



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

QUARTERLY REPORT

for the three and six months ended 30 June 2007

Required in terms of the indenture

of the R887 000 000

18% PIK Notes due 2015

DATE: 27 SEPTEMBER 2007





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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 2014 (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 quarterly report is being provided to holders of the PIK Notes pursuant to section 4.19 of the PIK Notes indenture.

The PIK Notes bear interest at a rate of 18% 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.





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

QUARTERLY REPORT

for the three and six months ended 30 June 2007

Required in terms of the indenture

of the €520 000 000

7³/₄% Senior Secured Notes due 2014

DATE: 27 SEPTEMBER 2007





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

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

The notes bear interest at a rate of 7 ³/₄% per year. Interest on the notes is payable on 30 April and 30 October of each year, 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 recently 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 are, 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 aggregate consideration of R4,316 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"), 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 ("Tusk Rio"), Tusk Mmabatho Hotel and 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, Admiral Casino in Francistown and Admiral 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 unaudited consolidated financial statements contained in this quarterly report in accordance with International Financial Reporting Standards (“IFRS”). We present our financial statements in South African rand. In this quarterly report, unless otherwise indicated, all amounts are expressed in South African rand.

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

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

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

Overview

Peermont is the holder of the second largest number of casino licences in South Africa. We operate a total of 14 properties, nine in South Africa and five in neighbouring Botswana. Together, as of 30 June 2007, these included 3 255 slot machines, 145 gaming tables and 1 312 hotel rooms. Our flagship property is Emperors Palace, which is strategically located in the greater Johannesburg metropolitan area and was recently voted “Africa’s Leading Casino Resort” for a second time in a poll of over 167 000 travel professionals worldwide. In addition to Emperors Palace, our property portfolio includes five other casino resorts, four stand-alone casinos and four stand-alone hotels. Certain of our larger casino resorts also feature convention facilities and theatres.

Financial statements discussed

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

In terms of the scheme of arrangement, almost all of the businesses of Old Peermont Global were sold to Peermont with effect from the morning of 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. Thus, the one-month period to 24 April consists of 24 days and the two-month period thereafter includes 67 days’ trading results.





For the three and six-month periods ended 30 June 2007, we have provided condensed unaudited consolidated financial information which is derived from the condensed unaudited consolidated income statements of our predecessor company for the one and four-month periods from 1 April 2007 to 24 April 2007 and 1 January 2007 to 24 April 2007, respectively, and the condensed unaudited consolidated income statements of the successor company for the two-month period from 25 April 2007 to 30 June 2007. The condensed unaudited financial information reflects the aggregate of the financial performance of the predecessor and successor companies for the three and six-month periods ended 30 June 2007. The 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 for 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 three and six month periods, 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 25% in PGSH.

Key income statement items

Revenue

Our revenue consists of gaming revenue, rooms revenue, food and beverage revenue and other revenue. For the year ended 31 December 2006, we generated 79,8% of our total revenue from gaming, 8,5% from food and beverage, 7,6% from rooms and 4,1% from other revenue.

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

Rooms revenue is generated from room nights sold at our various hotels, which is a function of average room rate and occupancy rate. We define 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 30,4%, 27,1%, 23,7%, 9,4%, 7,2% and 2,2% of total operating costs, respectively, for the financial year ended 31 December 2006.

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

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

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

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

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

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

Primary factors affecting results of operations

The Transactions

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

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

On implementation of the scheme, Peermont Global (East Rand) (Proprietary) Limited, the previous operating company for the Emperors Palace operations, released provisions for marketing (R6,8 million), share scheme costs (R1,6 million) and other unclaimed amounts (R5,8 million) totalling R14,2 million to the income statement. These had been raised in line with budget and in prior years, but on implementation of the Corporate Reorganisation, were required to be released. This implies that there is likely to be a catch-up of certain expenditure in the next six months, mainly marketing costs. The release of these provisions 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 R90,1 million and consisted of:

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

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

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

Staff Trusts

The Tusk Group, which was acquired by Old PeerMont Global in 2006, had created two trusts for the benefit of its employees. These trusts were intended to be share-based trusts to allow the employees of its operations in the North West and Limpopo provinces and KwaZulu-Natal province to benefit from growth in the value of the casino and hotel operating companies in those provinces. As part of the transactions, a new trust 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 or will receive dividends of R49,4 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 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 R8,9 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. No further distributions to the trusts are expected to be paid by the PeerMont companies in the medium term. Only existing trust resources will be distributed to beneficiaries from the liability currently recorded and investment income thereon.

As R17,9 million was accrued by Old PeerMont Global before the transaction, PeerMont has recognised the remaining amount of R40,4 million as an employee cost in the current period as a consequence of the Transactions. This cost has been adjusted in determining our adjusted earnings before interest, taxation, depreciation and amortisation ("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 has historically contributed approximately 70% of the group's revenues and the Tusk group contributes 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.

	Three months ended 30 June ⁽¹⁾		Six months ended 30 June ⁽¹⁾	
	Predecessor 2006 (unaudited) R'm	Predecessor/ successor 2007 (unaudited summation) R'm	Predecessor 2006 (unaudited) R'm	Predecessor/ successor 2007 (unaudited summation) R'm
Income statement data				
Revenue	361,3	570,0	697,4	1 069,6
Other income	0,1	(0,3)	0,2	(0,4)
Operating costs	(237,1)	(459,5)	(468,4)	(782,6)
Operating profit	124,3	110,2	229,2	286,6
Financial income	0,6	66,7	1,3	78,0
Financial expenses	(27,0)	(326,8)	(55,5)	(377,1)
Profit/(loss) before taxation	97,9	(149,9)	175,0	(12,5)
Taxation	(23,5)	(9,7)	(49,6)	(44,6)
Net profit/(loss) for the period	74,4	(159,6)	125,4	(57,1)
Attributable to:				
Equityholders of PeerMont	73,0	(163,2)	122,8	(67,7)
Minority shareholders	1,4	3,6	2,6	10,6
	74,4	(159,6)	125,4	(57,1)
EBITDA Reconciliation⁽²⁾				
Operating profit	124,3	110,2	229,2	286,6
Add: Depreciation and amortisation	17,3	35,2	33,5	59,1
EBITDA	141,6	145,4	262,7	345,7
Adjustments to EBITDA				
Add: Employee costs	—	78,0	—	78,0
Add: Other operational expenditure for professional fees	—	2,6	—	2,6
Add: Other operational expenditure paid by the predecessor company for professional fees	—	17,9	—	17,9
Less: Release of accruals and provisions	—	(8,4)	—	(8,4)
Adjusted EBITDA	141,6	235,5	262,7	435,8
Adjusted EBITDA margin ⁽³⁾	39,19%	41,74%	37,66%	40,97%

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

(2) We define EBITDA as earnings before interest, taxation, depreciation and amortisation. We believe that EBITDA serves as a useful supplementary financial indicator to investors since it is commonly reported and widely accepted by analysts and investors in measuring a company's ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDA is a widely accepted indicator in comparing a company's underlying operating profitability with that of other companies in the same industry. EBITDA is not an IFRS measure and you should not consider EBITDA as an alternative to measures of net profit/(loss) as an indicator of operating performance, as a measure of cash flow from operations or as an indicator of liquidity under IFRS. Funds depicted by this measure may not be available for our discretionary use (due to covenant restrictions, debt service payments and other commitments). You should note that EBITDA is not a uniform or standardised measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies. A reconciliation of EBITDA to operating profit for the three and six months ended 30 June 2006 and 30 June 2007 is presented above.

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



Commentary on the results for the period

The three-month period ended 30 June 2007 (unaudited) compared to the three-month period ended 30 June 2006 (unaudited)

Revenue

Our revenue increased by 57,8% from R361,3 million for the three months ended 30 June 2006 to R570,0 million for the three months ended 30 June 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 a result of the Tusk group acquisition; and, partially as a result of organic growth. Excluding the effect of these changes, revenues grew by approximately 18,0% in the period, due primarily to organic growth.

Gaming revenues improved by 63,6% from R286,2 million to R468,3 million. Emperors Palace revenues grew by 15,5% and Tusk Umfolozi and Graceland performed well with growth of 36,1% and 26,0%, respectively.

Rooms revenues improved by 44,8% in the three months. The addition of the 150 new rooms at the Mondior Hotel at Emperors Palace contributed to this growth. In addition, room rates and occupancies increased at most units.

Operating costs

Operating costs for the three months ended 30 June 2007 were R459,5 million, an increase of R222,4 million, or 93,8%, from R237,1 million for the three months ended 30 June 2006. This was mainly due to the change in holding of Emperors Palace and the Tusk acquisition as well as the Transactions related costs totalling R90,1 million as described above. In addition, VAT and gaming levies on gross gaming revenue at R90,6 million were R33,8 million up on the prior year, due to the higher revenues reported.

Depreciation for the three months ended 30 June 2007 was R35,2 million, an increase of R17,9 million, or 103,5%, from R17,3 million for the three months ended 30 June 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 Transactions. The group has increased the average depreciation rate on certain buildings from 1 to 2% based on a re-estimation of the future lives of these buildings.

Operating profit

The resulting operating profit at R110,2 million was R14,1 million, or 11,3% below the prior period.

EBITDA

EBITDA increased by 2,7% from R141,6 million to R145,4 million over the same period. The change in EBITDA was due primarily to the abnormal employee costs and professional fees incurred, offset by the release of provisions, as set out above, due to the Transactions.

Adjusted EBITDA grew by 66,3% in the three months, before adjusting for the effect of the change in holding of Emperors Palace and the Tusk acquisition.

Financial income

Financial income for the three months ended 30 June 2007 was R66,7 million, an increase of R66,1 million over the prior period. This included the write up of a loan (which was closed out on completion of the Transactions) of R20,4 million and a foreign exchange profit of R39,5 million on revaluing the notes liability to spot rates at 30 June 2007.

Financial expenses

Financial expenses at R326,8 million were R299,8 million up on the prior period, largely due to interest costs of R85,6 million incurred on the notes; interest of R68,9 million on the deeply subordinated shareholder loans; early settlement penalties/dividends of R67,0 million on redemption of preference share liabilities in the predecessor group; foreign exchange losses of R59,7 million on the revaluation of the foreign exchange contract to hedge the notes liability; and, other interest and debt break costs of R27,8 million incurred on settlement of the predecessor company's term loans.

Taxation

Taxation at R9,7 million was 58,7% down on the prior year due to the lower profits reported. Taxation included secondary taxation on companies ("STC") on dividends paid and taxation costs of the subsidiary companies where no debt tax shield exists.



Loss for the period

The resulting loss after taxation at R159,6 million was below the prior period profit of R74,4 million. The overall variance to prior period was mainly due to the increased holding in Emperors Palace and the Tusk profits, offset by Transactions costs, increased financing charges and the effects of the foreign exchange contracts/exposures.

The six-month period ended 30 June 2007 (unaudited) compared to the six-month period ended 30 June 2006 (unaudited)

Overview

Our revenue increased by 53,4% from R697,4 million for the six months ended 30 June 2006 to R1 069,6 million for the six months ended 30 June 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. Excluding the effects of these changes, revenues grew by approximately 19,9% in the period.

Gaming revenues improved by 56,9% from R556,9 million to R873,5 million in June 2007. Emperors Palace revenues grew by 17,6% and Tusk Umfolozi and Graceland performed well with growth of 35,5% and 26,8%, respectively.

Rooms revenues improved by 53,3% in the six months. The addition of the 150 new rooms at the Mondior Hotel at Emperors Palace for four months in the period, contributed to this growth. In addition, room rates and occupancies increased at most units.

Operating costs

Operating costs for the six months ended 30 June 2007 were R782,6 million, an increase of R314,2 million, or 67,1%, from R468,4 million for the six months ended 30 June 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 R90,1 million as described above. In addition, VAT and gaming levies on gross gaming revenue at R169,5 million were R58,9 million up on the prior year, due to the higher revenues reported.

Depreciation for the six months ended 30 June 2007 was R59,1 million, an increase of R25,6 million, or 76,4%, from R33,5 million for the six months ended 30 June 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% based on a re-estimation of the future lives of these buildings.

Operating profit

The resulting operating profit at R286,6 million was R57,4 million, or 25,0% up on the prior period.

EBITDA

EBITDA increased by 31,6% from R262,7 million to R345,7 million over the same period. The change 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 65,9% in the six months, before adjusting for the effect of the change in holding of Emperors Palace and the Tusk acquisition. The comparable pro forma EBITDA growth for the six months was 27,1%.

Financial income

Financial income for the six months ended 30 June 2007 was R78,0 million, an increase of R76,7 million over the prior period. This included the write up of a loan (which was closed out on completion of the transaction) of R20,4 million, interest received from financial institutions and a foreign exchange profit of R39,5 million on revaluing the notes liability to spot rates at 30 June 2007.

Financial expenses

Financial expenses at R377,1 million were R321,6 million up on the prior period, largely due to interest costs of R85,6 million incurred on the notes; interest of R68,9 million on the deeply subordinated shareholder loans; early settlement penalties/dividends of R67,0 million on redemption of preference share liabilities in the predecessor group; debt break costs of approximately R27,8 million; foreign exchange losses of R59,7 million on the revaluation of the foreign exchange contract to hedge the notes liability; preference dividends; and, other interest costs incurred.



Taxation

Taxation at R44,6 million was 10,1% down on the prior year, primarily due to the tax shield of the higher interest charges.

Loss for the period

The resulting loss after tax at R57,1 million is to be compared to the prior period profit of R125,4 million. The overall variance to prior period was mainly due to the increased holding in Emperors Palace and the Tusk profits, offset by 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. 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 six-month period ended 30 June 2007, we have provided condensed unaudited consolidated cash flow information which is derived from the condensed unaudited consolidated cash flow statement of our predecessor company for the four month period from 1 January 2007 to 24 April 2007, adjusted to exclude the Transactions, and the condensed unaudited consolidated cash flow statement of the successor company for the two-month period from 25 April 2007 to 30 June 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 six-month period ended 30 June 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 six-month period, nor is it necessarily representative of our cash flows for any future periods.



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

	Six months ended 30 June	
	Predecessor/ successor 2007 (unaudited) R'm	Predecessor 2006 (unaudited) R'm
Cash flows from operating activities	385,6	248,2
Financial income	33,2	1,3
Financial expenses	(141,7)	(54,7)
Taxation paid	(38,6)	(47,3)
Cash flows generated from operating activities	238,5	147,5
Cash flows from investing activities	(5 510,8)	(43,1)
Cash flows from financing activities	5 529,0	(115,8)
Net increase/(decrease) in cash and cash equivalents	256,7	(11,4)

Cash flows generated from operating activities

Net cash inflow from operating activities for the period was R385,6 million compared to R248,2 million in the predecessor company. The effect of the increased holding in Emperors Palace for two months, the cash flows from the Tusk entities and organic growth contributed to the increase.

Financial income

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

Financial expenses

This is made up predominantly of 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 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 buyout. All interest relating to the notes and 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, where no taxation shield exists such as PGSH, PGB and PGEFS, 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 six months was R60,2 million, predominantly on building maintenance and replacement of gaming equipment.

Cash flows from financing activities

Net cash inflow from financing activities for the period amounted to R5 529,0 million.

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 997,4 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.

Preference shares to the value of R1 095,5 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 loan.

Advances to shareholders

These advances represent costs of stamp duty and bond costs related to the Transactions, paid on behalf of shareholders, still to be recovered from them.

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 30 June 2007 the PeerMont Group had R358,2 million in cash resources available to service debt, working capital requirements and new projects.

Capital expenditures

Our capital expenditures in the six months ended 30 June 2007 and the period ended 30 June 2006, were R60,2 million and R43,2 million, respectively, representing approximately 5,6% and 6,2% of total revenue for those periods. Cash used for capital expenditures consists primarily of (a) cash used for the replacement of gaming equipment and hotel furniture, fittings and equipment and property refurbishment as well as other assets used for the maintenance of our properties, plant and equipment net of proceeds received from the sale of property, plant and equipment ("maintenance capital expenditure"); and, (b) cash used to expand (other than by way of acquisitions) our business capacity to increase revenue and profitability ("expansion capital expenditure"). Expansion capital expenditure includes the purchase of additional gaming equipment, expansion of existing properties and the development of new properties.

Our maintenance capital expenditures in the six months ended 30 June 2007 and 30 June 2006 were R60,2 million and R9,5 million, representing approximately 5,6% and 1,4% of total revenue, respectively. Our maintenance capital expenditures for the six months ended 30 June 2007 reflected ordinary course maintenance and replacement of gaming equipment, primarily slot machines, hotel furniture, fittings and equipment and R12,9 million spent on the upgrade of the Tusk Mmabatho and Tusk Venda properties. The maintenance capital expenditures for the six month period ended 30 June 2006 reflected ordinary course maintenance and replacement of gaming equipment, primarily slot machines, hotel furniture, fittings and equipment.

Our expansion capital expenditures in the six months ended 30 June 2006 were R33,7 million, representing approximately 4,8% of total revenue for the period. This consisted of R27,9 million spent on the construction of the Frontier Inn & Casino and R5,8 million of proportionately consolidated costs spent on the completion of the Mondior Concorde Hotel at Emperors Palace, both of which commenced in 2005. No expansionary capital expenditure was incurred in the first six months of 2007.

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 under our revolving credit facility. At 30 June 2007 the R400,0 million available under our revolving credit facility for working capital and general corporate purposes was undrawn. 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 needs, will be sufficient to meet our needs for the foreseeable future, we cannot assure you that our business will generate sufficient cash flow from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our working capital or other liquidity needs, including making payments under the notes or our other



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

Scheduled repayments of our current obligations

Set out below is a summary of amounts due and committed under our contractual cash obligations at 30 June 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⁾	71,5	—	—	4 703,1	4 774,6
Deeply subordinated shareholders loan ⁽²⁾	—	—	—	2 013,7	2 013,7
Bank borrowings ⁽³⁾	16,7	35,9	26,0	40,9	119,5
Corporate bond ⁽⁴⁾	—	28,0	—	—	28,0
Promissory note liabilities	3,6	18,3	2,3	—	24,2
Retention creditors	—	24,1	—	—	24,1
Finance lease agreements	0,4	1,5	1,4	—	3,3
Shareholder loan ⁽⁵⁾	—	—	—	3,1	3,1
	92,2	107,8	29,7	6 760,8	6 990,5
Operating lease commitments	10,5	19,6	19,6	67,8	117,5
Total	102,7	127,4	49,3	6 828,6	7 108,0

(1) The amount reflected is Euro 520,0 million disclosed at the current spot rate, plus accrued interest and unamortised issue costs.

(2) The amount reflected includes the capital owing, accrued and capitalised interest.

(3) Bank borrowings comprise secured loan facilities from financial institutions in South Africa and Botswana. The Botswana borrowings are 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. These funds are funded by payments from our employees and us, taking account of recommendations of independent actuaries. Our contributions to defined contribution funds are charged to our income statement during in the year they are incurred.

Off-balance sheet arrangements

We have no off-balance sheet arrangements.

Contingent liabilities

The South African Revenue Service (“SARS”) previously conducted audits in respect of certain of our subsidiaries’ income tax returns. SARS disputed the tax deductibility of certain expense items at Emperors Palace relating to pre-opening expenses of R26 million, royalties of R73 million and the wear and tear write-off periods claimed in respect of certain asset categories, predominantly slot machines. Although we provided a comprehensive presentation to SARS rejecting their position, we may not be successful in contesting SARS’s interpretation of the deductibility of these expenses and write-offs. We have not yet made any provisions for reserves in connection with this dispute. No further correspondence has been received from SARS to date.



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 Botswana pula, U.S. dollar and Euro.

In connection with the issuance of the notes, we entered into forward exchange contracts covering the rand equivalent of the principal amount of €520 000 000, substantially all of the estimated early settlement penalty and four years of interest due under the notes.

Currency transaction effects occur due to the fact that in 2006 we earned 91% of our revenue in rand and incurred approximately 11% of our total costs in pula. We do not hedge this exposure. Currency translation effects occur due to the fact that our Botswana operations earned all of their revenue in pula and also prepared their financial statements in this currency. For group consolidation purposes these financial statements are translated to rand, the group's reporting currency.

From time to time, we incur costs in Euro or 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 7¾% until 2014. The interest on the shareholder loans of R887,0 million and R1 086,3 million 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 changed the average estimated useful life from 100 to 50 years (1% depreciation to 2%). This will increase the future depreciation charges to the group.

The preparation of our financial statements requires management to make estimates and judgments 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 judgments 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 judgments 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 advisors 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.

Share incentive scheme costs

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

New accounting interpretations issued

IFRIC 13 – Customer Loyalty Programmes

Effective for periods commencing on or after 1 July 2008. The interpretation deals with the accounting treatment of customer loyalty programmes. The adoption of the interpretation is not expected to have a significant effect on the group's revenue reporting.

New developments

New Metcourt Hotel at Emperors Palace

The Group recently 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 hotel will complement the existing hotels on the property.

The hotel will comprise of 248 rooms to be developed at a cost of some R170 million and will create a new standard of modern, contemporary convenience and functionality. The Metcourt will have a comfortably large ground floor reception area with a number of on-site amenities that include a business centre, board room, residents' pool area and a buffet-style restaurant, all with Wi-Fi Internet access. Large dedicated facilities for the arrival and check-in of tour groups will allow for even more convenient passage through registration.

Construction has commenced and the hotel is scheduled for opening in the fourth quarter of 2008.

Admiral casinos in Botswana

PGB recently acquired two casinos in Francistown and Selebi-Phikwe in Botswana from Admiral casinos for a cost of Pula 2,2 million (R2,5 million). The Francistown Casino with 50 slot machines is located in the Cresta Marakanelo Thapama Hotel in the centre of Francistown and the Selebi-Phikwe Casino with 30 slots is located in the Syringa Lodge, close to the town centre. Francistown and Selebi-Phikwe are the second and third largest economic centres in Botswana respectively. This increases the number of slots operated by PGB to 230.





The Botswana company expects to invest some Pula 15 million (R17,2 million) to fully comply with commitments contained in these two licence agreements which include the upgrading of both premises and the replacement of gaming equipment.

Emperors Palace Gaming Expansion

The Gauteng Gambling Board (GGB) has permitted the conversion of the Emperors Palace existing casino licence from an approved mix of 1 640 slots and 79 tables (including 12 traditional poker tables) to 2 746 gaming positions, of which 168 may be used solely for traditional poker.

Emperors Palace has notified the GGB of its intent to convert 6 tables to 84 slot machines, at a project cost of approximately R12 million, and is in the process of implementing the changes, which are expected to become fully operational by 31 October 2007.

Eight live poker tables have been brought into use in September 2007 at a project cost of approximately R2 million.

This will increase the total number of slot machines at Emperors Palace to 1 724 while the number of tables will reduce to 61, excluding the eight live poker tables mentioned above.

Burgersfort Casino licence

Peermont Tubatse (Proprietary) Limited ("PGT") is one of two qualified bidders for the casino licence at Burgersfort in the platinum group minerals-rich Steelpoort region, some 300 km north east of Johannesburg.

PGT has chosen a desirable north facing location on the western urban edge with impressive views over the town and surrounding landscape. Substantial residential and commercial development has been approved on adjoining sites.

PGT's latest commitment to the Limpopo Gambling Board requires an estimated capital expenditure of R160 million to develop a 50 key hotel and install 120 slot machines and 12 tables in gaming facilities fully owned, controlled and managed by the Peermont Tubatse consortium, which has an effective 91,5% Black Economic Empowerment shareholding.

The successful bidder was expected to be announced in September 2007 but the timing of this announcement is now uncertain.

PGT has an option, expiring on 30 September 2007, to acquire the land for this project at an amount of R21,0 million. Should the award of the licence not be finalised by 30 September, Peermont intends to exercise its option to secure the land for its bid.

Mthatha Casino licence

Peermont was appointed as the preferred bidder for the Mthatha Casino licence in the Eastern Cape Province. An unsuccessful bidder instituted legal action against the Eastern Cape Gambling and Betting Board ("ECGGB") 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.

Peermont has entered into discussions with the unsuccessful bidder to attempt to settle the legal action out of court. Should such a settlement be reached, an application will be made to the ECGGB to amend the current bid commitments to accommodate this new arrangement. If and when the legal action is settled to satisfaction of the ECGGB, and the land claim has been settled to Peermont's satisfaction, the development process will commence. The environmental impact assessment (EIA) is expected to be completed approximately 10 months after commencing the development process. Accordingly, construction of this casino is not expected to commence prior to the second half of 2008.

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 has recently approved the relocation of the Tusk Umfolozi Casino at Empangeni to Richards Bay, at an expected cost of R220 million.

The group has a bid commitment to construct a hotel and certain ancillary facilities adjacent to its casino in Empangeni, KwaZulu-Natal. A feasibility study was undertaken to establish the viability of the casino and new facilities in Richards Bay, the fastest growing metropolitan area in South Africa.

The intention is to construct a new casino, hotel and conference facility in Richards Bay including:

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

The company has tendered for land and, if successful, will commence with the EIA approvals immediately. Subject to the necessary approvals from the local authorities and the KwaZulu-Natal Gambling Board, construction is expected to commence in the second quarter of 2008 and the resort is planned to open in the fourth quarter of 2009.

Approximately R20 million of the total capital expenditure is expected to be spent during 2007, with R100 million expects to be spent in 2008, and the balance of R100 million to be spent in 2009.

The cost is expected to be funded as to 60% by non-recourse asset-based debt in PGKZN and the balance through cash generated by the Peermont Group.

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"). Following market research and a feasibility study as to the optimum size for the hotel, the Peermont board has approved the construction of a 70 room hotel, a 300 seat (cinema style) conference centre, a new restaurant and an enlarged kitchen to serve the increased requirements of the complex. The total cost of this project is budgeted at R65,5 million. It is anticipated that approximately R5,5 million of this will be spent in 2007 and the balance of R60 million will be spent in 2008. Subject to the necessary approvals from the local authorities and the NWGB, the hotel is planned to open in the last quarter of 2008.



ANNEXURE A

Condensed Unaudited Consolidated Financial Statements of:

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

for the period from 25 April and ended on 30 June 2007 (“two months”) and as at 30 June 2007

and

**Peermont Global Investments Limited
and its subsidiaries**

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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**PeerMont Global (Proprietary) Limited and its subsidiaries (Successor),
and PeerMont Global Investments Limited and its subsidiaries (Predecessor)**

INCOME STATEMENTS

for the three months ended 30 June 2007 and 2006

	Note	Predecessor/ Successor combined Three months ended 30 June 2007 R'm	Successor Two months ended 30 June 2007 R'm	Predecessor One month ended 24 April 2007 R'm	Predecessor Three months ended 30 June 2006 R'm
Revenue		570,0	425,5	144,5	361,3
Gaming		468,3	351,7	116,6	286,2
Rooms		43,0	32,3	10,7	29,7
Food and beverage		39,2	30,0	9,2	34,6
Other		19,5	11,5	8,0	10,8
Other income	1	(0,3)	—	(0,3)	0,1
		569,7	425,5	144,2	361,4
Operating costs		(459,5)	(361,3)	(98,2)	(237,1)
Employee costs		(190,4)	(164,8)	(25,6)	(77,1)
VAT and gaming levies on gross gaming revenues		(90,6)	(68,3)	(22,3)	(56,8)
Promotions and marketing costs		(30,9)	(24,0)	(6,9)	(18,0)
Depreciation and amortisation		(35,2)	(27,9)	(7,3)	(17,3)
Property and equipment rentals		(8,0)	(6,0)	(2,0)	(5,4)
Other operational costs		(104,4)	(70,3)	(34,1)	(62,5)
Operating profit		110,2	64,2	46,0	124,3
Net financial expenses	2	(260,1)	(245,3)	(14,8)	(26,4)
Financial income		66,7	65,8	0,9	0,6
Financial expenses		(326,8)	(311,1)	(15,7)	(27,0)
(Loss)/profit before taxation		(149,9)	(181,1)	31,2	97,9
Taxation		(9,7)	(3,6)	(6,1)	(23,5)
(Loss)/profit for the period		(159,6)	(184,7)	25,1	74,4
Attributable to:					
Equityholders of PeerMont		(163,2)	(185,7)	22,5	73,0
Minority shareholders		3,6	1,0	2,6	1,4
		(159,6)	(184,7)	25,1	74,4



**PeerMont Global (Proprietary) Limited and its subsidiaries (Successor),
and PeerMont Global Investments Limited and its subsidiaries (Predecessor)**

INCOME STATEMENTS

for the six months ended 30 June 2007 and 2006

	Note	Predecessor/ Successor combined Six months ended 30 June 2007 R'm	Successor Two months ended 30 June 2007 R'm	Predecessor Four months ended 24 April 2007 R'm	Predecessor Six months ended 30 June 2006 R'm
Revenue		1 069,6	425,5	644,1	697,4
Gaming		873,5	351,7	521,8	556,9
Rooms		83,7	32,3	51,4	54,6
Food and beverage		74,2	30,0	44,2	63,3
Other		38,2	11,5	26,7	22,6
Other income	1	(0,4)	—	(0,4)	0,2
		1 069,2	425,5	643,7	697,6
Operating costs		(782,6)	(361,3)	(421,3)	(468,4)
Employee costs		(286,3)	(164,8)	(121,5)	(141,6)
VAT and gaming levies on gross gaming revenues		(169,5)	(68,3)	(101,2)	(110,6)
Promotions and marketing costs		(57,2)	(24,0)	(33,2)	(40,8)
Depreciation and amortisation		(59,1)	(27,9)	(31,2)	(33,5)
Property and equipment rentals		(15,1)	(6,0)	(9,1)	(10,4)
Other operational costs		(195,4)	(70,3)	(125,1)	(131,5)
Operating profit		286,6	64,2	222,4	229,2
Net financial expenses	2	(299,1)	(245,3)	(53,8)	(54,2)
Financial income		78,0	65,8	12,2	1,3
Financial expenses		(377,1)	(311,1)	(66,0)	(55,5)
(Loss)/profit before taxation		(12,5)	(181,1)	168,6	175,0
Taxation		(44,6)	(3,6)	(41,0)	(49,6)
(Loss)/profit for the period		(57,1)	(184,7)	127,6	125,4
Attributable to:					
Equityholders of PeerMont		(67,7)	(185,7)	118,0	122,8
Minority shareholders		10,6	1,0	9,6	2,6
		(57,1)	(184,7)	127,6	125,4



**PeerMont Global (Proprietary) Limited and its subsidiaries (Successor),
and PeerMont Global Investments Limited and its subsidiaries (Predecessor)**

BALANCE SHEETS

at 30 June 2007 and 31 December 2006

	Note	Successor 30 June 2007 R'm	Predecessor 31 December 2006 R'm
Assets			
<i>Total non-current assets</i>		8 641,2	3 369,5
Property, plant and equipment	3	4 017,3	2 199,3
Intangible assets	4	4 615,3	1 153,4
Amount due by joint venture partner		3,5	3,9
Derivative instruments		3,7	4,1
Deferred taxation asset		1,4	8,8
<i>Total current assets</i>		473,2	264,2
Inventories		38,8	29,5
Accounts receivable		67,5	51,5
Amounts due by joint ventures		0,1	1,8
Current portion of derivative instruments		1,0	7,0
Taxation		7,6	4,4
Cash and cash equivalents		358,2	170,0
Total assets		9 114,4	3 633,7
Equity and liabilities			
<i>Equity</i>			
Capital and reserves		154,1	1 322,6
<i>Minority interest</i>		23,3	164,2
Total equity		177,4	1 486,8
<i>Total non-current liabilities</i>			
Interest-bearing long-term borrowings	5	6 898,3	449,1
Preference share liabilities		0,5	959,1
Derivative instruments		86,8	—
Deferred taxation liabilities		1 462,6	220,6
<i>Total current liabilities</i>		488,8	518,1
Accounts and other payables		300,6	178,9
Provisions		44,3	68,5
Amounts due to related parties		4,8	4,1
Current portion of long-term liabilities		92,2	147,0
Current portion of derivative instruments		15,6	2,6
Taxation liabilities		31,3	49,4
Bank overdraft		—	67,6
Total equity and liabilities		9 114,4	3 633,7



**PeerMont Global (Proprietary) Limited and its subsidiaries (Successor),
and PeerMont Global Investments Limited and its subsidiaries (Predecessor)**

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 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	—	—	—	(67,7)	(67,7)	10,6	(57,1)
Less: net profit of Predecessor	—	—	—	(118,0)	(118,0)	(9,6)	(127,6)
Net loss of Successor	—	—	—	(185,7)	(185,7)	1,0	(184,7)
Foreign exchange translation loss	—	—	(0,7)	—	(0,7)	(0,2)	(0,9)
Unrealised loss on fair value of cash flow hedge	—	(40,7)	—	—	(40,7)	—	(40,7)
Minority interest on acquisition of PeerMont Global	—	—	—	—	—	22,5	22,5
Balance at 30 June 2007	381,2	(40,7)	(0,7)	(185,7)	154,1	23,3	177,4



**PeerMont Global (Proprietary) Limited and its subsidiaries (Successor),
and PeerMont Global Limited and its subsidiaries (Predecessor)**

CASH FLOW STATEMENTS

for the four and two months ended 24 April 2007 and 30 June 2007

	Successor Two months ended 30 June 2007 R'm	Predecessor Four months ended 24 April 2007 R'm
Cash flows from operating activities	130,3	255,3
Financial income	26,3	6,9
Financial expenses	(96,3)	(45,4)
Taxation paid	(25,0)	(13,6)
Cash generated from operating activities	35,3	203,2
Cash flows from investing activities	(5 479,5)	(31,3)
Acquisition of shares in subsidiaries	(5 454,2)	—
Replacement of property, plant and equipment to maintain operations	(25,3)	(34,9)
Replacement of intangible assets to maintain operations	(0,1)	(1,4)
Proceeds on disposal of property, plant and equipment	0,1	4,7
Repayment of shareholder's loan by joint venture	—	0,3
Cash flows from financing activities	5 626,4	(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)	—
Long-term borrowings raised	4 994,6	—
Debt issuance costs paid	(266,0)	—
Cash settlement in respect of derivative instruments	5,0	1,0
Long-term borrowings repaid	(336,0)	(61,5)
Repayment of preference share liabilities	(1 095,5)	—
Advances to shareholders for deal costs	(1,8)	—
Dividends paid	—	(36,9)
Net increase in cash and cash equivalents	182,2	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	358,2	176,2



NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

	Predecessor/ Successor combined Six months ended 30 June 2007 R'm	Successor Two months ended 30 June 2007 R'm	Predecessor Four months ended 24 April 2007 R'm	Predecessor Six months ended 30 June 2006 R'm
1 Other income				
(Loss)/profit on sale of assets	(0,4)	—	(0,4)	0,2
2 Net financial expenses				
Interest received	32,3	25,4	6,9	1,1
Foreign exchange gains	40,4	40,4	—	0,2
Fair value adjustment on interest rate swaps	5,3	—	5,3	—
Financial income	78,0	65,8	12,2	1,3
Preference dividends	(88,7)	(67,0)	(21,7)	(23,2)
Interest paid	(224,1)	(184,4)	(39,7)	(31,4)
Fair value adjustment on interest rate swaps	(64,3)	(59,7)	(4,6)	(0,8)
Financial expenses	(377,1)	(311,1)	(66,0)	(55,4)



**PeerMont Global (Proprietary) Limited and its subsidiaries (Successor),
and PeerMont Global Investments Limited and its subsidiaries (Predecessor)**

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007 (continued)

3 Property, plant and equipment

	Depreciation rate %	Cost R'm	Impairment R'm	Accumulated depreciation R'm	Carrying value R'm
Successor					
30 June 2007					
Land	—	159,0	—	—	159,0
Freehold buildings	2	3 436,9	—	(11,3)	3 425,6
Leasehold buildings	Lease period	169,0	—	(0,5)	168,5
Furniture, fittings and equipment	10 – 100	253,5	—	(15,0)	238,5
Capital work in progress	—	25,7	—	—	25,7
		4 044,1	—	(26,8)	4 017,3

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

	Successor 30 June 2007 R'm	Predecessor 31 December 2006 R'm
--	-------------------------------------	---

Freehold land and buildings comprise the following properties:

– Stand 64, Jones Road, Kempton Park	3 102,0	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	178,9	142,9
– Erf 101 San Lameer, Registration Division ET, Province of KwaZulu-Natal in extent 6933 metres	40,2	26,4
– Lot 16145, Francistown, Botswana	13,0	15,1
– Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem	65,9	61,9
– Erven 995 and 996, Meiringspark Ext 8, Klerksdorp	119,6	108,9
– Erf 20, Thohoyandou	57,1	34,8
– Portion 1 of Erf 113, Kuleka, Empangeni	7,9	79,4
	3 584,6	1 838,9



NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007 (continued)

4 Intangible assets

	Amortisation rate %	Cost R'm	Accumulated amortisation R'm	Carrying value R'm
Successor				
30 June 2007				
Goodwill	—	1 338,4	—	1 338,4
Casino licences	—	2 855,4	—	2 855,4
Right to receive management fees	—	382,4	—	382,4
Trademarks		20,0	—	20,0
Computer software	33,3 – 50	5,4	(0,9)	4,5
Franchise costs	Lease period	3,3	(0,1)	3,2
Right of use of buildings	Lease period	12,1	(0,8)	11,3
		4 617,0	(1,8)	4 615,2
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 (including area exclusivity)	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 six months ended 30 June 2007 (continued)

	Successor 30 June 2007 R'm	Predecessor 31 December 2006 R'm
5 Interest-bearing long-term borrowings		
<i>South African – secured</i>		
Senior Secured Notes 2014	4 774,6	—
ABSA term loans – PGEFS	90,8	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
<i>South African – unsecured</i>		
Deeply subordinated shareholders loans	2 013,7	—
Promissory note liabilities	24,2	26,4
Minority shareholder of PGEFSH	3,1	2,8
Retention creditors	24,1	35,0
<i>Foreign – secured</i>		
First National Bank of Botswana Limited	28,7	33,9
<i>Foreign – unsecured</i>		
Corporate bond – Botswana	28,0	29,5
<i>Finance leases</i>		
Iskus Power (Proprietary) Limited	3,3	2,9
Total interest-bearing long-term liabilities	6 990,5	596,1
Current portion included in current liabilities	(92,2)	(147,0)
	6 898,3	449,1



ANNEXURE B

Peermont Global (Proprietary) Limited

(formerly Opalton Investments (Proprietary) Limited)

Registration number 2006/006340/07

("Peermont" or "the company")

PRO FORMA UNAUDITED CONSOLIDATED GROUP INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Pro forma unaudited six months ended 30 June 07 R'm	Change %	Pro forma unaudited six months ended 30 June 06 R'm
GROUP INCOME INFORMATION			
Revenue	1 129,9	19,9	942,6
Gaming	934,8	19,9	779,4
Rooms	86,6	31,2	66,0
Food and beverage	75,6	11,5	67,8
Other	32,9	11,9	29,4
EBITDA	461,9	27,1	363,3



Basis of preparation

Peermont Global (Proprietary) Limited (“Peermont”) was recently 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 New Peermont Global 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 six-month periods ended 30 June 2006 and 2007 presented above is based on:

- 2006: the historical unaudited consolidated income statements of Old Peermont Global for the six months to 30 June 2006;
 - 2007: the four months historical unaudited consolidated income statements of Old Peermont Global to 24 April 2007 plus the unaudited consolidated income statements of Peermont from 25 April 2007 to 30 June 2007.
- prepared in accordance with International Financial Reporting Standards (“IFRS”).

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 Peermont unaudited consolidated income statement information has been adjusted to reflect the following 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 R40,4 million; Other professional fees of R2,6 million relating to consultants; and, retrenchment and share incentive settlement costs of R20,4 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 provisions:** On implementation of the scheme, Peermont Global (East Rand) (Pty) Ltd, the previous operating company for the Emperors Palace operations, released provisions for marketing, share scheme costs and other unclaimed credits totalling R14,2 million to the income statement. These had been raised in line with budget and in prior years but on transfer to the new legal entity were required to be released. This implies that there is likely to be a catch-up of certain expenditure, mainly marketing costs, in the new entities later in the year. The release of these provisions has been eliminated from the reported unaudited pro forma results.

The pro forma unaudited consolidated income statement information for each of the six-month periods ended 30 June 2006 and 2007 gives pro forma effect to the above transactions as if these occurred on 1 January 2006.

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 policies 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 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, Admiral Casino in Francistown and Admiral 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 six-month period ended 30 June 2007 (pro forma) compared to the results of operations for the six-month period ended 30 June 2006 (pro forma)

Overview

Gaming revenue increased by 19,9% to R934,8 million and hotel and resort revenue increased by 19,5% to R195,1 million. EBITDA increased by 27,1% to R461,9 million. Revenue and EBITDA at Emperors Palace grew by R119,7 million (17,6%) and R65,0 million (25,1%) while revenue and EBITDA in the balance of the group operations grew by R67,6 million (25,7%) and R33,6 million (31,0%) respectively.

Operations

Emperors Palace

Revenue at Emperors Palace grew by 17,6% to R799,3 million compared to R679,6 million in the same period of the prior year. Gross gaming revenues ("GGR") grew by 15,8% to R687,3 million, largely due to strong slots revenue growth which was up 16,2% to R504,7 million, as compared to the prior period. Tables revenue increased by R23,7 million, or 14,9%, to R158,5 million.

Rooms revenue increased by 54,5% to R44,2 million compared to R28,6 million in the prior period. Included in the current period is revenue of R12,2 million (2006: R4,5 million) for the Mondior Concorde Hotel which opened during March 2006.



EBITDA at Emperors Palace increased by 25,1% to R323,6 million. EBITDA growth was positively impacted by:

- ◆ strong gaming revenues;
- ◆ improved Mondior Concorde revenues;
- ◆ the transfer of certain payroll costs to head office; and
- ◆ cost control measures.

The EBITDA margin has improved from 38,1% as at 30 June 2006 to 40,5% as at 30 June 2007.

Graceland

Graceland revenues were strong and grew by 26,9% to R70,7 million compared to R55,7 million in 2006. GGR grew by 29,0% to R52,7 million. Tables and slots achieved growth of 31,7% and 29,0% respectively.

Overhead expenses remained relatively flat as compared to the prior period. This, combined with the significant revenue growth, assisted EBITDA to grow by 106,7% to R18,4 million from R8,9 million in the same six months of the prior year. This resulted in a margin improvement from 16,0% for the period ended 30 June 2006 and 21,9% for the year ended 31 December 2006, to 26,0% for the six months ended 30 June 2007.

Botswana

General economic conditions in the country continue to improve. The Botswana operations experienced revenue growth of 12,3% in Pula terms from Pula 60,1 million (R71,6 million) for the period ended 30 June 2006 to Pula 67,5 million (R76,9 million) for the same period in 2007. Gaming revenues improved by 13,8% on the prior period with slots contributing growth of 18,8%. Hotel and resort revenue grew by 11,5% to Pula 43,6 million. The Walmont Ambassador delivered the strongest revenue growth of 24,3%.

EBITDA grew in Pula terms by 18,9% to Pula 17,6 million (2006: Pula 14,8 million).

Tusk Rio

Tusk Rio grew revenue by 20,8% to R63,8 million. The strong revenue growth flowed down to an EBITDA of R29,3 million and resulted in an EBITDA margin of 45,9%.

Tusk Mmabatho

Tusk Mmabatho generated revenue of R34,1 million for the first half of 2007. The revenue performance was up 14,0% on the same six months in 2006. During the first half of 2007 a major roof and electrical maintenance programme was commenced and price competition with a hotel competitor in the area negatively impacted room rates. This, as well as increased local municipal charges impacted negatively on EBITDA resulting in growth of only 8,1% on the same period in the prior year and a reduction in the EBITDA margin from 24,7% to 23,5%.

Tusk Venda

Tusk Venda commenced with a rooms and public areas refurbishment during the second quarter of 2007. This is expected to be completed by April next year. The unit grew revenue by 16,5% to R22,6 million. The strong revenue growth flowed down to an EBITDA of R7,0 million and resulted in an EBITDA margin of 31,0%, still comparable to the 29,9% achieved in the same six months in 2006.

Tusk Umfolozi

Tusk Umfolozi in Empangeni continued to exceed expectation and revenue was up by 35,5% at R53,8 million compared to the same period in the prior year. EBITDA at R19,6 million was 58,1% up on the prior period. The EBITDA margin was 36,4% for the first half compared to 31,2% for the same period in 2006.

Frontier

Following its opening in mid November 2006 the unit generated revenue of R18,8 million and achieved EBITDA of R3,6 million in its maiden half year of operations. The EBITDA margin at 19,1% includes R0,5 million of pre-opening costs that reduced the margin from 21,8%.



Head office and management companies (head office)

Head office revenue increased by 20,6%, from R56,4 million in the first half in 2006 to R68,0 million in the first half in 2007, mainly as a result of increased revenue and profitability at the managed casino and hotel units. Bethlehem contributed R1,5 million of the increase in management fees in 2007.

Head office expensed R2,1 million in respect of new casino licence applications and other business investigations in the current period.

After the elimination of the scheme costs mentioned above, head office EBITDA increased by 1,2% from R33,3 million in the first half in 2006 to R33,7 million in the first half in 2007. The EBITDA growth has been negatively impacted by head office payroll costs. The increased head office payroll costs were due mainly to new appointments made to increase our marketing, sales and central reservations efforts as well as 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 the corporate branding exercise; and, additional head office audit costs relating to the Tusk group. The combined EBITDA margin was 49,6% (2006: 59,0%). This decrease in margins partly offsets against the Emperors Palace margin improvement.

Bryanston

27 September 2007

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

www.peermont.com



PeerMont Global (Proprietary) Limited **Quarterly report for the period ended 30 June 2007**

Group accounting policies

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.

Employee benefit trusts

Employee benefit trusts are those trusts created by the company for the benefit of employees of the group. Where these trusts are controlled by the group, these are consolidated. Where a distribution from the group has been made to the trust, the amount is recorded as an employee cost in the income statement and the resulting equity of the trust is recorded as a group liability due to the trust beneficiaries.

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 in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge 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.

Financial income and financial expenses

Financial income comprises interest receivable on funds invested, dividend income 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.

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

Taxation

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

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

Deferred taxation is recognised using the balance sheet 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.



Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. 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 translation 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 taken to a translation reserve. 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 initial estimate, where relevant, of 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 will be increased. 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. The residual value, if not insignificant is reassessed annually. 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:

Freehold buildings	2%
Furniture, fittings and equipment	10% – 100%

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

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

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 cost, 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. In respect of business acquisitions that have occurred since 31 March 2004, 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 Practise.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer 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 expensed as incurred.

Development

Expenditure on development activities is capitalised if the proposed development is technically and commercially feasible and the group has sufficient resources to complete development. 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 tested annually 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. Impairment losses are recognised in the income statement.

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

Calculation of recoverable amount

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 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 forecasted 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 forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (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.

Share-based payment transactions

The share incentive scheme allows group employees to acquire shares of the company. The fair value of rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value was measured at grant date and spread over the period during which the employees become unconditionally entitled to the rights. The fair value of the rights granted is measured using a binomial model, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of share rights that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Share appreciation rights are granted to employees in the group. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the share appreciation rights is measured based on the Binomial Tree method, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as an employment cost.

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.

**PeerMont Global Holdings II (Proprietary) Limited****BALANCE SHEET**

at 30 June 2007 and 31 December 2006

	30 June 2007 R'm	31 December 2006 R'm
Assets		
<i>Total non-current assets</i>	2 397,1	—
Investment in subsidiary	381,5	—
Loans to subsidiary	2 015,6	—
Total assets	2 397,1	—
Equity and liabilities		
<i>Equity</i>		
Capital and reserves	381,9	—
Total equity	381,9	—
<i>Total non-current liabilities</i>		
Interest-bearing long-term borrowings – PIK Notes liability	891,8	—
Interest-bearing long-term borrowings – Shareholders loan	1 123,1	—
<i>Current liabilities</i>		
Amounts due to related parties	0,3	—
Total equity and liabilities	2 397,1	—



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