PEERMONT

HOTELS CASINOS RESORTS

Peermont Global Holdings II (Proprietary) Limited

(formerly Linkton Investments (Proprietary) Limited)

Registration number 2006/006232/07

SEDOL: B1WQKJ1

ISIN Rule 144A: XS2097395286 ISIN Reg. S: XS0296663429

www.peermont.com

Annual Report

for the year ended 31 December 2007

Required in terms of the indenture of the R887 000 000 18% PIK Notes due 2015

DATE: 27 MARCH 2008

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INTRODUCTION

On 23 April 2007, Peermont Global Holdings II (Proprietary) Limited (formerly Linkton Investments (Proprietary) Limited) ("PGH II"), issued R887 000 000 18% Payment-In-Kind ("PIK") notes due 2015 (the PIK Notes). The PIK Notes were issued under an indenture (the PIK Notes indenture), dated as of 18 April 2007, by PGH II, a company incorporated under the laws of the Republic of South Africa.

The PIK Notes are PGH II's senior unsecured obligations and rank equal in right of payment with all of PGH II's existing and future unsecured indebtedness and effectively junior to all of PGH II's secured indebtedness, including its senior guarantee of the Senior Secured Notes due 2014, issued by PGH II's direct wholly owned subsidiary, Peermont Global (Proprietary) Limited ("Peermont" or "the issuer"). The guarantee is secured by all of the ordinary shares of Peermont.

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

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

The PIK Notes bear interest at a rate of 18% per year. Interest on the PIK Notes is payable, at the option of the issuer, on 30 April and 30 October of each year, beginning on 30 October 2007. The PIK Notes will mature on 30 April 2015. We may redeem the PIK Notes in whole or in part at any time on or after 30 October 2010 at the redemption price specified in the PIK Notes indenture. Prior to 30 April 2010, we may also redeem all or part of the PIK Notes by paying a redemption price 12 months commencing on 30 October of:

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

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

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

REPORTING

The PIK Notes indenture requires that the report issued by the Senior Secured Notes issuer, Peermont, together with an unconsolidated balance sheet of PGH II, be distributed to holders of the PIK Notes. The entire Peermont report is included as Annexure A and the unconsolidated unaudited balance sheet of PGH II is included as Annexure B.

ANNEXURE A

PEERMONT

HOTELS CASINOS RESORTS

Peermont Global (Proprietary) Limited
(formerly Opalton Investments (Proprietary) Limited)
Registration number 2006/006340/07
SEDOL: B1W6GY8
ISIN Rule 144A: XS0297394479 ISIN Reg. S: XS0296654600
www.peermont.com

ANNUAL REPORT

for the year ended 31 December 2007

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

DATE: 27 MARCH 2008

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INTRODUCTION

On 23 April 2007, Peermont Global (Proprietary) Limited (formerly Opalton Investments (Proprietary) Limited) ("Peermont, or the issuer"), issued €520 000 000 7¾% 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.

The notes bear interest at a rate of 7¾% per year. Interest on the notes is payable on 30 April and 30 October of each year, beginning 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 herein. Prior to 30 April 2010, the issuer 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 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 of the guarantors to the extent of the assets securing the guarantors of guarantees of the notes.

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

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

CERTAIN DEFINITIONS

Peermont or the issuer

The issuer was formed for the purpose of acquiring all of the operations, assets and liabilities of Peermont Global Investments Limited (formerly Peermont Global Limited) (Registration number 1995/004449/06) ("Old Peermont Global") 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 (formerly MRX 80 Investment Holdings (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.

The Transactions

The proceeds from the issuance of the notes were used to finance certain aspects of the Transactions described below.

In November 2006, the issuer made an offer to acquire the ordinary share capital of Old Peermont Global. The offer was effected through a scheme of arrangement between Peermont and its shareholders pursuant to section 311 of the South African Companies Act ("the scheme"). The scheme became operative on 24 April 2007 and Old Peermont Global became a wholly owned subsidiary of the issuer.

Old Peermont Global shareholders received a cash consideration of R13,08 per ordinary share of Old Peermont Global, representing an aggregate consideration of R4 316,0 million (€449 million).

In connection with the scheme, certain minority shareholders of the joint venture entity that owned Emperors Palace exchanged their joint venture interests for cash, ordinary shares and preference shares of PGH I ("the Emperors Palace Reorganisation"). As a result of the Emperors Palace Reorganisation, the joint venture entity that owned Emperors Palace became a wholly owned subsidiary of Peermont, which is accounted for on a fully consolidated basis.

Following the scheme becoming operative, the issuer and certain of its newly formed subsidiaries acquired Old Peermont Global's business, including the operations, assets and liabilities of Old Peermont Global and substantially all of its subsidiaries ("the Corporate Reorganisation" and, together with the Emperors Palace Reorganisation, "the Reorganisations"). In addition, the issuer acquired for cash from certain minority shareholders of Peermont Global Tusk Holdings (Proprietary) Limited ("Tusk Holdings") their equity interests in Tusk Holdings ("the Tusk minorities buyout"). As a result of the Tusk minorities buyout, Tusk Holdings became a wholly owned subsidiary of the issuer. In addition, pursuant to the Corporate Reorganisation, certain current and future minority shareholders, which are staff incentive trusts ("the staff trusts"), of certain subsidiaries of Tusk Holdings, purchased investments in certain of the newly formed subsidiaries of the issuer. We refer to the scheme, the Reorganisations and the Tusk minorities buyout collectively, as the Transactions.

ORGANISATIONAL INFORMATION

The Peermont Group consists predominantly of:

- Peermont Global (Proprietary) Limited is 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") is a limited liability company incorporated under the laws of the Republic of South Africa under Registration number 2006/028470/07, including the Tusk Rio Casino Resort ("Tusk Rio"), Tusk Mmabatho Casino Resort ("Tusk Mmabatho") and Tusk Taung Hotel ("Tusk Taung") divisions;
- Peermont Global (KZN) (Proprietary) Limited ("PGKZN" or "Tusk Umfolozi") is 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 "Tusk Venda") is 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 ("PGM NW&L") is 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 ("PGM KZN") is 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") is 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") is 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, Sedibeng Casino in Francistown and Syringa Casino in Selebi-Phikwe;
- Peermont Global (Eastern Free State) (Proprietary) Limited ("PGEFS" or "Frontier Inn") is 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 is not part of this report.

PRESENTATION OF FINANCIAL INFORMATION

We have prepared the condensed consolidated financial statements contained in this annual report in accordance with International Financial Reporting Standards ("IFRS"). We present our financial statements in South African rand. In this annual 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.

The SSN indenture requires that the consolidated audited income statements, balance sheets and cash flow statements and the related notes thereof for the issuer for the two most recent financial years, in accordance with IFRS, be presented to the trustee within 120 days of the end of the issuer's financial year. In order to comply with the requirements, the financial statements and notes thereto are in the process of being prepared and will be released to the trustees and on the company's website by 29 April 2008.

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 annual 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 annual 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.

SELECTED HISTORICAL FINANCIAL INFORMATION

The table below presents a selected unaudited summation of income statement data for the predecessor and successor companies for the twelve month period ended 31 December 2007 as well as the consolidated financial and other information as of and for the years ended 31 December 2005 and 2006 for the predecessor company. The information has been derived from Peermont's audited and/or reviewed consolidated financial statements prepared for those periods. These consolidated financial statements have been audited and/or reviewed by KPMG Inc., Registered Accountants and Auditors, Chartered Accountants (South Africa), our independent auditors, and copies are available from our registered office upon request.

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 the 25th of April 2007. This resulted in a cut-off date of the 24th of 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 the 25th of April 2007. The unaudited summation of income statement data presented for the twelve month period ended 31 December 2007 is derived from the reviewed consolidated income statement of the predecessor company for the four month period from 1 January 2007 to 24 April 2007, adjusted to exclude the Transactions, and the reviewed consolidated income statement of the successor company for the eight month period from 25 April 2007 to 31 December 2007 (representing cumulative operating results since it commenced operations effective 25 April 2007).

The issuer was formed for the purpose of acquiring Peermont's business, including the operations, assets and liabilities of Peermont and substantially all its subsidiaries. It did not have any assets or operations prior to the Transactions. Following the completion of the Transactions the issuer owns all of the currently existing assets of Peermont. In this annual report, we present historical financial information for Peermont prepared in accordance with IFRS.

You should read the selected historical financial information presented below in conjunction with the information contained in "Presentation of Financial Information, "Information regarding forward-looking statements" and "Management's Discussion and analysis of financial condition and results of operations," as well as the financial statements, including the related notes, appearing elsewhere in this annual report.

Income statement data

for the financial year ended 31 December

	Predecessor		**Predecessor/ Successor (unaudited summation)**
	(audited) 2005 R'm	(audited) 2006 R'm	**2007 R'm**
Revenue			
Gaming	985,7	1 302,3	**1 871,9**
Rooms	92,6	125,0	**186,0**
Food and beverage	119,1	138,8	**174,3**
Other revenue	39,4	66,7	**67,9**
Total revenue	1 236,8	1 632,8	**2 300,1**
Other income	0,4	2,1	**4,4**
Operating costs			
Employee costs	(260,0)	(328,4)	**(518,7)**
VAT and gaming levies on gross gaming revenue	(191,8)	(255,6)	**(366,7)**
Promotional and marketing costs	(81,0)	(101,9)	**(130,1)**
Depreciation and amortisation	(65,6)	(78,2)	**(146,6)**
Property and equipment rentals	(15,6)	(23,7)	**(32,9)**
Other operational costs	(221,2)	(293,2)	**(411,1)**
Total operating costs	(835,2)	(1 081,0)	**(1 606,1)**
Operating profit	402,0	553,9	**698,4**
Finance income	45,3	8,6	**174,3**
Finance expenses	(101,3)	(130,2)	**(976,6)**
Net finance expenses	(56,0)	(121,6)	**(802,3)**
Profit before taxation	346,0	432,3	**(103,9)**
Taxation	(118,6)	(143,3)	**(4,3)**
Profit for the year	227,4	289,0	**(108,2)**
Attributable to:			
Equityholders of Peermont	220,0	275,4	**(124,1)**
Minority shareholders	7,4	13,6	**15,9**
	227,4	289,0	**(108,2)**

Balance sheet data

at 31 December

	Predecessor		Predecessor/ Successor (unaudited summation)
	(audited) 2005 R'm	(audited) 2006 R'm	**2007 R'm**
Cash and cash equivalents	60,0	170,0	**462,1**
Property, plant and equipment	1 808,3	2 199,3	**4 062,9**
Total assets	2 647,9	3 633,7	**9 370,7**
Total debt[1]	1 076,9	1 622,8	**7 436,2**
Net debt[2]	1 016,9	1 452,8	**6 974,1**
Total equity[3]	1 180,7	1 486,8	**184,6**
Cash flow data:[4]			
Cash flows from operating activities	267,4	400,6	**527,7**
Cash flows from investing activities	(940,3)	(544,3)	**(5 649,4)**
Cash flows from financing activities	614,7	274,9	**5 482,3**
Other data:			
EBITDA[5]	467,6	632,1	**845,0**
Capital expenditure[6]	168,0	149,1	**196,1**
Number of slot machines operated (at period end)	2 168	3 105	**3 254**
Number of gaming tables operated (at period end)	96	143	**144**
Total number of hotel rooms operated (at period end)	870	1 312	**1 312**

[1] *Includes interest-bearing long-term borrowings and preference share liabilities (including current portion of interest-bearing long-term borrowings and preference share liabilities) and borrowings under bank overdrafts.*

[2] *Net debt is defined as interest-bearing long-term borrowings and preference share liabilities (including current portion of interest-bearing long-term borrowings and preference share liabilities) and borrowings under bank overdrafts less cash and cash equivalents.*

[3] *Total equity consists of share capital and premium, various reserves, retained earnings and minority interest.*

[4] *Cash flow from operating activities includes operating profit adjusted for non-cash items including depreciation and, amortisation changes in working capital, net finance expenses, taxes and dividends paid on our preference shares. Cash flow from investing activities primarily includes cash used for maintenance and expansion capital expenditure, acquisitions, investments, change in investments and cash received from proceeds from disposals of property, plant and equipment. Cash flow from financing activities includes any form of long-term debt or equity financing raised or repaid and dividends paid.*

[5] *We calculate EBITDA on the basis of profit for the year, as determined in accordance with IFRS, plus taxation, financial expenses net of financial income and depreciation and amortisation. We believe that EBITDA serves as a useful supplementary financial indicator to investors because 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 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 net profit, as an indicator of operating performance, as a measure of cash flow from operations or as an indicator of liquidity/(loss) 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, may, therefore, 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 profit for the year to EBITDA for the financial years ended 31 December 2005, 2006 and 2007 is presented below:*

[6] *Capital expenditure represents cash payments for property, plant and equipment, net of proceeds received from the sale of property, plant and equipment.*

	Predecessor		Predecessor/ Successor (unaudited summation)
	(audited) 2005 R'm	(audited) 2006 R'm	**2007 R'm**
Profit/(loss) for the year	227,4	289,0	**(108,2)**
Taxation	118,6	143,3	**4,3**
Net finance expenses	56,0	121,6	**802,3**
Amortisation	6,1	4,6	**12,1**
Depreciation	59,5	73,6	**134,5**
EBITDA	467,6	632,1	**845,0**

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 31 December 2007, 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

For the year ended 31 December 2007, we have provided condensed unaudited consolidated financial information which is derived from the condensed reviewed consolidated income statements of our predecessor company for the four month period from 1 January 2007 to 24 April 2007 and the condensed reviewed consolidated income statements of the successor company for the eight month period from 25 April 2007 to 31 December 2007, respectively. The combined condensed unaudited financial information reflects the aggregate of the financial performance of the predecessor and successor companies for the year ended 31 December 2007. The combined condensed unaudited financial information has been derived exclusively by combining items of a similar nature from the income statements of the predecessor and successor companies. Such combination does not take into account that the two company's accounts are reported on a different basis. Amounts for depreciation in the income statement of the predecessor company calculated on a historical basis have been combined 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, and the results of the Tusk group are not included in the predecessor information until 1 September 2006.

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. It is not an accurate reflection of the results of operations of the companies had they been combined for the year, nor is it necessarily representative of our results of operations for any future periods.

Joint ventures

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 approximately 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 approximately 25% in PGSH.

Key income statement items

Revenue

Our revenue consists of gaming revenue, rooms revenue, food and beverage revenue and other revenue. We refer to rooms, food and beverage and other revenue collectively as hotel and resort revenue. For the year ended 31 December 2007, we generated 81,4% of our total revenue from gaming, 8,1% from rooms, 7,6% from food and beverage 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 child care 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, incentives and employee benefits for all of our employees, including management. VAT and gaming levies on gross gaming revenue are as discussed above.

Promotional and marketing costs consist primarily of 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 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 R84,6 million of employee costs relating to the Transactions are included in operating costs for the year ended 31 December 2007. These consist of exit packages paid to executives who left the company on the implementation of the Transactions totalling R17,2 million; benefits paid/distributed to consolidated employee share trusts of R47,6 million, as described below; and, the cost of settling the share employee incentive schemes on implementation of the Transactions of R19,8 million.

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

On implementation of the scheme, Peermont Global (East Rand) (Proprietary) Limited, the previous operating company for the Emperors Palace operations, released a provision for unclaimed credits of R5,8 million to the income statement. The release of this provision has improved the results of the Group and therefore we have adjusted for the release in our adjusted EBITDA calculation.

Total transaction costs included in operating costs amounted to R105,1 million and consisted of:

- Employee costs of R84,6 million described above;
- Professional fees of R2,6 million; and
- Professional fees incurred by Old Peermont Global amounting to R17,9 million.

A total of R74,4 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 eight months to 31 December 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. This, on consolidation, was off-set against the related costs.

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 is 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 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 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, still to be formed, 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 R13,2 million being incurred by Peermont.

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

As R17,9 million was accrued by Old Peermont Global before the transaction, Peermont has recognised the remaining amount of R47,6 million, plus interest of R2,1 million earned on cash at bank, as an employee cost in the current 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.

The Tusk group of companies was acquired with effect from 1 September 2006 and consolidated from that date onward. As Emperors Palace had historically contributed approximately 70% of the group's revenues and the Tusk group contributed approximately 15% of the group revenues, both of these factors, 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.

	Year ended 31 December[1]	
Income statement data	Predecessor 2006 (audited) R'm	**Predecessor/ Successor 2007 (unaudited summation) R'm**
Revenue	1 632,8	**2 300,1**
Other income	2,1	**4,4**
Operating costs	(1 081,0)	**(1 606,1)**
Operating profit	553,9	**698,4**
Finance income	8,6	**174,3**
Finance expenses	(130,2)	**(976,6)**
Profit/(loss) before taxation	432,3	**(103,9)**
Taxation	(143,3)	**(4,3)**
Net profit/(loss) for the period	289,0	**(108,2)**
Attributable to:		
Equityholders of Peermont	275,4	**(124,1)**
Minority shareholders	13,6	**15,9**
	289,0	**(108,2)**
EBITDA reconciliation[2]		
Operating profit	553,9	**698,4**
Add: Depreciation and amortisation	78,2	**146,6**
EBITDA	632,1	**845,0**
Adjustments to EBITDA		
Add: Employee costs	—	**84,6**
Add: Other operational expenditure for professional fees	—	**2,6**
Add: Other operational expenditure paid by the predecessor company for professional fees	—	**17,9**
Adjusted EBITDA	632,1	**950,1**
Adjusted EBITDA margin[3]	38,7%	**41,4%**

(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 years ended 31 December 2007 and 31 December 2006 is presented above.

(3) Revenue for the year ended 31 December 2007 was adjusted by R5,8 million for the reversal of unclaimed credits mentioned above.

Commentary on the results for the year

The year ended 31 December 2007 (combined unaudited) compared to the year ended 31 December 2006 (audited)

Overview

Our revenue increased by 40,9% from R1 632,8 million for the year ended 31 December 2006 to R2 300,1 million for the year ended 31 December 2007, 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; partially as the Tusk group was consolidated; and, partially as a result of organic growth.

Gaming revenues improved by 43,7% from R1 302,3 million to R1 871,9 million in December 2007. Emperors Palace grew revenues by 12,6% and Tusk Umfolozi, Botswana and Graceland performed well with growth of 24,9%, 22,8% and 17,3%, respectively.

Rooms revenues improved by 48,9% in the year. The inclusion of 100% of the revenues of Emperors Palace with effect from 25 April 2007, and the addition of the 150 new rooms at the Mondior Hotel at Emperors Palace for ten months in the prior period, contributed to this growth. In addition, room rates and occupancies increased at most units.

Operating costs

Operating costs for the year ended 31 December 2007 were R1 606,1 million, an increase of R525,1 million, or 48,6%, from R1 081,0 million for the year ended 31 December 2006. This was mainly due to the change in holding of Emperors Palace and the Tusk acquisition as well as the transaction related costs totalling R105,1 million as described above. In addition, VAT and gaming levies on gross gaming revenue at R366,7 million were R111,1 million up on the prior year, due to the higher revenues reported.

Depreciation and amortisation for the year ended 31 December 2007 was R146,6 million, an increase of R68,4 million, or 87,5%, from R78,2 million for the year ended 31 December 2006. 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. The group has increased the 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 R698,4 million was R144,5 million, or 26,1% up on the prior period.

EBITDA

EBITDA increased by 33,7% from R632,1 million to R845,0 million. The increase in EBITDA was due primarily to Emperors Palace and Tusk changes offset by exceptional employee and other operational costs incurred as a result of the Transactions.

Adjusted EBITDA grew by 50,3%, before adjusting for the effect of the change in holding of Emperors Palace and the Tusk acquisition.

Finance income

Finance income for the year ended 31 December 2007 was R174,3 million, an increase of R165,7 million over the prior year. This included gains of R125,8 million on derivative instruments to hedge the notes, gains on other derivatives of R5,8 million and interest received from financial institutions.

Finance expenses

Finance expenses at R976,6 million were R846,4 million up on the prior year, due to interest costs of R337,6 million incurred on the notes; interest of R260,6 million on the deeply subordinated shareholder loans; early settlement premiums/ dividends of R67,0 million on redemption of preference share liabilities in the predecessor group; debt break costs of approximately R27,8 million; and foreign exchange losses of R216,1 million on the revaluation of the notes liability to the year end spot rate.

Taxation

Taxation at R4,3 million was well down on the prior year, primarily due to the higher interest charges.

Loss for the period

The resulting loss after tax at R108,2 million is to be compared to the prior year profit of R289,0 million. The overall variance to prior period year was due to the Transactions costs, increased VAT and gaming levies on the higher revenues reported, 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 flow from operating activities and borrowings under our credit facilities. Following the offering of the notes and completion of the Transactions, 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.

In addition, we may from time to time seek to repurchase our senior secured 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 intend to fund these requirements with operating cash flow and, subject to the satisfaction of certain conditions to borrowing, drawings under our revolving credit facility or additional debt.

Our principal sources of liquidity are expected to be cash flow from operations; future borrowings permitted by the indenture; and, amounts available under our revolving credit facility.

Cash flows

For the year ended 31 December 2007, we have provided condensed unaudited consolidated cash flow information which is derived from the condensed reviewed consolidated cash flow statement of our predecessor company for the four month period from 1 January 2007 to 24 April 2007, adjusted to exclude the Transactions, and the condensed reviewed consolidated cash flow statement of the successor company for the eight month period from 25 April 2007 to 31 December 2007, including items adjusted in the predecessor company. The condensed unaudited consolidated financial information reflects the aggregate of the cash flow performance of the predecessor and successor companies for the year ended 31 December 2007.

The condensed unaudited financial information has been derived exclusively by combining items of a similar nature from the cash flow statements of the predecessor and successor companies. Such combination does not take into account that the two company's accounts are reported on a different basis. Amounts reported in the income statement of the predecessor company on a historical basis have been combined 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 financial cash flow information is provided for information purposes only and does not purport to present our historical cash flows for the periods presented. It is not an accurate reflection of the cash flows of the companies had they been combined for the year, 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.

	Year ended 31 December	
	Predecessor 2006 (audited) R'm	**Predecessor/ Successor 2007 (unaudited) R'm**
Cash flows from operating activities	665,2	**880,8**
Finance income	6,2	**43,2**
Finance expenses	(126,6)	**(354,8)**
Taxation paid	(144,2)	**(41,5)**
Cash flows generated from operating activities	400,6	**527,7**
Cash flows from investing activities	(544,3)	**(5 649,4)**
Cash flows from financing activities	274,9	**5 482,3**
Net increase in cash and cash equivalents	131,2	**360,6**

Cash flows generated from operating activities

Net cash inflow from operating activities for the period was R527,7 million compared to R400,6 million in the predecessor company. The effect of the increased holding in Emperors Palace for eight months, the cash flows from the Tusk entities and organic growth contributed to the increase.

Finance income

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

Finance expenses

This is made up predominantly of interest of R211,5 million paid on the senior secured notes in October 2007, cash paid as preference dividends to the holders of preference shares on the redemption of the shares amounting to R67,0 million and debt break costs of approximately R27,8 million. The balance consists largely of the interest costs incurred on debt in the predecessor company, prior to the transactions. Some interest was incurred on the debt carried in certain subsidiaries, existing at the time of the transactions, and remaining after the buy out. All accrued interest relating to the shareholders' loans has been eliminated as non-cash flow at the balance sheet date.

Taxation paid

The predecessor group made certain taxation payments prior to acquisition, and certain of the subsidiaries such as PGSH, PGB and PGEFSH, will continue to incur taxation cash flows. The STC payments relating to the transaction of R11,0 million, and stamp duties of R1,8 million not capitalised into the cost of the shares acquired, are included in taxation costs.

Cash flows from investing activities

The cost of acquiring the entire share capital of Old Peermont Global and the minority interest was R5 454,2 million, including capitalised costs of approximately R187,8 million. Capital expenditure for the year was R196,1 million, predominantly on the replacement of gaming equipment, building refurbishment and computer software.

Cash flows from financing activities

Net cash inflow from financing activities for the period amounted to R5 482,3 million. This comprised mainly of:

- The company issued new shares to a value of R381,2 million at the time of the Transactions.
- The Peermont Group also raised R1 946,7 million in deeply subordinated shareholder loans. This amount is reflected net of costs incurred by PGH II of R26,6 million in raising these loans. The costs will be written up on an effective interest basis over the life of the loan.
- The bridge loan of R4 995,7 million was raised to fund the acquisition of the shares in Old Peermont Global and R4 997,5 million was repaid on the same day.
- Borrowings existing in the Old Peermont Global Group of R336,0 million were repaid at the time of the Transactions and R61,5 million was repaid by the predecessor company. The balance of the repayments consists of normal scheduled debt repayments in terms of debt agreements.
- Preference shares to the value of R1 096,0 million were redeemed at the time of the Transactions.
- The Peermont Group raised finance of R4 994,6 million through the notes issue and incurred costs of R266,0 million relating to the notes. The costs will be written up on an effective interest basis over the life of the notes.

Dividends paid

Dividends paid consisted of the minority share of a dividend paid by the Botswana operating company and a dividend paid by the predecessor company of 10 cents per share to its shareholders in April 2007.

Cash and cash equivalents

At 31 December 2007 the Peermont Group had R462,1 million in cash resources available to service debt, and fund working capital requirements and new projects.

Capital expenditures

Our net capital expenditure for the years ended 31 December 2007 and 31 December 2006, were R196,1 million and R149,1 million, respectively, representing approximately 8,6% and 9,1% of total revenue for those years. Cash used for capital expenditure 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 expenditure in the year ended 31 December 2007 and 31 December 2006 was R131,5 million and R66,9 million, representing approximately 5,8% and 4,1% of total revenue, respectively. Our maintenance capital expenditure for the year ended 31 December 2007 reflected ordinary course maintenance and replacement of gaming equipment, primarily slot machines, hotel furniture, fittings and equipment and R30,8 million spent on the refurbishment and upgrade of the Tusk Mmabatho and Tusk Venda properties. The maintenance capital expenditure for the year ended 31 December 2006 reflected ordinary course maintenance and replacement of gaming equipment, primarily slot machines, hotel furniture, fittings and equipment. The amounts spent on the upgrade of Tusk Mmabatho and Tusk Venda were planned abnormal capital expenditures, as discussed at the time of raising the bonds.

Our expansion capital expenditure for the year ended 31 December 2007 was R64,6 million, representing approximately 2,8% of total revenue for the period. This included R33,9 million incurred by Emperors Palace on the construction of the new Metcourt hotel and expansion of the gaming facilities and additional poker tables. In addition, R21,0 million was utilised to acquire the land for the Burgersfort casino project, R4,2 million on the purchase of management fee rights, R2,5 million on acquisition of the Northern casino licences, and R3,0 million was spent by Tusk Rio Casino Hotel on its hotel and ancillary facilities which are planned to open in the first quarter of 2009. Our expansion capital expenditure during the year ended 31 December 2006 was R82,2 million, representing approximately 5,0% of total revenue for the year. This consisted of R77,9 million spent on the construction of the Frontier Inn & Casino and R4,3 million of proportionately consolidated costs spent on the completion of the Mondior Concorde Hotel at Emperors Palace, both of which commenced in 2005.

Available capital resources

Following the completion of the offering of the notes, our principal sources of funds are provided by cash flow from operations; amounts raised as specific project debt allowed per the indenture; and, amounts available facilities our revolving credit facility. At 31 December 2007, of the R400,0 million available under our revolving credit facility for working capital and general corporate purposes, R255,2 million of the facility has been utilised to provide guarantees to various gambling boards and R144,8 million is available for future borrowings.

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

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

Scheduled repayments of our current obligations

Set out below is a summary of amounts due and committed under our contractual cash obligations at 31 December 2007:

	Less than 1 year R'm	1 – 3 years R'm	3 – 5 years R'm	After 5 years R'm	Total R'm
First priority senior secured notes due 2014[1]	69,6	—	4 998,4	—	5 068,0
Deeply subordinated shareholders loans[2]	—	—	—	2 207,3	2 207,3
Bank borrowings[3]	17,1	35,9	26,0	13,5	92,5
Corporate bond[4]	1,1	27,7	—	—	28,8
Promissory note liabilities	5,9	16,1	—	—	22,0
Retention creditors	11,3	—	—	—	11,3
Finance lease agreements	0,5	1,2	1,2	—	2,9
Shareholder loan[5]	—	—	—	3,4	3,4
	105,5	80,9	5 025,6	2 224,2	7 436,2
Operating lease commitments	10,9	15,6	10,1	68,2	104,8
Total	116,4	96,5	5 035,7	2 292,4	7 541,0

(1) The amount reflected is €520,0 million disclosed at the closing 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.

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

We previously reported that the South African Revenue Service ("SARS") had conducted audits in respect of certain of our subsidiaries' income tax returns. SARS had disputed the tax deductibility of certain expense items at Emperors Palace relating to pre-opening expenses of R26 million, royalties of R73,0 million and the wear and tear write-off periods claimed in respect of certain asset categories, predominantly slot machines. At a recent meeting held with SARS, the issues relating to Emperors Palace were settled at a cost of less than R0,1 million.

SARS has recently 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 transaction and translation effects resulting from fluctuations in the exchange rates between the rand and other currencies, principally the Euro, Botswana pula and U.S. 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 €520 000 000, substantially all of the estimated early settlement premium and interest due under the notes to that date.

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 Botswana 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 U.S. 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 of R980,4 million and R1 226,9 million at year 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.

Depreciation of buildings
On acquisition, the successor group reviewed the future expected life of buildings and the component parts thereof and changed the average estimated useful life from 100 to approximately 40 years (1,0% depreciation to 2,6%). This will increase the future depreciation charges to the group.

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

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

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

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

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

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

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 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 11 Interpretation of IFRS 2

Group and Treasury Share Transactions – Effective 1 March 2007

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.

New developments

New Metcourt Hotel at Emperors Palace

The Group previously announced its intention to develop a new Metcourt hotel, the fourth hotel at its flagship Emperors Palace resort, adjacent to OR Tambo International Airport in Ekurhuleni, in the greater Johannesburg Metropolitan area. This new 248 room hotel is being developed at an expected cost of some R170 million and will complement the existing hotels on the property. Construction has commenced and the hotel is scheduled for opening in the first quarter of 2009.

Northern casinos in Botswana

The acquisition by PGB of two casinos in Francistown and Selebi-Phikwe in Botswana from Admiral casinos was completed in August 2007 at a cost of Pula 2,2 million (R2,5 million). The Botswana company has commenced upgrading the casinos at an expected cost of approximately Pula 15 million (R17,2 million) to fully comply with commitments contained in these two licence agreements, which includes the upgrade of both premises and the replacement of gaming equipment. The upgraded casinos were opened in December 2007.

Burgersfort Casino licence

The Limpopo Gambling Board ("LGB") decided not to award the licence as it believed that neither of the two qualifying bids met its criteria. Peermont was informed that its proposed capital expenditure committed to the project of R160 million, was not considered sufficient. The LGB is planning to commence a new bidding process during 2008. In the meantime Peermont has acquired the land required for this project and is therefore well placed to submit a revised bid.

Mthatha Casino licence

Peermont was appointed as the preferred bidder for the Mthatha Casino licence in the Eastern Cape Province in 2006. An unsuccessful bidder instituted legal action against the Eastern Cape Gambling and Betting Board ("ECGBB") in which it is contesting the award process. In addition, Peermont has been informed of a land claim on the property on which the resort is to be developed, in terms of the land restitution legislation in South Africa.

If and when the legal action is settled to satisfaction of the ECGBB, and the land claim has been settled to Peermont's satisfaction, the development process will commence. Peermont is of the view that the current legal actions could result in a protracted delay and is therefore reassessing its participation in this project.

The current bid commitment is to construct a hotel and casino resort at a cost of approximately R215 million.

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 an expected cost of R220 million. Following Peermont's successful tender for the required land at Richards Bay, the Group is in the process of negotiating land purchase agreements. The new casino, hotel and conference facility in Richards Bay is currently planned to include the following facilities:

- 300 slot machines
- 16 tables
- an 80 key hotel
- a 400 seat (cinema style) conference centre
- a restaurant
- show bar.

The company has commenced with the environmental impact assessment (EIA) approval to speed up the overall process. Negotiations with the KwaZulu-Natal Gambling Board are ongoing and construction is expected to commence in the third quarter of 2008, with the resort planned to open in the fourth quarter of 2009.

Tusk Rio Casino Hotel

Peermont is required to construct a hotel and ancillary facilities at its Rio Casino in Klerksdorp as part of a bid commitment made to the North West Gambling Board ("NWGB"). The Peermont board has approved the construction of a 70 room hotel (including four suites), a 300 seat (cinema style) conference centre, a new restaurant and an enlarged kitchen to serve the increased requirements of the complex following some minor adjustments to the proposed facilities, the total budgeted cost of this project has been increased from R65,5 million to 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. Subject to the necessary approvals from the local authorities and the NWGB, the hotel is planned to open in the first quarter of 2009.

BUSINESS

Overview

We are the holder of the second largest number of casino licences in South Africa and are also the second largest casino resort operator in Gauteng Province, with a market share in this province of approximately 26% based on casino revenue. Gauteng Province is South Africa's largest casino market and home to Johannesburg, the country's business capital and most affluent city. Casinos in Gauteng Province have on average accounted for approximately 42% of all casino revenue generated each year in South Africa in 2006/7.

We operate a total of 14 properties, nine in South Africa and five in neighbouring Botswana. Together, as of 31 December 2007, these included 3 254 slot machines, 144 gaming tables and 1 312 hotel rooms. Our flagship property is Emperors Palace casino resort, which is strategically located in the Johannesburg metropolitan area. We established Emperors Palace in 1998 as a joint venture with Caesars World Inc. of Las Vegas and purchased, together with minority investors, Caesars' 25% interest in March 2005. Emperors Palace generated 70% of our pro forma revenue and 69% of our pro forma EBITDA in our 2007 financial year.

In addition to Emperors Palace, our property portfolio includes five other casino resorts, four stand alone casinos and four stand alone hotels. Our casino resorts offer our guests a variety of distinct gaming areas containing a wide selection of slot machines and gaming tables, a selection of hotels ranging from three star to five star luxury properties, various restaurants including popular recognised chains, as well as a variety of fine dining options, a number of differently themed bars, amusement arcades and child care centres. Certain of our larger casino resorts also feature convention facilities and theatres.

The majority of our revenue is generated in the South African casino market, where casino revenue has grown overall at a compound annual growth rate of approximately 18% in the four years to 31 March 2007 and legislation has limited the total number of casino licences to 40. Since 2003, we have achieved compound annual revenue growth of approximately 30%. In addition, the majority of our revenue is generated by our flagship Emperors Palace casino resort in Gauteng Province, where current legislation governing our industry prohibits the allocation of any additional casino licences.

We generated a pro forma revenue of R2 347,2 million (€234,7 million) and pro forma EBITDA of R967,9 million (€96,8 million) in the year ended 31 December 2007, approximately 82% of which was generated by our casino operations.

Our strengths

We believe that we benefit from the following competitive strengths:

Leading market position in South Africa's largest casino market. Emperors Palace is the second largest generator of casino revenue in Gauteng Province, South Africa's largest casino market. Gauteng Province is home to Johannesburg, South Africa's business capital and most affluent metropolitan area, as well as Pretoria, the country's administrative capital. In 2007, approximately 21,5% of the South African population lived in Gauteng Province, and, in the same period, generated 33,6% of the country's gross domestic product. In 2007, Emperors Palace had approximately a 26% share of the casino gaming market in Gauteng Province with only 21% of the province's total gaming positions (excluding Silverstar which only opened in December 2007). Emperors Palace is strategically situated in the heart of this market, with its 75 km catchment area including both the Johannesburg and Pretoria metropolitan areas. We estimate that we draw at least 77% of our guests at Emperors Palace from this catchment area. Easily accessible by major motorways and the national railway network, Emperors Palace also offers a five-minute complimentary shuttle service to and from the Johannesburg international airport. It is also the only casino located near the planned route of the Gautrain, a high-speed rail link, which, when completed, will connect the Johannesburg and Pretoria metropolitan areas with the Johannesburg international airport.

Attractive South African market with high barriers to entry. Our South African operations generated approximately 93% of our pro forma revenue in 2007. We believe South Africa is an attractive market for casino operators due primarily to the country's relatively high rate of economic growth in recent years, the legislative framework established to regulate its gaming industry and the barriers new entrants to the market would have to overcome in order to compete successfully. We

expect that South Africa will continue to experience average GDP growth along with corresponding increases in disposable income and consumer spending. Historically, casino revenue has tended to increase along with increases in consumer spending. The South African casino market is also attractive due to the current legislation governing the gaming industry in the country, which limits the number of casino licences that may be granted to 40 for South Africa as a whole. All but five of these licences have already been allocated to local casino operators, such as ourselves, and no licences remain to be allocated in Gauteng Province, the country's largest casino market and home to our flagship Emperors Palace casino resort. In addition, we believe that, in order to compete effectively with us, any new entrant to the South African casino market would require operations in Gauteng Province on a scale comparable to ours. Establishing such operations would require substantial capital investment that could be difficult to recoup in a market that is already served by existing casinos. More importantly, such operations would have to be licensed and, at present, no further casino licences remain to be allocated in Gauteng Province. Casinos in South Africa also tend to draw their patrons from their surrounding catchment areas, each of which has a radius of approximately 75 km. Any given casino, therefore, tends to compete only with casinos with catchment areas that overlap significantly with its own 75 km catchment area. Accordingly, we believe that Emperors Palace only effectively competes with the three casinos out of the remaining six in Gauteng Province whose catchment areas overlap significantly with that of Emperors Palace, and that our casino properties located outside of Gauteng Province effectively have no direct competition due to the absence of other licensed casinos with catchment areas significantly overlapping those of our own casinos in these areas.

Attractive diversified product offering. We believe that our casino resorts offer our guests an attractive array of combined gaming and entertainment offerings. At the heart of these offerings are the wide variety of gaming options available in each of our casino resorts and stand alone casinos. These range from traditional gaming tables hosted by experienced dealers to modern, themed video slot machines. All of our gaming options are situated in what we believe are attractive, well-kept surroundings whose ambience is aimed at offering our guests an enjoyable and comfortable gaming experience. Our hotels range from attractively priced three star hotels, such as the Metcourt Inn and the Metcourt Lodge, to the five star D'oreale Grande, the most exclusive of our three hotels within Emperors Palace and a property that is aimed at satisfying the most discerning guests. Some of our casino resorts also feature retail areas offering a range of restaurant options, bars, amusement arcades and child care centres. Certain of these resorts also contain convention facilities and theatres, which regularly host popular music concerts, comedy acts and other celebrity entertainers.

Strong cash flow. In 2007, Emperors Palace generated a 40,4% EBITDA margin, the highest of any casino operating in Gauteng Province for which financial statements are publicly available. Our cash conversion ratio, which we define as free cash flow as a percentage of EBITDA, has been approximately 90% in the five years to 31 December 2007. We define free cash flow as EBITDA minus changes in working capital and maintenance capital expenditures net of proceeds received from the sale of property, plant and equipment.

Black economic empowerment credentials. Following the completion of the Transactions, broad based BEE investment groups and BEE individuals together effectively direct the voting of approximately 83% of our ordinary shares, the highest level of BEE control of any casino operator in South Africa. BEE status is one of the factors that is taken into consideration by regulators in awarding and amending licences. We believe that this market leading BEE status will position us well to:

- increase the number of licensed casino gaming positions at our existing properties;
- maintain good relationships with our gaming regulators;
- compete successfully for new gaming licences; and
- obtain extensions, renewals and amendments to our existing gaming licences and permits.

Experienced and incentivised management team. Our senior management team consists of experienced professionals with strong backgrounds in the casino and hotel industries in South Africa. Our nine most senior executive officers together have over 118 years of experience in the casino and hotel industries. In addition, upon completion of the Transactions, members of our senior management team own approximately 17,5% of our share capital. We believe, therefore, that our management team are well incentivised to continue to successfully grow and develop our business in the future.

Our strategy

The key elements of our strategy are as follows:

Continue increasing existing guest spend and attracting new guests. We intend to continue to build upon our successful track record to grow revenue by increasing the amount our existing guests spend. We will seek to do so by refining and increasing our product offerings and continuing to introduce the latest gaming products and systems. We were among the first casino operators in South Africa to introduce lower denomination slot machines and mystery jackpots. In addition, Emperors Palace casino resort is the only casino in Gauteng Province that offers a choice of smartcard, token or cash play slot machines. We also intend to continue attracting loyal guests through direct marketing campaigns and also new guests by expanding our other successful promotional activities. In 2007 we ran an innovative promotional campaign that involved the giving away of a combination of cash, a car and a new house to registered guests, and intend to continue to develop similarly successful campaigns in the future. We will also continue to target new guests through our entertainment offerings and by further promotion of our complimentary facilities, and to selectively target premium players from Asia and South America by offering them attractive tailor-made packages.

Continue to generate strong EBITDA margin and cash flow. Over the last four years, we have consistently generated EBITDA margins exceeding 37%, and in 2007 generated a pro forma EBITDA margin of 41%. We have been able to generate these strong margins by carefully managing our personnel costs, and aligning discretionary expenditures, such as those related to complimentary food and beverages offered to guests, with gaming volume, by taking advantage of purchasing efficiencies and economies of scale. We intend to continue to build upon this successful track record by further centralisation of certain administrative and other functions.

Selectively expand our operations. Due to the nature of the current South African gambling legislation, much of our growth is expected to come from expanding our current operations. We intend to do so primarily by leveraging existing facilities and management team infrastructure and by capitalising on the unused land on our properties. Among other things we will seek to:

- add new casino gaming positions;
- build on our available space in our existing properties to accommodate expected increased demand for casino gaming and hotels generated by expected increases in consumer spending; and
- add new services to our existing properties.

In addition, we also believe that our position as a leading casino operator in South Africa provides us with a strong platform to expand our business through strategic investments. We intend to carefully evaluate, select and pursue opportunities to make such investments as they arise.

Recent developments

During the two months to February 2008, we generated revenue, R379,9 million (€38,0 million), an increase of R27,6 million, or 7,8%, from R352,3 million (€35,2 million) for the two months to February 2007.

Our operations

We operate an attractive portfolio of 14 casino and hotel properties. Our properties include six casino resorts with nine integrated hotels, four stand alone casinos and four stand alone hotels in South Africa and Botswana. As of 31 December 2007, we operated a total of 3 254 slot machines, 144 gaming tables and 1 312 hotel rooms. In 2007, our casinos generated approximately 82% of our pro forma revenue. Our flagship property is Emperors Palace, which is strategically located in the Johannesburg metropolitan area. In 2007, Emperors Palace generated 66% of our pro forma revenue and 69% of our pro forma EBITDA. Nine of our properties are located in South Africa and five in neighbouring Botswana. In 2007, our South African properties generated approximately 93% of our pro forma revenue.

The following table sets forth certain information concerning each of our properties:

Property	Location	Property type	Hotel category	Slot machines	Gaming tables	Rooms
Emperors Palace Hotel, Casino and Convention Resort	Kempton Park (Johannesburg metropolitan area), Gauteng Province, South Africa	Casino resort	Five and three star	1 724	69	426
Graceland Hotel, Casino and Country Club	Secunda, Mpumalanga Province, South Africa	Casino resort	Four star	358	14	98
Tusk Mmabatho Casino Resort	Mafikeng, North West Province, South Africa	Casino resort	Four star	155	8	150
Grand Palm Hotel, Casino and Convention Resort	Gaborone, Botswana	Casino resort	Four and three star	150	13	337
Tusk Venda Casino Hotel	Thohoyandou, Limpopo Province, South Africa	Casino resort	Three star	132	7	82
Frontier Inn and Casino	Bethlehem, Free State Province, South Africa	Casino resort	Three star	120	12	20
Tusk Umfolozi Casino	Empangeni, KwaZulu-Natal Province, South Africa	Stand alone casino	—	261	10	—
Tusk Rio Casino	Klerksdorp, North West Province, South Africa	Stand alone casino	—	274	11	—
Syringa Casino Selebi-Phikwe Botswana	Selebi-Phikwe	Stand alone casino	—	30	—	—
Sedibeng Casino Francistown Botswana	Francistown	Stand alone casino	—	50	—	—
Mondior Summit Hotel	Gaborone, Botswana	Stand alone hotel	Three star	—	—	67
Metcourt Lodge	Francistown, Botswana	Stand alone hotel	Three star	—	—	53
Mondazur Resort Estate Hotel	San Lameer, KwaZulu Natal Province, South Africa	Stand alone hotel	Four star	—	—	40
Tusk Taung Hotel	Taung, North West Province, South Africa	Stand alone hotel	Three star	—	—	39
Total		**14**	**13**	**3 254**	**144**	**1 312**

Our casino resorts

Emperors Palace Hotel, Casino and Convention Resort, Kempton Park (Johannesburg metropolitan area), Gauteng Province, South Africa. Emperors Palace is our flagship property. We established Emperors Palace in 1998 as a joint venture with Caesars World Inc. of Las Vegas and purchased, together with minority investors, Caesars' 25% interest in March 2005. It features a casino, three hotels, a variety of restaurants and cocktail bars, entertainment and retail venues, convention facilities, child care centres and a health and beauty spa.

Emperors Palace casino offers 1 724 slot machines and 69 gaming tables arranged in a variety of distinct smoking and non-smoking gaming areas. The casino is open 24 hours a day and features slot machines with bets ranging from as little as R0,01 up to R500 on traditional reel slot machines, the latest themed multi-line video slot machines and poker and video roulette machines. The gaming floor also features traditional table games with generous spacing between gaming positions providing our guests with a private and comfortable gaming experience. The casino also offers premium guests an exclusive salon privé featuring traditional table games and private gaming suites. Slot machines in the various gaming areas of the casino are electronically linked to give guests the opportunity to win jackpot payouts through a mystery jackpot system. Mystery jackpots are randomly paid to machines in use by guests and do not require a winning combination to be won.

Emperors Palace offers its guests accommodation in the three star Mondior Concorde hotel, the three star Metcourt Laurel hotel and the five star luxury D'oreale Grande hotel. The Mondior Concorde and the Metcourt Laurel have 150 and 80 rooms, respectively, ranging from attractively priced standard rooms to a presidential suite at the Metcourt Laurel. The D'oreale Grande hotel has 196 rooms, including 14 suites, each featuring 24-hour room service and access to the hotel's

fine restaurants, swimming pool and health and beauty spa. Emperors Palace offers a variety of restaurant options from popular fast food chains to exclusive restaurants offering fine dining and several cocktail bars.

We are currently constructing a new 248 room Metcourt hotel at Emperors Palace at an estimated cost of R170 million. The hotel is designed to cater for the STO market and is expected to open in early 2009.

The convention facilities at Emperors Palace feature the following: the 2 700m² Centre Court venue suitable for banquets of up to 1 500 guests, sporting and musical events, exhibitions, seminars and conferences; the 1 656m² North Wing, a sub-divisible assembly room with a capacity ranging from 30 up to 2 000 guests ideal for large conferences, banquets and product launches; and the South Wing, which consists of three venues each with a capacity of up to 340 guests, and four 80m² meeting rooms each with a capacity of up to 60 guests and suitable for use as executive boardrooms or for breakaway meetings. The casino resort also includes The Theatre of Marcellus, a multipurpose state-of-the-art theatre that can accommodate over 900 guests. When not being used as a convention venue the theatre plays host to world class dance shows, musicals and plays. Emperors Palace also offers multipurpose entertainment venues, including South Africa's largest indoor family entertainment centre featuring an indoor roller coaster, bumper car track and over 200 video arcade games.

Emperors Palace regularly hosts popular music concerts, international title boxing matches, comedy acts and other celebrity entertainers.

Emperors Palace is strategically situated in the heart of this market, with its 75km catchment area including both the Johannesburg and Pretoria metropolitan areas. Easily accessible by major motorways and the national railway network, Emperors Palace also offers a five-minute complimentary shuttle service to and from the OR Tambo international airport. It is also the only casino located near the planned route of the Gautrain, a high-speed rail link, which, when completed, will connect the Johannesburg and Pretoria metropolitan areas with the OR Tambo international airport.

In 2007, Emperors Palace derived approximately 85% of its revenue from gaming, 6% from rooms and 9% from convention, catering and other activities.

Graceland Hotel, Casino and Country Club, Secunda, Mpumalanga Province, South Africa. Graceland features a casino, one four star hotel, two restaurants, two cocktail bars, entertainment venues and convention facilities, sports and recreational facilities and a child care centre.

Graceland casino offers 358 slot machines and 14 gaming tables arranged in a distinct smoking and non-smoking gaming areas. The casino is open 24 hours a day and features traditional reel slot machines and the latest themed multi-line video slot machines, poker and video roulette machines. The gaming floor also offers guests traditional table games and an exclusive private gaming area for premium guests. Slot machines in some of the gaming areas of the casino are electronically linked to offer higher jackpots than would be possible on a stand alone basis.

Graceland offers guests accommodation in a four star hotel with a total of 98 rooms, ranging from standard rooms to a White House themed Presidential Suite with elegant traditional and sophisticated furnishings and interior features. Graceland offers dining options in two restaurants and a self-service snack bar.

The convention facilities at Graceland feature the following: a sub-divisible 333m² convention hall suitable for banquets, weddings, conferences and seminars, with a maximum capacity of 400 guests; a 1 200m² arena ideal for exhibitions, music or sporting events, capable of hosting up to 1 200 guests; and six additional convention and meeting rooms, each seating up to 350 guests and suitable for use as executive boardrooms or for breakaway meetings. The casino resort also includes a 120-seat cinema which can be used as a presentation venue for lectures, seminars and presentations. Graceland also offers an 18-hole championship golf course designed by Gary Player, a driving range and a pitch and putt golf course, as well as a heated swimming pool, two tennis courts and child care facilities.

Graceland attracts guests from within its 75 km catchment area and is also a destination resort for guests from Johannesburg and Pretoria, particularly during weekends and holiday periods. It is accessible by major motorways.

In 2007, Graceland derived approximately 74% of its revenue from gaming, 8% from rooms and 18% from convention, catering and other activities.

Tusk Mmabatho Casino Resort, Mafikeng, North West Province, South Africa. Tusk Mmabatho features a casino, one four star hotel, two restaurants, five cocktail bars, conference and banqueting facilities as well as sporting and recreational facilities, a child care centre and a health and beauty clinic.

Tusk Mmabatho casino contains 155 slot machines and eight gaming tables arranged in distinct smoking and non-smoking gaming areas. The casino is open 24 hours a day on weekends and features traditional reel slot machines and the latest themed multi-line video slot machines, poker and video roulette machines. The gaming floor also offers guests traditional table games. Slot machines in the various gaming areas of the casino are electronically linked to give guests the opportunity to win jackpot payouts through a mystery jackpot system.

Tusk Mmabatho offers guest accommodation in its four star hotel. Tusk Mmabatho casino resort hotel has 150 rooms ranging from simple twin rooms to a presidential suite. The casino resort also includes two restaurants and five bars. In addition, Tusk Mmabatho casino resort offers guests state-of-the-art meeting facilities.

The sporting and recreational facilities at Tusk Mmabatho casino resort include two tennis courts, two swimming pools, a volleyball court, a mini golf course, a health and beauty spa, paint ball facilities, a children's amusement area, and a curio and gift shop. Guests also have access to a 18-hole championship golf course.

In 2007, Tusk Mmabatho derived approximately 79% of its revenue from gaming, 18% from rooms and 3% from convention, catering and other activities.

Grand Palm Hotel, Casino and Convention Resort, Gaborone, Botswana. Grand Palm features a casino, two hotels, three restaurants and four cocktail bars, entertainment and convention centre facilities, sports and recreational facilities and a child care centre.

Grand Palm Casino contains 150 slot machines and 13 gaming tables conveniently arranged in a variety of distinct smoking and non-smoking gaming areas. The casino is open 24 hours a day and features traditional reel slot machines and the latest themed multi-line video slot machines. The casino also offers guests traditional table games.

Grand Palm offers guests accommodation in the three star Metcourt Inn hotel or at the four star Walmont Ambassador Hotel. Metcourt Inn hotel has 149 rooms ranging from attractively priced executive twin rooms to executive king rooms. Walmont Ambassador Hotel has 188 rooms ranging from twin rooms to a presidential suite, each featuring 24 hour room service. This hotel also features an "executive floor" aimed at the international business traveller. Walmont Ambassador offers dining options in three restaurants.

The convention facilities at Grand Palm feature the following: two meeting facilities with a capacity of up to 250 and 100 guests and a cinema with a capacity of up to 100 guests, which may be used also for seminars and lectures. We also operate the Gaborone International Convention Centre, which is adjacent to Grand Palm and features the following facilities: the 1 550m² Tsodilo Suite with a maximum capacity of up to 1 807 people; the 150m² Serondela Rooms, which consists of four individual rooms that may be used separately or together, each with a capacity of up to 30 people; the exclusive San-Ta Wani suite, which contains an exclusively decorated lounge area with a boardroom table that seats 20 guests, fireplaces, a service area for bar and catering services and a balcony overlooking the casino resort. The back doors of the Tsodilo Suite have been specially designed to permit the Tsodilo Suite to host car launches. The convention facilities benefit from a business centre, and offer computer workstations with access to the internet and e-mail and a meeting facility. In addition, the parking area adjacent to the convention facilities is capable of hosting a large marquee suitable for a variety of functions.

In 2007, Grand Palm derived approximately 35% of its revenue from gaming, 33% from rooms and 32% from convention, catering and other activities.

Tusk Venda Casino Hotel, Thohoyandou, Limpopo Province, South Africa. The recently refurbished Tusk Venda casino resort features a casino, a hotel, two bars, restaurants, and sporting and recreational facilities for gaming and non-gaming guests. The casino contains 132 slot machines and seven gaming tables featuring traditional table games. The casino features both traditional reel slot machines and the latest multi-line video slot machines and traditional table games.

Tusk Venda offers guests accommodation in a three star hotel with 82 rooms ranging from twin rooms to suites. The sporting and recreational facilities at Tusk Venda include two tennis courts, a swimming pool, a mini golf course, a gym and sauna and a children's amusement area and care centre. Tusk Venda casino resort also offers four conference rooms and banqueting facilities.

In 2007, Tusk Venda derived approximately 83% of its revenue from gaming, 13% from rooms and 4% from other activities.

Frontier Inn and Casino, Bethlehem, Free State Province, South Africa. Frontier Inn and Casino opened in November 2006. It features a casino, a hotel, bar, a restaurant, a convenience shop, and a children's amusement and care centre. The casino contains 120 slot machines and 12 gaming tables. The casino features both traditional reel slot machines and the latest multi-line video slot machines and traditional table games. Frontier Inn is a three star hotel with 20 rooms.

In 2007, Frontier Inn derived approximately 93% of its revenue from gaming, 4% from rooms and 3% from other activities.

Our stand alone casinos

Tusk Umfolozi Casino, Empangeni, KwaZulu-Natal Province, South Africa. Tusk Umfolozi is a stand alone casino featuring a restaurant and bar and a children's amusement and care centre. The casino contains 261 slot machines and 10 gaming tables. The casino features both traditional reel slot machines and the latest multi-line video slot machines and traditional table games. Tusk Umfolozi casino also offers an entertainment and conference facility that holds up to 200 guests

We intend to relocate the Tusk Umfolozi Casino to Richards Bay, once we have completed the construction of our new casino, hotel and other facilities at the new site. We expect this to cost approximately R220 million and will open the new facilities during 2009.

In 2007, Tusk Umfolozi derived approximately 99% of its revenue from gaming and 1% from other activities.

Tusk Rio Casino, Klerksdorp, North West Province, South Africa. Tusk Rio is a stand alone casino featuring a restaurant, bars and a children's entertainment and care area. Tusk Rio casino contains 274 slot machines and 11 gaming tables. The casino is open 24 hours per day and features both traditional reel slot machines and the latest multi-line video slot machines and traditional table games. Tusk Rio casino offers several entertainment facilities for children, including a Fantasia Game Arcade. Tusk Rio also offers three venues for conferencing and banqueting. As a condition to our licence to operate Tusk Rio, we are required to build a hotel on these premises with at least 45 rooms, the construction of which we have commenced.

We have commenced with the construction of a 70 room hotel and convention facilities at Tusk Rio. We expect this to cost approximately R70 million and to be opened in the first quarter of 2009.

In 2007, Tusk Rio derived approximately 99% of its revenue from gaming and 1% from other activities.

Syringa Casino, Selebi-Phikwe, Botswana. The Admiral Casino Selebi-Phikwe was purchased in 2007, and contains 30 slot machines. We have recently completed a refurbishment of this property.

Sedibeng Casino, Francistown, Botswana. The Admiral Casino Francistown was purchased in 2007, and contains 50 slot machines. We recently completed a refurbishment of this property.

Our stand alone hotels

Mondior Summit Hotel, Gaborone, Botswana. Mondior Summit is a stand alone three star hotel with 67 rooms ranging from studios to two bedroom suites. All suites are en-suite and feature air-conditioning and a fully equipped kitchenette. Mondior Summit hotel includes a restaurant and bar and offers several facilities and services including a swimming pool and child care services. Mondior Summit hotel also offers convention facilities which can accommodate up to 100 guests. In 2007, Mondior Summit derived approximately 59% of its revenue from rooms and 41% from convention, catering and other activities.

Metcourt Lodge, Francistown, Botswana. Metcourt Lodge is a stand alone three star hotel with 53 rooms. All rooms are located around an enclosed, landscaped atrium with outdoor seating and a water feature. Metcourt Lodge hotel includes a restaurant and bar, a confectionery shop and a conference room for up to 60 guests. In 2007, Metcourt Lodge derived approximately 46% of its revenue from rooms and 54% from convention, catering and other activities.

Mondazur Resort Estate Hotel, San Lameer, KwaZulu-Natal Province, South Africa. Mondazur is a stand alone four star hotel with 40 rooms located on the secure beach and golf course reserve estate at San Lameer. The hotel includes two conference rooms for up to 140 people. Guests have access to the San Lameer estate's 18-hole championship golf course, blue flag beach (an exclusive international eco-label awarded by an independent non-profit organisation that select beaches meeting strict ecological standards), two squash courts, four flood-lit tennis courts, two swimming pools, children's play park, video arcade, bowling greens, indoor cricket, lagoon boat rides, nature trails, bar, restaurant and supermarket. In addition, we manage 20 four star private villas of two to four bedrooms that we rent to guests on behalf of the villa's owners. Mondazur is a 90 minutes drive from the Durban international airport. In 2007, Mondazur derived approximately 37% of its revenue from rooms and 63% from convention, catering and other activities.

Tusk Taung Hotel, Taung, North West Province, South Africa. Tusk Taung is a stand alone three star hotel with 39 rooms ranging from family twin rooms to a presidential suite. Tusk Taung hotel also includes a restaurant, sporting and recreational facilities, including two tennis courts and an 18-hole mini golf course, and a conference room, which can accommodate up to 100 guests. In 2007, Tusk Taung derived approximately 34% of its revenue from rooms and 66% from convention, catering and other activities.

Our gaming equipment

We operate a total of 3 254 slot machines and 144 gaming tables. Our slot machines range from traditional reel slot machines to themed multi-line video slot machines, and also include poker and video roulette machines. Our gaming equipment also includes tables for blackjack with its various forms, baccarat, punto banco, American roulette and poker with its various forms including traditional live poker.

Video slot machines offer an advanced technology themed gaming experience and provide our guests with a wide variety of gaming options. Approximately 1 780, or 55%, of our slot machines are state-of-the-art multi-line video slot machines. Our video slot machines are highly popular and sought after by our guests, in particular by our more sophisticated customers at Emperors Palace.

The cost of the latest technology video slot machines ranges between US$12 000 and US$20 000. Our decision to replace our slot machines is based upon factors such as customer demand, competition and general wear and tear. At Emperors Palace in particular, we regularly replace our slot machines as a result of the competitive nature of the Gauteng Province casino market and in response to guest demand for the latest and most popular machines on our gaming floors. We maintain our slot machines in-house to ensure optimal functionality to meet our guests' expectations.

Each gaming table is dedicated to one particular game, such as blackjack, American roulette, poker, baccarat or punto banco. The average life of gaming tables is much longer than those of slot machines. Our decision to replace our gaming tables is principally driven by general wear and tear, not technological advancements although we do replace items such as continuous shufflers and roulette wheels to ensure that we offer the best gaming experience.

We procure our slot machines, casino management systems and gaming tables from several international vendors, including International Game Technologies, Bally Technologies , WMS Industries Incorporated, Konami Australia (Proprietary) Limited, Atronic International GmbH, Aristocrat Leisure Limited, Aruze Corporation, Austrian Gaming Industries GmbH, GameSmart (Proprietary) Limited and TCS John Huxley UK Limited.

Commercial marketing, sales and reservations

We consider our marketing and sales efforts to be key factors in retaining existing and attracting new guests. We market our properties through strong branding and positioning, advertising, database marketing, public relations, e-marketing and strong promotional and entertainment campaigns. We advertise our properties, gaming offers, entertainment and promotional campaigns in a variety of media, including regional radio, newspapers, magazines, other print advertisements and billboards. In addition, to promote Emperors Palace, we also use television advertising. Our marketing efforts are focused primarily on targeting guests from South Africa, and in particular those in Gauteng Province. Unlike other casinos, such as those in Macau or Las Vegas that draw domestic and international guests, we draw our guests from a catchment area typically located within a radius of approximately 75km from each of our casinos. We estimate that we draw at least 77% of our guests from our catchment area. However, in recent years, South Africa has become an international tourist destination and as a result, in addition to our intensive regional marketing, we now also selectively market our properties internationally. In 2007, we spent approximately 6% of our total revenue on marketing and promotional activities. Generally, 80% of our marketing activities are focused on our casinos and the remainder on our hotels and conference facilities. We estimate that approximately 80% of our marketing is focused on the Gauteng Province to promote Emperors Palace, and outbound sales to other properties. Gauteng is the economic powerhouse of South Africa, and where the majority of the affluent population resides – in turn providing the majority of the Peermont database for casino, hotel and convention customers.

We actively engage in direct marketing, which is targeted to reach our loyal guests. These direct marketing efforts involve our segmentation of a broad database – offering complimentary food and beverage to loyal guests, issuing invitations by conducting direct mail and e-mail campaigns, as well as placing personal phone calls and making personal visits to selected guests. We also issue special invitations to various entertainment and sporting events held at Emperors Palace or other properties, and to various other events we organise, such as golf outings. Special offers and promotions are always tailored to suit the profile of the database used.

We operate a casino guest loyalty programme called the "Winners Circle". The Winners Circle encourages loyalty and frequent play by offering a range of benefits across its different loyalty tiers and bonus points for average bet and amount of time spent gaming. Enrolment in the programme is free and open to all of our guests. Loyalty status tiers provide different levels of benefits and are determined based on a guest's gaming activity. Winners Circle benefits include free entrance to the casino, VIP parking, cash-back bonus points for slot machine play, exclusive tables promotions and complimentary benefits for tables players, hotel discounts, newsletters and special events notification and complimentary tickets and invitations to concerts and entertainment events. Our Winners Circle members contribute 59% of our casino revenue at Emperors Palace. Other Peermont casinos tracked play through Winners Circle varies from 30% to 50%.

In addition, a large part of our marketing at Emperors Palace promotes a wide range of entertainment events that we host, including popular music concerts and genre's, international boxing title fights, comedy acts, well known local celebrities and cultural events. The advertising, promotions and other public relations efforts for such entertainment events increase the visibility for Emperors Palace, as well as attract feet through the door.

We conduct a variety of promotional campaigns from prize award competitions held over a period of several weeks that culminate in large prizes being offered for "tickets for turnover" i.e. more play for more entries – to frequent, small scale prize giveaways. Recent large casino promotions have featured house and car giveaways, as well as large cash giveaways in partnership with regional radio stations that dominate listenership in the respective regions where our casinos are located, including Gauteng. Peermont shares a common shareholder in Mineworkers Investment Company (MIC) with Primedia – a dominant media owner in South Africa and this relationship is aggressively managed. Peermont also prides itself on outstanding relationships with a myriad of stakeholders in media, government and corporate South Africa which are often leveraged in casino, hotel and conference promotions partnerships.

We are capitalising on South Africa's growing tourism industry by selectively marketing our properties internationally. Our international marketing efforts are focused on international trade exhibitions and trade media insertions. Where possible we support advertising in selected airline and tour operator magazines.

To further promote our properties internationally, we introduced the Imperium Club two years ago, which is targeted at premium casino players and casino tour operators from Asia. We have virtual offices in various major cities in Asia and South America, such as Bangkok, Singapore, Kuala Lumpur, Sao Paolo through which we selectively target premium players by offering them attractive tailor-made packages. Once our representatives have identified a group of premium players, Emperors Palace extends an invitation for a visit, covering players' airfares and accommodation based on front money. Emperors Palace also offers rebates on premium player programmes based on loss or turnover. A small allowance covering food and beverages and extras is also allowed. Imperium Club players do not play on credit; they arrange for an amount of cash to be transferred to our account. This cash is used to fund the players' gaming activities and all other costs incurred.

Marketing is largely decentralised within Peermont, as the majority of marketing spend is localised. Emperors Palace employs 27 people to work in advertising, database marketing, public relations, desktop publishing, promotions and direct. Peermont Head Office employs five people, responsible for strategy, branding, positioning, business development, loyalty programme coordination, marketing services, co-op partnerships with airlines, tour operators and corporates, publishing, corporate identity and corporate profiling – and, where relevant, turnaround and fix-it strategies. One consultant leads the Imperium Club programme from Singapore and Australia. Other smaller Peermont casino resorts are limited to one or two heads, and in most cases are supported by guest relations staff who engage with casino patrons on the floor in shift work – 24/7/365.

Our sales department consists of domestic and international sales teams. Our sales department's efforts are primarily focused on increasing occupancy at our hotels and utilisation of convention facilities. Our domestic sales team, which currently consists of 18 employees evenly split between Emperors Palace and corporate headquarters, targets its sales efforts to group and corporate travel organisers, airlines, travel agents, and professional conference and convention organisers. We also utilise independent sales representatives located in Western and Eastern Cape, KwaZulu-Natal, and Mpumalanga Provinces in South Africa, and another in Botswana for regional sales.

Our international sales team, which currently consists of three employees located at our corporate headquarters, targets its sales efforts primarily to wholesale tour operators and professional conference and convention organisers. Both our domestic and international sales teams attend travel fairs worldwide to promote our properties.

In addition, central reservations consisting of 10 agents, a manager and two support staff operate a call centre from Peermont Headquarters in Johannesburg which services Group hotel properties in South Africa and Botswana – offering voice and internet reservations, with links to international GDS systems. This division is supported by a revenue management service maximising yields on available rooms inventory and revenue, and supplying information for hotel rate strategy.

Casino licences

The South African casino industry is highly regulated both on a national and provincial level.

Legislation permits the issuance of 40 casino licences, with sub-limits for each province. Currently, 35 of these casino licences have been issued by competitive tender, with three of the remaining five casino licences in the process of being awarded, including one for which we been named preferred bidder. All the casino licences currently allocated to Gauteng Province, where Emperors Palace is located, have been awarded. We hold seven casino licences in South Africa, making us the holder of the second largest number of casino licences in South Africa. We hold three casino licences in Botswana. In addition, we submitted an application for a casino licence in Mthatha, in Eastern Cape Province, for which we were selected as the preferred bidder by the provincial gaming board.

All of our South African casino licences are valid indefinitely, other than (i) the casino licence we have applied for in the Eastern Cape Province, which if issued to us, will be valid for 10 years and (ii) the casino licence for Tusk Umfolozi, which will become perpetual once we will have fulfilled our bid obligations by building the hotel that is required as a condition

to the gaming licence to operate the casino at this property. Our casino licence at the Grand Palm Casino in Botswana is valid until 2011 and is renewable for five year periods thereafter. Our licences at Sedibeng Casino in Francistown and the Syringa Casino in Selebi-Phikwe are each valid for a five year period to 2012. We intend to renew all our non-indefinite casino licences prior to their expiry.

Competition

Casinos in South Africa are visited primarily by local guests who we believe tend not to travel more than 75 km to reach their casino destinations. Because South Africa does not yet have a highly developed public transport system, most guests drive to casinos. Emperors Palace is easily accessible by major motorways, national rail service and by a five minute complimentary shuttle service to and from the Johannesburg international airport. It is also the only casino located near the planned route of the Gautrain, a high-speed rail link, which, when completed, will connect the Johannesburg and Pretoria metropolitan areas with the Johannesburg international airport.

In Gauteng Province, Emperors Palace's principal competitor is Montecasino, with 1 700 slot machines and 70 gaming tables and located approximately 42km from Emperors Palace. Our secondary competitor is Carnival City, with 1 750 slot machines and 60 gaming tables, located approximately 21 km from Emperors Palace. We also compete with Gold Reef City, with 1 600 slot machines and 50 gaming tables, located approximately 35km from Emperors Palace. To a limited extent, because they are outside our immediate catchment area, we also compete with Emerald Casino Resort, with 660 slot machines and 23 gaming tables, and Morula Sun, with 507 slot machines and 12 gaming tables, each located approximately 80km from Emperors Palace.

Silverstar, which is located approximately 70km from Emperors Palace and has a licence to operate 700 slot machines and 30 gaming tables, opened in December 2007. We believe the opening of Silverstar will have a greater impact on Montecasino and Gold Reef City given these casinos' relatively close proximity to the new casino. Silverstar is the seventh casino in Gauteng Province.

Casino competition in provinces outside Gauteng Province is more limited and depends upon the patronage of residents within the catchment area. Each of our casinos located outside Gauteng Province is located at least 75km away from another casino, meaning we effectively have no direct competition due to the absence of other licensed casinos with catchment areas significantly overlapping those of our own casinos in these areas.

In Botswana, Grand Palm directly competes with Gaborone Sun casino resort both of which are located in the Gaborone metropolitan area.

Intellectual property

Our principal intellectual property consists of the "Peermont," "Emperors," "Mont Regio," "Mondior," "Metcourt," "Walmont," "Frontier," "Graceland," "Grand Palm," "Mondazur," and "D'oreale" trademarks, all of which have been registered, or are in the process of being registered, in South Africa, Botswana and in selected countries internationally. Our trademarks represent the brand names under which we market our properties and services. In South Africa, trademark registrations are of perpetual duration so long as they are periodically renewed. It is our intent to maintain our principal trademark registrations in the jurisdictions in which we operate.

Property

We own the majority of our properties, and, for historical reasons, we lease certain of our properties in South Africa and Botswana. The following table sets forth certain information relating to each of our properties.

	Building size (m^2)	Land size (ha)	Owned/leased
Emperors Palace	158 235	23,8	Owned
Graceland Hotel	13 966	132,5	Owned
Tusk Mmabatho	21 298	12,6	Leased
Grand Palm	24 848	21,1	Leased
Tusk Venda	4 671	18,7	Owned
Frontier Inn	4 022	10,5	Owned
Tusk Umfolozi	2 914	16,1	Owned
Tusk Rio	1 828	5,0	Owned
Syringa Casino, Selebi-Phikwe	180	n/a	Leased
Sedibeng Casino, Francistown	377	n/a	Leased
Mondior Summit	2 500	0,3	Leased
Metcourt Lodge	1 000	0,1	Owned
Mondazur	3 992	0,7	Owned
Tusk Taung	7 612	166,9	Leased
Head office, Gauteng Province, South Africa	1 968	0,5	Leased
Tubatse land	—	14,1	Owned

We operate Grand Palm, including the Gaborone International Convention Centre, and Mondior Summit pursuant to long-term lease agreements, the earliest of which expires in 2029. As previously reported, the lease agreements related to the Tusk Mmbatho and Tusk Taung properties (which we acquired as part of the Tusk Acquisition) were ceded to the prior owner and the consent of the relevant government agency will be required for the lease to be properly transferred to us.

Black economic empowerment

Company ownership

The recent MIC led BEE transaction effectively gives broad based BEE investment groups and BEE individuals an effective 83% voting right of our ordinary shares. This, therefore, gives us the highest level of BEE control of any casino operator in South Africa. Of the nine Peermont directors appointed to the Board, five are black, with two black female members.

As a BEE controlled company, we will be continuing to take an active role in the transformation of South Africa. Our BEE programmes described below, focus on all the elements of the BBBEE scorecard.

Employment equity

Peermont is committed to addressing the inequities of the past while ensuring sustainable competitiveness. We regard employment equity as both a strategic and business imperative. Our employment equity programme is holistic and is designed to maximise the potential of our diverse workforce.

The following principles continue to guide our employment equity initiatives:

- Structures and resources should exist to coordinate and monitor employment equity.
  - The Employment Equity Forums in all our business units – with representation from designated groups, labour and management – meet at least quarterly to review progress and provide direction regarding employment equity.
  - To ensure focus, employment equity and/or broader transformation has been integrated into the performance measurement of all the executives, senior managers and managers.
- The Transformation Committee of the Board also provides regular input to the strategies and initiatives of the Employment Equity Committee.
- The profile of employees should reflect the demographics of the country.
- Our strategy is to accelerate the number of black managers in Peermont by appointing management trainees and increase the training spend on black staff.

Currently, 30% of the total number of employees in executive management is black and 5% of those are female. Our graduate management trainee programme affords further impetus to achieving improved results in our equity targets.

Development and training

Our vision is to provide an integrated learning experience to our employees that will strengthen their commitment to Peermont's values, leadership capability and their capacity to meet current and future business requirements.

Our learning strategy is based on four pillars:

- Understanding the training requirements of the organisation based on competency assessments;
- Best practice theoretical and practical training and development design;
- Timeous and appropriate training and development delivery; and
- Assessment of the impact of training interventions.

We support the attainment of further qualifications by employees. To this end, we provide financial assistance to employees for studies at a variety of tertiary institutions. About 81% of these bursaries were awarded to black employees in support of our black advancement initiatives. We believe that this initiative will enhance our talent pipeline and improve the skills and education level of our staff. We continue to offer learnership programmes in the areas of Housekeeping and Food & Beverages. We have to date grown the numbers of our learners in this programme from four in 2005 to 25 learners at present.

In line with our focus on global best practice, we continue to reward our senior and middle management of our best performing business units with international trips that are aimed at educating and exposing them to international best practice.

Preferential procurement

The Group's preferential procurement and enterprise development focus has been to establish an enabling platform for the continued support and growth of BEE compliant enterprises as detailed below:

- Peermont has embarked on a supplier verification process aimed at establishing the BEE ownership status of our suppliers.
- This process has enabled us to gather relevant BEE intelligence on the Group's suppliers, thereby positioning us to initiate appropriate BEE interventions.
- BEE compliance is now an integral part of our new supplier registration.
- BEE suppliers are high on our list of preferred suppliers

Enterprise development

During the period under review we focused on capacity building and forming an enterprise development strategy. The following interactions and initiatives have taken place:

- Enterprise development workshop with the Department of Trade and Industry and experts in the field of enterprise development; and
- A plan to develop a framework and strategy to initiate partnerships to leverage in developing black SMMEs.

Corporate social investment

Our corporate social investment focuses on the youth, education, community development trusts, employee assistance programmes, infrastructure investment and a responsible gaming programme.

Responsible gaming programme. We promote responsible gaming at all our casino resorts, encouraging gaming as a form of fun and entertainment and discouraging reckless and irresponsible spending. We are a member of the National Responsible Gambling Programme in South Africa. This countrywide programme, with its toll free help line, is available to all players whose gambling has become unmanageable. A unique Government/Industry partnership, the programme is funded via the National Responsible Gambling Trust on a voluntary basis by the industry.

Community development trusts. We have made a commitment to contribute to the social and educational well-being of the surrounding community by providing financial, skills and leadership support to East Rand Children's Trust, East Rand Youth Trust and Southern Highveld Community Development Trust.

Public infrastructure development and community development projects

To date, we have earmarked approximately R25 million for public infrastructure development in the Ekurhuleni area. In addition, to date, we have also earmarked approximately R13 million for community development projects.

Employees

We directly employ approximately 3 450 employees in our operations in South Africa and Botswana. Of these, approximately 46% are employed in connection with our casino activities.

To enhance our guest service and give the employees' an opportunity to enhance their compensation, we created the successful Top Dealer Programme, which incentivises our dealers by allowing them to keep the tips they receive from our guests. To qualify to participate in the Top Dealer Programme, a dealer must, for a period of six months, be timely, present on scheduled days, and not be subjected to a disciplinary hearing or counselling. Once a dealer qualifies, he receives his own tip box and is entitled to keep the tips earned. Participation in the Top Dealer Programme continues for so long as a dealer maintains the qualification criteria. Tips for dealers not in the Top Dealer Programme are pooled and divided equally amongst those dealers not in the Top Dealer Programme. The Top Dealer Programme has had a positive impact by increasing the total tip pool by 110% on a monthly basis. Absenteeism and disciplinary issues have also dropped dramatically. The Top Dealer Programme began with 13 dealers approximately two years ago and participation has grown to 90 dealers.

In common with other casinos in South Africa, most of our employees belong to trade unions. A number of South African trade unions, including those of our employees, have close links to various political parties and have had a significant influence in South Africa as vehicles for social and political reform and in collective bargaining processes. As such, employees are to be consulted, or negotiated with, in a variety of issues in so far as these affect employee rights, such as terminations, remuneration, workplace restructuring, partial or total facility closures, mergers and transfer of ownership, among others. In August 2005, the Food and Allied Workers Union ("FAWU") embarked upon strike action at Emperors Palace, following a period of wage negotiations. This strike lasted approximately one week, resulting in FAWU agreeing to a two year wage agreement. This agreement expired in July 2007, and was successfully renegotiated.

We believe that, overall, our current relations with our employees are good.

Employee assistance programmes

HIV/AIDS wellness programme. We recognise the impact of HIV/AIDS on the South African economy and on our group in particular and we are actively involved in managing the disease through a number of initiatives. After evaluation of a number of options and extensive consultation with medical practitioners, as well as specialists in the treatment of HIV, we have developed comprehensive voluntary counselling, testing and wellness programmes. The programmes are run internally, which means that employees at Emperors Palace have free access to limited treatment, counselling, information and testing without having to leave its premises. An additional benefit of managing the programmes internally is that it encourages employees to make use of the service because we can ensure confidentiality. The aim of the programmes is to accurately predict, manage and mitigate the effects of HIV/AIDS in the workplace. Through awareness programmes and education, we hope to minimise the effects of the disease on our staff. We believe this can be achieved by reducing infection rates and by enhancing the quality of life of those who are already infected with the disease, thereby extending their working life and minimising absenteeism. The programme covers a variety of services including voluntary counselling and testing, regular counselling sessions with a counsellor and psychologist, pathology tests, nutritional and lifestyle changes, treatments and the supply of vitamins and nutritional supplements.

Voluntary counselling and testing. Voluntary counselling and testing ("VCT") for HIV/AIDS is offered to all Emperors Palace employees. VCT drives are run every alternate month to encourage employees to participate. Confidentiality is of the utmost importance to us and employees deal directly with a medical professional during the testing process. No employee is obliged to disclose their status and no information on test results is provided to us by the medical professional. VCT drives take place at all our other properties once a year.

Employee Assistance Centre. Our Employee Assistance Centre at Emperors Palace was opened in the middle of 2005. This centre houses a variety of services offered to our employees. These services include but are not limited to: primary

health care, employee assistance programme, HIV wellness programme and occupational health care. Employees can visit this facility for anything from receiving counselling, having an HIV test, seeing the doctor, family planning or even to treat injuries. In 2007, this facility received over 5 000 employee and contract staff visits. All employees from any of our properties may use the centre.

Legal proceedings

We previously reported that the South African Revenue Service ("SARS") had conducted audits in respect of certain of our subsidiaries' income tax returns. SARS had disputed the tax deductibility of certain expense items at Emperors Palace relating to pre-opening expenses of R26 million, royalties of R73,0 million and the wear and tear write-off periods claimed in respect of certain asset categories, predominantly slot machines. At a recent meeting held with SARS, the issues relating to Emperors Palace were settled at a cost of less than R0,1 million.

SARS has recently 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 advisors. Should the SARS interpretation prove to be correct, the group may be exposed to an additional taxation liability of approximately R9,8 million.

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

Annexure A

Condensed Unaudited Consolidated Financial Statements of:

Peermont Global (Proprietary) Limited
and its subsidiaries

for the period from 25 April and ended on 31 December 2007 ("eight months")
and as at 31 December 2007

and

Peermont Global Investments Limited
and its subsidiaries

for the 4 months ended 24 April 2007 ("four months") and as at 31 December 2006

Peermont Global (Proprietary) Limited
and its subsidiaries (Registration number: 2006/006340/07) (Successor),
and
Peermont Global Investments Limited
and its subsidiaries (Registration number: 1995/004449/06) (Predecessor)

Financial statements

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INCOME STATEMENTS

for the year ended 31 December 2007 and 2006

	Note	**Predecessor/ successor combined year ended 31 Dec 2007 R'm**	Reviewed Successor Eight months ended 31 Dec 2007 R'm	Reviewed Predecessor Four months ended 24 April 2007 R'm	Audited Predecessor Year ended 31 Dec 2006 R'm
Revenue		**2 300,1**	1 656,0	644,1	1 632,8
Gaming		**1 871,9**	1 350,1	521,8	1 302,3
Rooms		**186,0**	134,6	51,4	125,0
Food and beverage		**174,3**	130,1	44,2	138,8
Other		**67,9**	41,2	26,7	66,7
Other income	1	**4,4**	4,8	(0,4)	2,1
		2 304,5	1 660,8	643,7	1 634,9
Operating costs		**(1 606,1)**	(1 184,8)	(421,3)	(1 081,0)
Employee costs		**(518,7)**	(397,2)	(121,5)	(328,4)
VAT and gaming levies on gross gaming revenue		**(366,7)**	(265,5)	(101,2)	(255,6)
Promotional and marketing costs		**(130,1)**	(96,9)	(33,2)	(101,9)
Depreciation and amortisation		**(146,6)**	(115,4)	(31,2)	(78,2)
Property and equipment rentals		**(32,9)**	(23,8)	(9,1)	(23,7)
Other operational costs		**(411,1)**	(286,0)	(125,1)	(293,2)
Operating profit		**698,4**	476,0	222,4	553,9
Net finance expenses	2	**(802,3)**	(748,5)	(53,8)	(121,6)
Finance income		**174,3**	162,1	12,2	8,6
Finance expenses		**(976,6)**	(910,6)	(66,0)	(130,2)
(Loss)/profit before taxation		**(103,9)**	(272,5)	168,6	432,3
Taxation		**(4,3)**	36,7	(41,0)	(143,3)
(Loss)/profit for the period		**(108,2)**	(235,8)	127,6	289,0
Attributable to:					
Equityholders of Peermont		**(124,1)**	(242,1)	118,0	275,4
Minority shareholders		**15,9**	6,3	9,6	13,6
		(108,2)	(235,8)	127,6	289,0

BALANCE SHEETS

at 31 December 2007 and 2006

	Note	**Reviewed Successor 31 Dec 2007 R'm**	Audited Predecessor 31 Dec 2006 R'm
Assets			
Total non-current assets		**8 805,7**	3 369,5
Property, plant and equipment	3	**4 062,9**	2 199,3
Intangible assets	4	**4 586,8**	1 153,4
Amount due by joint venture partner		**3,0**	3,9
Derivative instruments		**151,8**	4,1
Deferred taxation asset		**1,2**	8,8
Total current assets		**565,0**	264,2
Inventories		**37,7**	29,5
Accounts receivable		**54,7**	51,5
Amounts due by related parties		**4,7**	1,8
Current portion of derivative instruments		**1,6**	7,0
Taxation		**4,2**	4,4
Cash and cash equivalents		**462,1**	170,0
Total assets		**9 370,7**	3 633,7
Equity and liabilities			
Equity			
Capital and reserves		**156,0**	1 322,6
Minority interest		**28,6**	164,2
Total equity		**184,6**	1 486,8
Total non-current liabilities		**8 764,6**	1 628,8
Interest-bearing long-term borrowings	5	**7 330,8**	449,1
Preference share liabilities		**—**	959,1
Amounts due to related parties		**41,9**	—
Deferred taxation liabilities		**1 391,9**	220,6
Total current liabilities		**421,5**	518,1
Accounts and other payables		**225,0**	178,9
Provisions		**59,9**	68,5
Amounts due to related parties		**6,8**	4,1
Current portion of interest-bearing long-term liabilities		**105,4**	147,0
Current portion of derivative instruments		**4,1**	2,6
Taxation liabilities		**20,3**	49,4
Bank overdraft		**—**	67,6
Total equity and liabilities		**9 370,7**	3 633,7

Statement of changes in equity

for the year ended 31 December 2007

Successor	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
Group							
Balance at 1 January 2007	—	—	—	—	—	—	—
Shares issued	381,2	—	—	—	381,2	—	381,2
Net (loss)/profit for the period	—	—	—	(124,1)	(124,1)	15,9	(108,2)
Less: net profit of Predecessor	—	—	—	(118,0)	(118,0)	(9,6)	(127,6)
Net loss of successor	—	—	—	(242,1)	(242,1)	6,3	(235,8)
Foreign exchange translation loss	—	—	(1,7)	—	(1,7)	(0,2)	(1,9)
Unrealised gain on fair value of cash flow hedge	—	18,6	—	—	18,6	—	18,6
Minority interest on acquisition of Old Peermont Global	—	—	—	—	—	22,5	22,5
Reviewed balance at 31 December 2007	**381,2**	**18,6**	**(1,7)**	**(242,1)**	**156,0**	**28,6**	**184,6**

CASH FLOW STATEMENTS

for the eight and four months ended 31 December 2007 and 24 April 2007

	Reviewed Successor Eight months ended 31 Dec 2007 R'm	Reviewed Predecessor Four months ended 24 April 2007 R'm
Cash flows from operating activities	**625,5**	255,3
Finance income	**36,3**	6,9
Finance expenses	**(309,4)**	(45,4)
Taxation paid	**(27,9)**	(13,6)
Cash generated from operating activities	**324,5**	203,2
Cash flows from investing activities	**(5 618,1)**	(31,3)
Acquisition of shares in subsidiaries	**(5 454,2)**	—
Replacement of property, plant and equipment to maintain operations	**(97,3)**	(34,9)
Acquisition of property, plant and equipment to expand operations	**(57,9)**	—
Replacement of intangible assets	**(3,3)**	(1,4)
Acquisition of intangible assets to expand operations	**(6,7)**	—
Proceeds on disposal of property, plant and equipment	**0,7**	4,7
Repayment of shareholder's loan by joint venture	**0,6**	0,3
Cash flows from financing activities	**5 579,7**	(97,4)
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)**	—
Interest-bearing long-term borrowings raised	**4 994,6**	—
Debt issuance costs paid	**(266,0)**	—
Cash settlement in respect of derivative instruments	**2,3**	1,0
Interest-bearing long-term borrowings repaid	**(377,0)**	(61,5)
Repayment of preference share liabilities	**(1 096,0)**	—
Advances to shareholders for deal costs	**(4,3)**	—
Dividends paid	**—**	(36,9)
Net increase in cash and cash equivalents	**286,1**	74,5
Cash and cash equivalents at beginning of the period	**176,2**	102,4
Effect of exchange rate fluctuations on cash held	**(0,2)**	(0,7)
Cash and cash equivalents at end of the period	**462,1**	176,2

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

		Predecessor/ Successor combined Year ended 31 Dec 2007 R'm	Reviewed Successor Eight months ended 31 Dec 2007 R'm	Reviewed Predecessor Four months ended 24 April 2007 R'm	Audited Predecessor Year ended 31 Dec 2006 R'm
1	**Other income**				
	Reduction in retention creditors	**4,3**	4,3	—	—
	Profit on acquisition of Tusk group loans	**—**	—	—	1,8
	Sundry income	**0,1**	0,1	—	—
	Profit/(loss) on sale of assets	**—**	0,4	(0,4)	0,3
		4,4	4,8	(0,4)	2,1
2	**Net finance expenses**				
	Interest received	**37,3**	30,4	6,9	6,2
	Fair value gain on derivative assets	**2,9**	2,9	—	—
	Foreign exchange gains	**125,9**	125,9	—	—
	Fair value adjustment on interest rate swaps	**8,2**	2,9	5,3	2,4
	Finance income	**174,3**	162,1	12,2	8,6
	Preference dividends	**(91,4)**	(69,7)	(21,7)	(49,0)
	Interest paid	**(664,5)**	(624,8)	(39,7)	(79,0)
	Fair value adjustment on interest rate swaps	**(4,6)**	—	(4,6)	(2,2)
	Foreign exchange losses	**(216,1)**	(216,1)	—	—
	Finance expenses	**(976,6)**	(910,6)	(66,0)	(130,2)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

3 Property, plant and equipment

	Depreciation rate %	Cost R'm	Impairment R'm	Accumulated depreciation R'm	Carrying value R'm
Successor					
31 December 2007					
Land	—	**180,0**	**—**	**—**	**180,0**
Freehold buildings	2,6	**3 453,6**	**—**	**(59,9)**	**3 393,7**
Leasehold buildings	Lease period	**167,3**	**—**	**(3,2)**	**164,1**
Furniture, fittings and equipment	10 – 100	**310,7**	**—**	**(45,0)**	**265,7**
Capital work in progress	—	**59,4**	**—**	**—**	**59,4**
		4 171,0	**—**	**(108,1)**	**4 062,9**
Predecessor					
31 December 2006					
Land	—	142,7	—	—	142,7
Freehold buildings	1 – 2	1 771,4	(15,5)	(59,7)	1 696,2
Leasehold buildings	Lease period	142,4	—	(13,9)	128,5
Furniture, fittings and equipment	10 – 100	527,8	—	(310,1)	217,7
Capital work in progress	—	14,2	—	—	14,2
		2 598,5	(15,5)	(383,7)	2 199,3

	Reviewed Successor 31 Dec 2007 R'm	Audited Predecessor 31 Dec 2006 R'm
Freehold land and buildings comprise the following properties:		
– Stand 64, Jones Road, Kempton Park	**3 060,7**	1 369,5
– 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	**176,3**	142,9
– Erf 101 San Lameer, Registration Division ET, Province of KwaZulu-Natal in extent 6 933 metres	**39,8**	26,4
– Lot 16145, Francistown, Botswana	**13,8**	15,1
– Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem	**65,1**	61,9
– Erven 995 and 996, Meiringspark Ext 8, Klerksdorp	**118,1**	108,9
– Erf 20, Thohoyandou	**71,1**	34,8
– Farm Leeuwvallei 297 KT, Burgersfort	**21,0**	—
– Portion 1 of Erf 113, Kuleka, Empangeni	**7,8**	79,4
	3 573,7	1 838,9

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007 (continued)

4 Intangible assets

	Amortisation rate %	Cost R'm	Accumulated amortisation R'm	Carrying value R'm
Successor				
31 December 2007				
Goodwill	—	**1 340,8**	**—**	**1 340,8**
Casino licences	—	**2 827,9**	**(0,2)**	**2 827,7**
Right to receive management fees	—	**382,4**	**—**	**382,4**
Trademarks	—	**20,0**	**—**	**20,0**
Computer software	33,3 – 50	**6,9**	**(3,1)**	**3,8**
Franchise costs	Lease period	**3,3**	**(0,4)**	**2,9**
Right of use of buildings	Lease period	**12,2**	**(3,0)**	**9,2**
		4 593,5	**(6,7)**	**4 586,8**
Predecessor				
31 December 2006				
Goodwill	—	417,7	—	417,7
Casino licences	—	333,2	—	333,2
Right to receive management fees	—	287,6	—	287,6
Bid commitment costs	0 – 6,7	58,6	(0,3)	58,3
Licence application costs	—	35,3	—	35,3
Computer software	33,3 – 50	23,8	(19,0)	4,8
Franchise costs	Lease period	4,4	(0,8)	3,6
Right of use of buildings	Lease period	13,8	(0,9)	12,9
		1 174,4	(21,0)	1 153,4

Notes to the financial statements

for the year ended 31 December 2007 (continued)

		Reviewed Successor 31 Dec 2007 R'm	Audited Predecessor 31 Dec 2006 R'm
5	**Interest-bearing long-term borrowings**		
	South African – secured		
	Senior Secured Notes 2014	**5 068,0**	—
	ABSA term loans – PGEFS	**79,8**	86,0
	ABSA term loan – PGM	**—**	191,5
	ABSA term loan – Tusk Umfolozi	**—**	77,7
	Rand Merchant Bank Limited – Emperors Palace	**—**	67,1
	ABSA term loan – Tusk Rio	**—**	39,8
	RMB bridge loan – PGM	**—**	3,5
	South African – unsecured		
	Deeply subordinated shareholders loans	**2 207,3**	—
	Promissory note liabilities	**22,0**	26,4
	Minority shareholder of PGEFSH	**3,4**	2,8
	Retention creditors	**11,3**	35,0
	Foreign – secured		
	First National Bank of Botswana Limited	**12,7**	33,9
	Foreign – unsecured		
	Corporate bond – Botswana	**28,8**	29,5
	Finance leases		
	Iskus Power (Proprietary) Limited	**2,9**	2,9
	Total interest-bearing long-term borrowings	**7 436,2**	596,1
	Current portion included in current borrowings	**(105,4)**	(147,0)
		7 330,8	449,1

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

PRO FORMA UNAUDITED GROUP INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2007

GROUP INCOME STATEMENT

	Pro forma consolidated unaudited year ended 31 Dec 07 R'm	Change %	Pro forma consolidated unaudited year ended 31 Dec 06 R'm
Revenue	**2 347,2**	15,2	2 037,4
Gaming	**1 921,2**	14,4	1 679,9
Rooms	**184,0**	26,5	145,5
Food and beverage	**170,1**	14,2	148,9
Other	**71,9**	13,9	63,1
Other income	**(0,1)**		1,3
	2 347,1	15,1	2 038,7
Operating costs	**(1 527,7)**	(14,6)	(1 333,2)
Employee costs	**(439,1)**	(9,9)	(399,5)
VAT and gaming levies on gross gaming revenue	**(377,7)**	(15,2)	(328,0)
Promotional and marketing costs	**(133,5)**	(10,2)	(121,2)
Depreciation and amortisation	**(148,5)**	(40,6)	(105,6)
Property and equipment rentals	**(32,5)**	(20,4)	(27,0)
Other operational costs	**(396,4)**	(12,6)	(351,9)
Operating profit	**819,4**	16,1	705,5
Net finance expenses	**(990,8)**	(482,1)	(170,2)
Finance income	**174,3**	975,9	16,2
Finance expenses	**(1 165,1)**	(525,1)	(186,4)
(Loss)/profit before taxation	**(171,4)**	(132,0)	535,3
Taxation credit/(charge)	**49,7**	127,1	(183,4)
(Loss)/profit for the year	**(121,7)**	(134,6)	351,9
Reconcilliation of operating profit to EBITDA			
Operating profit	**819,4**		705,5
Depreciation and amortisation	**148,5**		105,6
EBITDA	**967,9**	19,3	811,1

Basis of preparation

Peermont was formed to acquire all of the issued ordinary share capital of Peermont Global Limited ("Old Peermont Global") pursuant to a scheme of arrangement between Old Peermont Global and its shareholders ("the scheme"). The scheme became operative on 24 April 2007. As a result of the Scheme, Old Peermont Global became a wholly owned subsidiary of Peermont effective 24 April 2007. Prior to 24 April 2007, Peermont did not have any assets or operations.

Accordingly, the pro forma unaudited consolidated income statement information for each of the years ended 31 December 2006 and 31 December 2007 presented above is based on:

2006: the historical unaudited pro forma consolidated income statement of Old Peermont Global for the year ended 31 December 2006;

2007: the four months historical unaudited pro forma consolidated income statement of Old Peermont Global to 24 April 2007 plus the unaudited pro forma consolidated income statement of Peermont from 25 April 2007 to 31 December 2007,

prepared in accordance with International Financial Reporting Standards.

The Old Peermont Global unaudited consolidated income statement information has been adjusted to reflect the following transactions:

- **Tusk Acquisition:** On 1 September 2006, Old Peermont Global, through Peermont Global Tusk Holdings (Proprietary) Limited ("Tusk Holdings"), of which at the time Old Peermont Global owned 79%, acquired an interest of approximately 74% in the Tusk Casino and Resort Group (the "Tusk Group"). We refer to this transaction as the "Tusk Acquisition". As a result of the Tusk Acquisition, the results of the Tusk Group were included in the results of operations of Old Peermont Global on a fully consolidated basis from 1 September 2006.
- **Emperors Palace Reorganisation:** In connection with the scheme, certain minority BEE shareholders of Old Peermont Global's joint venture that owned the Emperors Palace asset exchanged their joint venture interests for shares in a parent company of Peermont (the "Emperors Palace Reorganisation"). As a result of the Emperors Palace Reorganisation, which became effective in April 2007, the joint venture entity became a wholly owned subsidiary of Peermont which is accounted for on a fully consolidated basis from that date.

The pro forma unaudited consolidated income statement information for each of the years ended 31 December 2006 and 31 December 2007 gives pro forma effect to the above transactions as if these occurred on 1 January 2006.

In the Senior Secured Notes Offering Memorandum ("OM"), the pro forma EBITDA for 2006 was reported as R815,0 million. The pro forma EBITDA for 2006 has been revised to include Peermont Global (Southern Highveld) (Proprietary) Limited ("PGSH") at 75%, on a consistent basis, and to take into account a reclassification of the costs of the right of use of buildings. The adjustments are as a result of the potential dilution of Peermont's shareholding in the joint venture from 97% as reported in the OM and the likely final holding of 75%. The reduction in the group pro forma EBITDA for 2006 is R5,9 million. A change in the accounting classification for the right of use of buildings at Tusk Mmabatho has lead to a reduction in the property rentals cost of R2,0 million and a subsequent corresponding increase in the depreciation charge.

The Peermont unaudited consolidated income statement information for the year ended 31 December 2007 has been adjusted for the effects of the following scheme related costs/transactions:

- **Scheme costs:** All costs relating to the scheme, as described below, have been eliminated from the unaudited consolidated Peermont results to give investors a comparable result for expected ongoing operations. Transaction costs of R17,9 million incurred by Old Peermont Global; costs incurred in meeting gambling board requirements for employee trusts of R47,6 million; Other professional fees of R2,6 million relating to consultants; and, retrenchment and share incentive settlement costs of R37,0 million have been added back for the purposes of the pro forma results as these costs are deemed to be once off-costs related to the transaction.
- **Release of unclaimed credits:** On implementation of the scheme, Peermont Global (East Rand) (Pty) Ltd, the previous operating company for the Emperors Palace operation, released unclaimed credits totalling R5,8 million to the income statement. These had occurred in prior years but on transfer to the new legal entity were required to be released. The release of these unclaimed credits has been eliminated from the reported unaudited pro forma results.
- **Finance expenses:** Costs incurred at the time of the buy out transaction to settle Old Peermont Global debt of R94,8 million, less the write up of an asset to fair value of R20,4 million (netted off in the group finance expenses), have been excluded from the pro forma income statement.

The pro forma unaudited consolidated income statement information for the year ended 31 December 2007 gives pro forma effect to the above costs/transactions as if these had not occurred in the year.

The pro forma financial expenses have been adjusted to include the estimated pro forma debt costs of the new debt structure that was put in place with effect from 25 April 2007. Pro forma financial expenses consisting of the Senior Secured Notes ("SSN"), the PIK Notes, the PIK Equity Loan, remaining preference shares as well as the existing finance expenses in Botswana and the Frontier operations have been included for the first four months to get an indicative pro forma expense for 2007.

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. There have been no changes to accounting polices from those applied in the preparation of Old Peermont Global's annual financial statements for the year ended 31 December 2006, except for the proportional consolidation of PGSH that was reduced from 97% to 75%. We currently own 50% of the issued ordinary shares of 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 Graceland, we are entitled to dilute our joint venture partners' holdings so that we will own up to approximately 97% of the issued share capital of PGSH, any such dilution being subject to the approval of the Mpumalanga Gaming Board ("MGB"). Having regard to the MGB's requirements, we may not be able to exercise our rights in full. Subject to the approval of the MGB, we intend to partially exercise these rights so that we will, directly or indirectly, hold approximately 75% of the issued share capital of PGSH.

The 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 Tusk Rio, Tusk Mmabatho and Tusk Taung);
- 100% Tusk Venda Casino Ltd (Tusk Venda operation);
- 100% of Emanzini Leisure Resorts (Pty) Ltd (Umfolozi operation); and
- 100% of the management and holding companies in the Peermont Group.

The 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 Tusk Rio, Tusk Mmabatho and Tusk Taung);
- 100% Tusk Venda Casino Ltd (Tusk Venda operation);
- 100% of Peermont Global (Limpopo) (Pty) Ltd (New owner of the Tusk Venda operation);
- 100% of Peermont Global (KZN) (Pty) Ltd (Umfolozi operation);
- 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.

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 operation of Old Peermont Global would have been had the events listed above occurred on 1 January 2006 or to project the future results of operations of Peermont for any future period.

Results of operations for the year ended 31 December 2007 (pro forma) compared to the results of operations for the year ended 31 December 2006 (pro forma)

Overview

Gaming revenue increased by 14,4% to R1 921,2 million and hotel and resort revenue increased by 19,2% to R426,0 million. EBITDA increased by 19,3% to R967,9 million. Revenue and EBITDA at Emperors Palace grew by R184,6 million (12,6%) and R97,7 million (17,2%) while revenue and EBITDA in the balance of the group operations grew by R125,2 million (21,9%) and R59,1 million (24,4%) respectively.

Operations

Emperors Palace

Revenue at Emperors Palace grew by 12,6% to R1 649,5 million compared to R1 464,9 million in 2006. Gross gaming revenue ("GGR") grew by 11,1% to R1 407,9 million, due mainly to slots revenue growth which was up 12,5% to R1 035,4 million, as compared to 2006. Tables revenue increased by R27,0 million, or 7,8%, to R372,2 million.

Rooms revenue increased by 39,2% to R91,7 million compared to R65,9 million in the prior year. Included in the current year is revenue of R27,3 million (2006: R15,8 million) for the Mondior Concorde hotel which opened during March 2006.

EBITDA at Emperors Palace increased by 17,2% to R666,3 million. EBITDA growth was positively impacted by:

- strong slots revenues;
- a full year of Mondior Concorde revenues;
- the transfer of certain payroll costs to head office; and
- cost control measures.

The pro forma EBITDA margin has improved from 38,8% as at 31 December 2007 to 40,4% as at 31 December 2007.

Graceland

Graceland revenues grew by 17,3% to R143,5 million compared to R122,4 million in 2006. GGR grew by 19,5% to R106,1 million. Tables and slots achieved growth of 14,3% and 20,2% respectively.

Overhead and departmental expenses remained relatively flat as compared to the prior year. This, combined with the significant revenue growth, assisted EBITDA to grow by 45,1% to R38,9 million from R26,8 million for the year ended 31 December 2006. This resulted in a margin improvement from 21,9% for the year ended 31 December 2006, to 27,1% for the year ended 31 December 2007.

Botswana

General economic conditions in the country continue to improve. The Botswana operations experienced revenue growth of 22,8% in Pula terms from Pula 121,3 million (R144,6 million) for the year ended 31 December 2006 to Pula 149,0 million (R170,4 million) for the year ended 31 December 2007. Gaming revenues improved by 17,7% on the prior year with slots contributing growth of 24,4%. Hotel and resort revenue grew by 24,3% to Pula 97,3 million, driven by strong growth of 28% at the Walmont Ambassador Hotel.

EBITDA grew in Pula terms by 35,7% to Pula 43,3 million (2006: P31,9 million). Translated into Rands the growth was 30,3% to R49,5 million (2006: R38,0 million). The margin improved from 26,3% in 2006 to 29,0% at the end of 2007.

Tusk Rio

Tusk Rio grew revenue by 12,9% to R131,0 million. The strong revenue growth flowed down to an EBITDA of R59,2 million, an increase of 33,3% from R44,4 million, and resulted in an EBITDA margin of 45,2% (2006: 44,1%).

Tusk Mmabatho

Tusk Mmabatho achieved revenue of R73,2 million for the year ended 31 December 2007. The revenue performance was up 12,3% on 2006. A once off Value Added Taxation ("VAT") charge of R0,9 million on complimentary sales reduced the EBITDA growth to 10,8% as compared to 2006, resulting in an EBITDA margin of 29,4% (2006: 29,8%). Excluding the VAT adjustment the EBITDA growth would have been 15,5%.

Tusk Venda
Tusk Venda commenced with a rooms and public areas refurbishment during the second quarter of 2007. The unit grew revenue by 11,3% to R48,3 million. The revenue growth flowed down to an EBITDA of R14,4 million and resulted in an EBITDA margin of 29,8%, slightly worse than the 30,4% achieved for the year ended 31 December 2007. The margin reduction was as a direct result of the decision to in source the food and beverage department with effect from December 2007.

Tusk Umfolozi
Tusk Umfolozi continued to exceed expectations and revenue was up by 24,9% at R113,5 million compared to 2006. EBITDA at R41,6 million was 27,2% up on the prior year. The EBITDA margin was 36,7% for the year compared to 36,0% for 2006.

Frontier
Following its opening in mid November 2006 the unit generated revenue of R37,1 million and achieved EBITDA of R6,8 million in its first full year of operation. The EBITDA margin at 18,3% includes R0,5 million of pre-opening costs that reduced the margin from 19,7%.

Head office and management companies (head office)
Head office revenue increased by 21,5%, from R121,5 million in 2006 to R147,6 million in 2007, mainly as a result of increased revenue and profitability at the managed casino and hotel units. Bethlehem contributed R3,0 million of the increase in management fees in 2007.

Head office expensed R5,0 million in respect of new casino licence applications and other business investigations in the current year.

After the elimination of the scheme costs mentioned above, head office EBITDA increased by 14,6% from R65,1 million in 2006 to R74,6 million in 2007. The combined EBITDA margin was 50,5% (2006: 53,6%). The increased head office costs were mainly due to payroll costs of new appointments made to increase our marketing, sales and central reservations efforts; the transfer of certain staff from Emperors Palace to head office in line with our strategy of increased centralisation of certain functions such as central reservations and sales; new costs relating to a corporate branding exercise; and, additional head office audit costs relating to the Tusk group. This decrease in margins partly offsets against the Emperors Palace margin improvement.

Net finance expenses

Finance income
Finance income consists mainly of the gains on derivative instruments that are not cash flow hedge accounted of R125,8 million, the actual interest earned on cash balances during the year and net foreign exchange gains on customer transactions.

Finance expenses
Finance expenses consist mainly of the calculated pro forma interest on the SSN and the shareholder liabilities (estimated at R927,2 million), foreign exchange losses calculated on restating the SSN liability to the year end spot rate (R216,1 million), and the actual interest paid on the local borrowings across the group of approximately R21,8 million.

Taxation
The pro forma taxation charge was estimated at 29% of the loss before taxation for the year. This results in a credit to the income statement as a deferred taxation asset would be raised for off set against the future taxable income of the entities within the group.

Bryanston
27 March 2008

Registered office: Peermont Place, 152 Bryanston Drive, Bryanston
Company Secretary: DL Petzer

www.peermont.com

Peermont Global (Proprietary) Limited
Annual Report for the year ended 31 December 2007

Accounting policies

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.

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, 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 the 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.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under the company's previous accounting framework, namely South African Generally Accepted Accounting Practice.

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.

Goodwill and indefinite-life intangible assets are tested for impairment annually.

Calculation of recoverable amount

The recoverable amount 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.

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.

Investments

Financial instruments held for trading are classified as current assets and are stated both on initial recognition and subsequent recognition at fair value, with any resultant gain or loss recognised in the income statement.

Other financial instruments held by the group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Financial instruments classified as held for trading or available-for-sale investments are recognised/derecognised by the group on the date it commits to purchase/sell the investments. Securities held-to-maturity are recognised/derecognised on the day they are transferred to/by the group.

Other investments of the company are recognised at cost.

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.

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 quoted forward price.

Other financial instruments

Other financial instruments are recognised at fair value.

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.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

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

The group does not incur a liability for post-employment medical aid benefits. Liabilities for employee benefits which are not expected to be settled within 12 months are discounted using the market yields at the balance sheet date, on high quality bonds with terms which most closely match the terms of maturity of the related liabilities.

Retirement benefits

Obligations for contributions to defined contribution provident and pension plans are recognised as an expense in the income statement as incurred.

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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Peermont Global Holdings II (Proprietary) Limited

BALANCE SHEET

at 31 December 2007 and 2006

	31 December 2007 R'm	31 December 2006 R'm
Assets		
Total non-current assets	**2 588,8**	—
Investment in subsidiary	**381,5**	—
Long-term loans to subsidiary	**2 207,3**	—
Total assets	**2 588,8**	—
Equity and liabilities		
Equity		
Capital and reserves	**382,3**	—
Total equity	**382,3**	—
Total non-current liabilities	**2 204,4**	—
Interest-bearing long-term borrowings – PIK Notes liability	**979,2**	—
Interest-bearing long-term borrowings – Shareholders loan	**1 225,2**	—
Total current liabilities	**2,1**	—
Trade and other payables	**0,1**	—
Amounts due to fellow subsidiary company	**2,0**	—
Total equity and liabilities	**2 588,8**	—

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