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



DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position at 31 December 2011 and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa.

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

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

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

Approval of the annual financial statements

The annual financial statements were approved by the board of directors on 27 March 2012 and are signed on its behalf by:

AE Puttergill
Group Chief Executive Officer

WG Robinson
Group Financial Director

DECLARATION BY COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 2008, as amended, that for the year ended 31 December 2011, the company has lodged with the Companies and Intellectual Property Commission, all such returns as are required in terms of the Companies Act and that all such returns are true, correct and up to date.

DL Petzer
Company Secretary



CORPORATE GOVERNANCE STATEMENT

for the year ended 31 December 2011

Introduction

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

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

Annual financial statements

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

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

Audit and risk committee

The company is not required to have an audit committee in terms of the South African Companies Act, 2008 (as amended) and Companies Regulations, 2011. The Peermont Global Holdings I Proprietary Limited ("PGH I") and its subsidiaries ("the Peermont group") Audit and Risk Committee ("the Committee"), which comprises three independent non-executive directors of PGH I, meets periodically with the Peermont group's external and internal auditors and executive management to review accounting, auditing and financial reporting matters to ensure that an effective control environment is maintained in the Peermont group. The Committee acts independently and gives feedback to the directors of the company at each board meeting.

The Committee monitors proposed changes in accounting policy, reviews the internal audit function and discusses the accounting implications of major transactions. The internal and external auditors have unrestricted access to the Committee. The Committee also evaluates the risk management systems and risk reporting within The PGH I Group. The Committee reviews and assesses the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed. The Committee regularly considers the independence of the external auditors and is satisfied that the external auditors have remained independent.

Remuneration committee

The PGH I group remuneration committee, which comprises two non-executive directors of PGH I, meets at least twice a year to review executive remuneration, general employee remuneration increase principles and budgeted remuneration for the forthcoming year.

Internal audit

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

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

Internal controls

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

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

Going concern

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



INDEPENDENT AUDITORS' REPORT

To the member of Peermont Global Holdings II Proprietary Limited

We have audited the annual financial statements of Peermont Global Holdings II Proprietary Limited, which comprise the statement of financial position at 31 December 2011, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 6 to 33.

Directors' responsibility for the annual financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Peermont Global Holdings II Proprietary Limited at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Per G Aldrighetti
Chartered Accountant (SA)
Registered Auditor
Director
27 March 2012



DIRECTORS' REPORT

for the year ended 31 December 2011

The directors present their report, which forms part of the audited annual financial statements of the company, for the year ended 31 December 2011.

Nature of business

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

Going concern

The company is in a net equity deficit position of R1 020,9 million (2010: R422,2 million). The PIK Equity Loan is deeply subordinated in favour of third parties, and is sufficient to cover the deficit. Technical insolvency is specifically excluded as an event of default in the various group debt agreements.

In terms of the debt agreements existing in the group, Peermont Global Proprietary Limited ("Peermont") is permitted to meet the normal ongoing expenditure and taxation payment needs of the company. Based on current cash forecasts of Peermont, and the redemption date of the PIK Notes being 30 April 2015 and the PIK Equity Loan being 2106, the directors do not foresee any liquidity shortfalls in the foreseeable future.

Revolving credit facility ("RCF")

The terms of Peermont's R550 million RCF expires on 30 April 2013. Depending on the progress made by the shareholders on restructuring the group's debt, management will enter into negotiations with the lenders on extending the term of the facility during 2012.

Financial results and dividends

The financial results of the company are set out in the attached annual financial statements. No dividends have been declared during the year and none are recommended (2010: R nil).

Share capital

Details of the authorised and issued share capital are contained in note 6 to the annual financial statements.

Shareholding

PGH I holds 100% of the share capital of PGH II, making the company a wholly owned subsidiary of PGH I. As a wholly owned subsidiary and in accordance with the provisions of the Companies Act of South Africa, as amended, no separate group financial statements or annual integrated report have been prepared.



DIRECTORS' REPORT (continued) for the year ended 31 December 2011

Directors

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

Executive

AE Puttergill	Chief Executive Officer
ET Mokoena	Group Development Director
WG Robinson	Group Financial Director

Non-executive

AP Nkuna	Chairman
ZA Dlamini	
CO Elk	
DG Field	
P Langeni	
HM Madima	
K Pillay	
MT Tabata	

Secretary

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

Registered address	Business address	Postal address
Peermont Place 152 Bryanston Drive Bryanston 2021	Peermont Place Block 1 Northdowns Office Park 17 Georgian Crescent West Bryanston 2021	PO Box 98670 Sloane Park 2152

The registered office is in the process of being changed to the current business address.

Holding company

The company is a wholly owned subsidiary of PGH I. The ultimate holding company is Maxshell 114 Investments Proprietary Limited ("Maxshell").

Auditors

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

Events subsequent to year end

No material events and circumstances have occurred subsequent to year end.



ACCOUNTING POLICIES

for the year ended 31 December 2011

Reporting entity

PGH II is a company domiciled in South Africa.

Basis of preparation

Statement of compliance

The annual financial statements have been prepared in accordance with IFRS, its interpretations adopted by the IASB and the requirements of the Companies Act, 2008 (as amended) and Companies Regulations, 2011.

Basis of measurement

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

Functional and presentation currency

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

Use of estimates and judgements

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

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

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

Significant accounting policies

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

Foreign currency

Foreign currency transactions

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

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

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

Financial instruments

Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

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

Loans and receivables

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

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

Cash and cash equivalents

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, such assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified as profit or loss.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

Financial instruments (continued)

Non-derivative financial liabilities

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

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

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

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

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

Derivative financial instruments

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

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

Financial guarantee contracts

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

Share capital

Ordinary shares

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

Preference share capital

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

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

Repurchase and reissue of share capital (treasury shares)

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

Property, plant and equipment

Recognition and measurement

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

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

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

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

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

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.

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

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

Subsequent costs

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

Depreciation

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

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

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

Property, plant and equipment (continued)

Depreciation (continued)

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

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

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

Intangible assets

Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalised if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as an expense as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

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

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

Subsequent expenditure

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

Intangible assets (continued)

Amortisation

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

Goodwill	Indefinite
Casino licences	Indefinite/licence period
Right of use of buildings	Lease period
Licence application costs	Indefinite
Computer software	33,3% - 50,0%
Franchise costs	Lease period
Trademarks	Indefinite
Management contracts	Indefinite/lease period

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

Leased assets

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

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

Inventories

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

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

Impairment

Non-derivative financial assets

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

Impairment (continued)

Non-derivative financial assets (continued)

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

Financial assets measured at amortised cost

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

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

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

Non-financial assets

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

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

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

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



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

Employee benefits

Retirement benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution provident and pension plans are recognised as an expense in profit or loss as incurred.

Long-term employee benefits

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

Short-term employee benefits

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

Broad-based Black Economic Employment ("BBBEE")

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

Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, 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. The unwinding of the discount is recognised as a finance cost.

Revenue

Revenue is measured at the fair value of the consideration received/receivable for goods and services provided in the normal course of business. Revenue derived from hotel and conference activities, food and beverage revenues, rentals, entertainment revenues, the provision of management services, and other revenue is recorded on an accrual basis. Casino winnings are accounted for on a cash received basis. Value added taxation 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. Value added taxation on all other revenue transactions is excluded from revenue.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

Leases

Lease payments

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

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

Determining whether an arrangement contains a lease

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

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

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

Finance income and finance expenses

Finance income comprises interest income on funds invested, dividend income, foreign exchange gains, changes in fair value of financial assets at fair value through profit or loss, and gains on hedging instruments recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the company's right to receive payment is established, which in the case of quoted securities, is usually the ex-dividend date.

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

Taxation

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

Current taxation is the expected taxation payable or receivable on the taxable income or loss for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years. Current taxation payable also includes any taxation liability arising from the declaration of dividends. Additional income taxation that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend is recognised.



ACCOUNTING POLICIES (continued)

for the year ended 31 December 2011

Taxation (continued)

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

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

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

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

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

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

Offset

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



STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Note	2011 R'm	2010 R'm
Operating expenses		(611,7)	(367,6)
Operating loss before net finance income	1	(611,7)	(367,6)
Net finance income	2	17,4	38,1
Finance income		677,9	507,0
Finance expenses		(660,5)	(468,9)
Loss before taxation		(594,3)	(329,5)
Taxation	3	(4,4)	(10,2)
Total comprehensive income for the year		(598,7)	(339,7)



STATEMENT OF FINANCIAL POSITION

at 31 December 2011

	Note	2011 R'm	2010 R'm
Assets			
Total non-current assets		3 029,1	2 961,2
Investment in subsidiary	4	—	—
Amounts due by subsidiary	5	3 029,1	2 961,2
Total current assets		2,0	2,0
Current taxation asset		2,0	2,0
Total assets		3 031,1	2 963,2
Equity and liabilities			
Equity			
Capital and reserves		(1 020,9)	(422,2)
Total non-current liabilities		4 033,5	3 370,8
Interest-bearing long-term borrowings	7	4 024,9	3 364,3
Deferred taxation liability	9	8,6	6,5
Total current liabilities		18,5	14,6
Amount due to subsidiary	8	18,5	14,6
Trade and other payables	10	*	*
Total equity and liabilities		3 031,1	2 963,2

* Less than R50 000



STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Share capital R'm	Share premium R'm	Accumulated loss R'm	Total R'm
Balance at 31 December 2009	0,2	381,0	(463,7)	(82,5)
Total comprehensive income for the year	—	—	(339,7)	(339,7)
Balance at 31 December 2010	0,2	381,0	(803,4)	(422,2)
Total comprehensive income for the year	—	—	(598,7)	(598,7)
Balance at 31 December 2011	0,2	381,0	(1 402,1)	(1 020,9)



STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Note	2011 R'm	2010 R'm
Cash flows used in operating activities	12.1	(1,6)	(1,5)
Finance income received	12.2	—	—
Finance expenses paid	12.3	—	—
Taxation paid	12.4	(2,3)	(2,0)
Net cash flows used in operating activities		(3,9)	(3,5)
Cash flows from investing activities			
Increase in amount due to subsidiary		3,9	3,5
Net movement in cash and cash equivalents		—	—
Cash and cash equivalents at beginning of the year		—	—
Cash and cash equivalents at end of the year		—	—



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2011

	2011 R'm	2010 R'm
1. Operating loss before net finance income		
Operating loss is stated after taking into account:		
Impairment of amount due by subsidiary	610,1	366,1
Accounting and consulting fees	1,5	1,4
Auditors' remuneration		
– audit fee current period	*	*
2. Net finance income		
Finance income	677,9	507,0
– interest received	677,9	507,0
Finance expenses	(660,5)	(468,9)
– interest paid	(660,5)	(468,9)
Net finance income	17,4	38,1
3. Taxation		
South African normal taxation		
Current taxation		
– current year charge	(2,3)	—
Deferred taxation		
– current year charge	(2,1)	(10,2)
Total taxation charge	(4,4)	(10,2)
<i>Reconciliation of effective taxation rate</i>	%	%
South African standard taxation rate	28,0	28,0
<i>Taxation effect of reconciling items:</i>		
– non-deductible expenses	(28,7)	(31,1)
Effective taxation rate	(0,7)	(3,1)
	R'm	R'm
<i>Reconciliation of taxation charge</i>		
Accounting loss before taxation	(594,3)	(329,5)
Current taxation thereon	166,4	92,3
Taxation effect of reconciling items		
– non-deductible expenses	(170,8)	(102,5)
Total taxation charge	(4,4)	(10,2)

* Less than R50 000



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

	2011 R'm	2010 R'm
6. Share capital and share premium		
Share capital		
<i>Authorised</i>		
204 000 (2010: 204 000) ordinary shares of R1	0,2	0,2
<i>Issued</i>		
200 000 (2010: 200 000) ordinary shares of R1	0,2	0,2
Share premium		
Arising on issue of ordinary shares	381,0	381,0
7. Interest-bearing long-term borrowings		
<i>South African – unsecured</i>		
Shareholder's loan – PIK Equity Loan	2 459,5	2 066,3
The total capital amount is payable to PGH I by 31 December 2106. Interest of 18,2% NACS is charged on the PIK Equity Loan, payable when PGH I is required to make payments.		
PIK Notes	1 565,4	1 298,0
On 24 April 2007, the company issued R887,0 million 18% PIK Notes due 2015. This amount was advanced to Peermont (refer to note 5). The costs incidental to the issue of PIK Notes were capitalised to the loan and amortised on the effective interest rate method over the anticipated redemption period of the loan, resulting in an effective interest rate of 19,63% NACS. Interest on the PIK Notes is payable, at the option of PGH II, on 30 April and 30 October each year. The PIK Notes will mature on 30 April 2015. They may be redeemed in whole or in part at anytime on or after 30 October 2010, subject to certain conditions. The PIK Notes are listed on the Irish Stock Exchange on its Global Exchange Market.		
	4 024,9	3 364,3
8. Amount due to subsidiary		
Peermont	18,5	14,6
This amount is an unsecured, interest free loan and has no fixed terms of repayment.		
9. Deferred taxation liability		
At beginning of the year	(6,5)	3,7
Taxation effect of temporary differences	(2,1)	(10,2)
At end of the year	(8,6)	(6,5)
Temporary differences are made up as follows:		
Deferred taxation liability:		
Estimated taxation loss	—	4,6
Issue discount on PIK Notes	(8,6)	(11,1)
	(8,6)	(6,5)
10. Trade and other payables		
Audit fee accrual	*	*
	*	*

* Less than R50 000



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

11. Related parties

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

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

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

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

PGEFS Holdings Proprietary Limited is the holding company of PGEFS.

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

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

11.2 Material related party transactions

PeerMont

The company paid accounting and consulting fees of R1,5 million (2010: R1,4 million) to PeerMont.

11.3 Amounts due from/(to) related parties

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

	2011	2010
	R'm	R'm
12. Notes to the statement of cash flows		
12.1 Cash flows from operating activities		
Operating loss before net finance income	(611,7)	(376,6)
Adjusted for:		
Impairment of amount due by subsidiary	610,1	366,1
Cash flows used in operating activities	(1,6)	(1,5)
12.2 Finance income received		
Interest received	677,9	507,0
Less: interest accrued remaining in amount due by subsidiary	(677,9)	(507,0)
	—	—
12.3 Finance expenses paid		
Interest paid	(660,5)	(468,9)
Less: interest accrued remaining in interest-bearing long-term borrowings	660,5	468,9
	—	—
12.4 Taxation paid		
Amount outstanding at beginning of year	2,0	*
Statement of comprehensive income charge	(2,3)	—
Amount outstanding at end of year	(2,0)	(2,0)
	(2,3)	(2,0)

* Less than R50 000

13. Financial instruments

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

13.1 Interest rate risk

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

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

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

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

At 31 December 2011, it is estimated that a general increase of one percentage point in interest rates would have minimal effect on the company's profit before taxation as the interest rates for all significant borrowings balances are fixed.

13.2 Credit risk

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

Financial assets, which are potentially subject to concentrations of credit risk, consist principally of amounts due by the subsidiary. At statement of financial position date, the significant concentration of credit risk was that related to the subsidiary company, Peermont. See note 1 for impairment of this amount.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2010

13. Financial instruments (continued)

13.3 Liquidity risk

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

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

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

Maturity analysis

	Carrying value R'm	Within 1 year R'm	1 – 5 years R'm	More than 5 years R'm	No fixed maturity R'm
2011					
Assets					
Amounts due by subsidiary	3 029,1	—	—	3 029,1#	—
Taxation asset	2,0	2,0	—	—	—
Liabilities					
Interest-bearing long-term borrowings	4 024,9	—	1 565,4**	2 459,5**	—
Amount due to subsidiary	18,5	—	—	—	18,5
Deferred taxation liability	8,6	—	—	—	8,6
Trade and other payables	*	*	—	—	—
2010					
Assets					
Amounts due by subsidiary	2 961,2	—	—	2 961,2#	—
Deferred taxation asset	2,0	2,0	—	—	—
Liabilities					
Interest-bearing long-term borrowings	3 364,3	—	1 298,0**	2 066,3**	—
Amount due to subsidiary	14,6	—	—	—	14,6
Deferred taxation liability	6,5	—	—	—	6,5
Trade and other payables	*	*	—	—	—

* Less than R50 000.

In terms of the PeerMont deeply subordinated shareholder loan agreement, these loans do not require any amortisation or other payment of interest or principal before 27 April 2037, nor may the company declare any event of default or take any enforcement action prior to that date, therefore the amount is classified in the more than 5 years period. The prior year has been restated to reflect this.

** It is currently the company's objective to refinance the PIK Equity Loan (due 2106) and the PIK Notes (due 2015) in or before 2014. The amounts have been classified in the period reflecting their contractual maturity. The prior year has been restated to reflect maturity dates.

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

for the year ended 31 December 2011

13. Financial instruments (continued)**13.3 Liquidity risk** (continued)**Maturity analysis** (continued)

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

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

	Carrying value R'm	Contractual cash flows R'm	Within 1 year R'm	1 – 5 years R'm	More than 5 years R'm
2011					
PIK Equity Loan	2 459,5	4 391,8	—	—	4 391,8
PIK Notes	1 565,4	2 876,4	—	2 876,4	—
2010					
PIK Equity Loan	2 066,3	4 391,8	—	—	4 391,8
PIK Notes	1 298,0	2 876,4	—	2 876,4	—

It is currently the company's intention to refinance the PIK Equity Loan (due 2106) and the PIK Notes (due 2015) in or before 2014. The amounts have been classified in the period reflecting their contractual maturity. The prior year has been restated to reflect actual maturity dates.

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

for the year ended 31 December 2010

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

The fair values of all financial instruments shown in the statement of financial position approximate the carrying values.

Estimation of fair values

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

Interest-bearing long-term borrowings

Fair value is calculated based on estimated market value.

Trade and other receivables/payables

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

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

	Fair value R'm	Carrying value R'm
2011		
Financial assets		
Amounts due by subsidiary	3 029,1	3 029,1
Taxation asset	2,0	2,0
	3 031,1	3 031,1
Financial liabilities		
Interest-bearing long-term borrowings	2 325,6	4 024,9
Amount due to subsidiary	18,5	18,5
Trade and other payables	*	*
	2 344,1	4 043,4
2010		
Financial assets		
Amounts due by subsidiary	2 961,2	2 961,2
Taxation asset	2,0	2,0
	2 963,2	2 963,2
Financial liabilities		
Interest-bearing long-term borrowings	2 065,7	3 364,2
Amount due to subsidiary	14,6	14,6
Trade and other payables	*	*
	2 080,3	3 378,9

The fair market value of the PIK Notes was estimated at 70,0% (2010: 70,0%) of the face value being R1 095,8 million (2010: R908,6 million). The fair value of the PIK Equity Loan was estimated at 50,0% (2010: 56,0%) of the face value being R1 229,8 million (2010: R1 157,1 million).

* Less than R50 000



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2011

13. Financial instruments (continued)

13.5 Basis of measurement

	Total R'm	At fair value directly in equity R'm	Financial assets and liabilities at amortised cost R'm	Non- financial assets/ liabilities R'm
2011				
Assets				
Amounts due by subsidiary	3 029,1	—	3 029,1	—
Taxation asset	2,0	—	2,0	—
	3 031,1	—	3 031,1	—
Liabilities				
Interest-bearing long-term borrowings	4 024,9	—	4 024,9	—
Amount due to subsidiary	18,5	—	18,5	—
Deferred taxation liability	8,6	—	—	8,6
Trade and other payables	*	—	*	—
	3 385,4	—	4 043,4	8,6
2010				
Assets				
Amounts due by subsidiary	2 961,2	—	2 961,2	—
Taxation asset	2,0	—	2,0	—
	2 963,2	—	2 936,2	—
Liabilities				
Interest-bearing long-term borrowings	3 364,3	—	3 364,3	—
Amount due to subsidiary	14,6	—	14,6	—
Deferred taxation liability	6,5	—	—	6,5
Trade and other payables	*	—	*	—
	3 385,4	—	3 378,9	6,5

* Less than R50 000

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

for the year ended 31 December 2011

14. Directors' and prescribed officers' remuneration**Paid by the company**

There was no remuneration paid to directors and prescribed officers by the company.

Paid by the group**Directors' emoluments**

	Basic remuneration R'm	Retirement and medical aid contribution R'm	Other benefits R'm	Performance bonus R'm	Total remuneration R'm
Executive directors					
2011					
Executive director 1	2,7	0,5	*	2,7	5,9
Executive director 2	2,1	0,4	*	1,1	3,6
Executive director 3	1,8	0,3	0,1	0,9	3,1
Prescribed officer 1	1,4	0,2	*	0,6	2,2
	8,0	1,4	0,1	5,3	14,8
2010					
Executive director 1	2,5	0,4	*	2,8	5,7
Executive director 2	1,9	0,3	*	1,0	3,2
Executive director 3	1,7	0,3	0,1	0,8	2,9
Prescribed officer 1	1,3	0,2	*	0,6	2,1
	7,4	1,2	0,1	5,2	13,9
				Fees	Fees
				2011	2010
				R'm	R'm
Non-executive directors					
Non-executive director 1				0,2	0,2
Non-executive director 2				0,3	0,2
Non-executive director 3				0,2	0,2
Non-executive director 4				0,3	0,2
Non-executive director 5				0,1	0,1
Non-executive director 6				**	**
Non-executive director 7				**	**
Non-executive director 8				***	***
				1,1	0,9

* Less than R50 000

** The non-executive director represents a shareholder and therefore does not receive a fee in his/her personal capacity.

*** The non-executive director gets paid on a contractual basis. The fees paid to him during the year amounted to R1,2 million (2010: R1,3 million).



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

15. Standards and interpretations not yet effective at date of signature of the financial statements

In the current year, the company has adopted all the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2011. The adoption of these standards has not resulted in changes to the company's accounting policies.

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

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

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

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

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

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

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

The company has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to 31 December 2011, which would be effective for the company's accounting periods on or after 1 January 2012. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the company's results.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

16. Significant accounting judgements and estimates

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

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

Income taxes

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

Contingent liabilities

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

Timing of PIK Notes and PIK Equity Loan cash flows

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

Fair value of PIK Notes and PIK Equity Loan

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





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