to PGH II, which in turn advanced the full amount to PeerMont, which lent proportionate amounts to certain of its subsidiaries to enable them to acquire certain casino operations and casino management businesses. An effective interest rate of 18,4% nominal annual compounded semi-annually ("NACS") is charged on the PIK Equity Loan, payable when PeerMont is required to make payments. The PIK Equity Loan will become due and payable by 31 December 2106.

On 24 April 2007 PGH II issued R887,0 million 18% notes due 2015 ("the PIK Notes") and advanced the full amount to PeerMont, which in turn advanced proportionate amounts to certain of its subsidiaries to enable them to acquire certain casino operations and casino management businesses. The costs incidental to the issue of the PIK Notes were capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 19,84% NACS. Interest on the PIK Notes is payable, at the option of PeerMont, on 30 April and 30 October each year. The PIK Notes will mature on 30 April 2015. These may be redeemed in whole or in part at any time on or after 30 October 2010 subject to certain conditions.



NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

	2007 R'm	2006 R'm
6. Share capital and share premium		
Share capital		
<i>Authorised</i>		
204 000 (2006: 4 000) ordinary shares of R1	0,2	*
<i>Issued</i>		
200 000 (2006: 100) ordinary shares of R1	0,2	*
Share premium		
Arising on issues of shares	381,0	—
7. Interest-bearing long-term borrowings		
<i>South African – unsecured</i>		
<i>Shareholder's loan – PIK Equity Loan</i>	1 225,3	—
The total capital amount is payable to PGH I by 31 December 2106. Interest of 18,2% NACS is charged on the PIK Equity Loan, payable when PGH II is required to make payments.		
<i>Foreign – unsecured</i>		
<i>PIK Notes</i>	979,2	—
Total PIK Notes liability	999,0	—
Less deferred debt issuance costs	(19,8)	—
On 24 April 2007, the company issued R887,0 million 18% PIK Notes due 2015. This amount was advanced to Peermont – (refer note 5). The costs incidental to the issue of the PIK Notes were capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 19,63% NACS. Interest on the PIK Notes is payable, at the option of PGH II, on 30 April and 30 October each year. The PIK Notes will mature on 30 April 2015. They may be redeemed in whole or in part at any time on or after 30 October 2010 subject to certain conditions.		
	2 204,5	—
8. Amount due to subsidiary		
Peermont	2,0	—
This amount is unsecured, interest-free and has no fixed terms of repayment.		
9. Deferred taxation liability		
At beginning of the year	—	—
Taxation effect of temporary differences	*	—
At end of the year	*	—
Temporary differences are made up as follows:		
Deferred taxation liability:		
Potential premium on early redemption	*	—
	*	—
10. Trade and other payables		
Audit fee accrual	*	—
	*	—

*Less than R50 000



NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

11. Related parties

11.1 Identity of related parties with whom material transactions have occurred:

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

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

- ◆ PeerMont, including Emperors Palace, Mondazur and head office management and investment divisions
- ◆ PeerMont Global (North West) (Proprietary) Limited, including Tusk Rio, Tusk Mmabatho and Tusk Taung divisions
- ◆ PeerMont Global (KZN) (Proprietary) Limited
- ◆ PeerMont Global (Limpopo) (Proprietary) Limited
- ◆ PeerMont Global Management (KZN) (Proprietary) Limited
- ◆ PeerMont Global Management (NW&L) (Proprietary) Limited
- ◆ PeerMont Global (Botswana) (Proprietary) Limited
- ◆ PeerMont Global (Eastern Free State) (Proprietary) Limited ("PGEFS")
- ◆ PeerMont Global (Southern Highveld) (Proprietary) Limited
- ◆ PeerMont Global (Tubatse) (Proprietary) Limited

PeerMont Global Investments Limited is the holding company of PGEFS Holdings (Proprietary) Limited ("PGEFSH"), PeerMont Global Tusk Holdings (Proprietary) Limited ("PGTH") and PeerMont Global Management (Proprietary) Limited

PGEFSH is the holding company of PGEFS

PGTH is the holding company of:

- Tusk Casino and Hotel Management Holdings (Proprietary) Limited
- Tusk Resorts Holdings (Proprietary) Limited ("TRH")
- Tusk Casino and Hotel Management Holdings (B) (Proprietary) Limited
- Tusk Resorts Holdings (B) (Proprietary) Limited
- Tusk Casino and Hotel Management (Proprietary) Limited
- Tusk Casino and Hotel Management (B) (Proprietary) Limited
- Emanzini Leisure Resorts (Proprietary) Limited

TRH is the holding company of Tusk Resorts (Proprietary) Limited. Tusk Venda Casino Limited is a wholly owned subsidiary of Tusk Resorts (Proprietary) Limited.

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

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

11.2 Material related party transactions

PeerMont

The company paid accounting and consulting fees of R1,1 million (31 December 2006 – Rnil) to PeerMont during the year ended 31 December 2007.

11.3 Amounts due from/(to) subsidiary

Refer to notes 5, 7 and 8 for amounts due by and to related parties.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

for the year ended 31 December 2007

	2007	2006
	R'm	R'm
12. Notes to the cash flow statement		
12.1 Cash flows from operating activities		
Operating loss	(1,2)	—
Cash generated by changes in working capital	*	—
Increase in trade and other payables	*	—
	(1,2)	—
12.2 Finance income received		
Interest received	260,6	—
Less interest accrued remaining in amount due by subsidiary	(260,6)	—
	—	—
12.3 Finance expenses paid		
Interest paid	(257,8)	—
Less interest accrued remaining in interest-bearing long-term borrowings	257,8	—
	—	—
12.4 Taxation paid		
Amount outstanding at beginning of year	—	—
Income statement charge	(0,5)	—
Amount receivable at end of year	*	—
	(0,5)	—

*Less than R50 000

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

for the year ended 31 December 2007

13. Financial instruments

Exposure to interest rate and credit risks arises in the normal course of the company's business.

13.1 Interest rate risk

The PIK Notes and PIK Equity Loan carry fixed interest rates. The company generally adopts a policy of ensuring that any other borrowings are at market related rates to address its interest rate risk.

The company's exposure to interest rate risk and the effective interest rates on financial instruments at balance sheet date are recorded in note 7.

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

At 31 December 2007, it is estimated that a general increase of one percentage point in interest rates would have minimal effect on the company's profit before taxation as the interest rates for all significant borrowings balances are fixed.

13.2 Credit risk

Financial assets, which are potentially subject to concentrations of credit risk, consist principally of amounts due by the subsidiary. At balance sheet date, the significant concentration of credit risk was that related to the subsidiary company, PeerMont.

13.3 Liquidity risk

The greatest exposure to liquidity risk would be where the company is unable to meet specific cash flows required by specific debt agreements. The most significant of these would be the cash flow requirements of the PIK Equity Loan and the PIK Notes.

As the PIK Equity Loan capital is only payable by 31 December 2106, and the PIK Equity Loan interest is payable when PeerMont is required to make payments, there is no significant liquidity risk relating to this debt. Similarly, the PIK Notes mature on 30 April 2015, with interest payable at the option of the company before that date. There is therefore no significant liquidity risk relating to this debt agreement.

Maturity analysis

Company	Carrying value R'm	Carrying value maturity				No fixed maturity R'm
		Within 1 year R'm	1 – 5 years R'm	More than 5 years R'm		
Assets						
Amount due by subsidiary	2 207,3	—	2 207,3*	—	—	
Liabilities						
Interest-bearing long-term borrowings	2 204,5	—	2 204,5*	—	—	
Amount due to subsidiary	2,0	—	—	—	2,0	

*It is currently the company's intention to refinance the majority, if not all, of the PIK Equity Loan (due 2106) and the PIK Notes Loan (due 2015) in 2011. Therefore these amounts are all classified in the 1-5 year period.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

for the year ended 31 December 2007

13. Financial instruments (continued)**13.4 Fair values***Fair value analysis*

The fair values of all financial instruments shown in the balance sheet approximate the carrying values.

Estimation of fair values

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

Interest-bearing long-term borrowings

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

Trade and other receivables/payables

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

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

Company	Notes	Fair value R'm	Carrying value R'm
Financial assets			
Amount due by subsidiary	5	2 207,3	2 207,3
Financial liabilities			
Interest-bearing long-term borrowings	7	2 107,8	2 204,5
Amount due to subsidiary	8	2,0	2,0
		2 109,8	2 206,5

At year end the PIK Notes were trading on the Alternative Securities Market of the Irish Stock Exchange at approximately 90,125% of the initial issue price. The fair market value was estimated at R882,5 million.

13.5 Basis of measurement

Company	Notes	Total R'm	At fair value directly in equity R'm	Financial assets and liabilities at amortised cost R'm	Non- financial assets R'm
Assets					
Investment in subsidiary	4	381,5	—	—	381,5
Amounts due by subsidiary	5	2 207,3	—	2 207,3	—
		2 588,8	—	2 207,3	381,5
Liabilities					
Interest-bearing long-term borrowings	7	2 204,5	—	2 204,5	—
Amounts due to subsidiary	8	2,0	—	2,0	—
		2 206,5	—	2 206,5	—



NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

14. Standards and Interpretations not yet effective

In the current year, the company has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("the IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007. The adoption of these standards has not resulted in changes to the company's accounting policies.

At the date of authorisation of the financial statements, the following standards and interpretations were in issue but not yet effective:

IAS 1 (*revised 2007*) *Presentation of Financial Statements* – Comprehensive revision including requiring a statement of comprehensive statement – 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 28 (*revised 2008*) *Investment in Associates* – Consequential amendments arising from amendments to IFRS 3 – Effective 1 July 2008

IAS 31 (*revised 2008*) *Interest in Joint Ventures* – 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 12 *Service Concession Arrangements* – Effective 1 January 2008

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 31 December 2007, which would be effective for the company's accounting period on or after 1 January 2008. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the company's results.

15. Significant accounting judgements and estimates

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

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

Income taxes

The company recognises 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 the company 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, the ability of the company 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 the company operates could limit the ability of the company to obtain tax deductions in future periods.

Contingent liabilities

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



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