

QUARTERLY REPORT

for the three and nine months ended 30 September 2012

Required in terms of the indenture of the original R887 000 000

18% Payment-In-Kind Notes due 2015



PEERMONT

HOTELS CASINOS RESORTS

PEERMONT GLOBAL HOLDINGS II PROPRIETARY LIMITED

Registration number 2006/006232/07 • SEDOL: B1WQKJ1 • ISIN Rule 144A: XS0297395286 • ISIN Reg S: XS0296663429 • www.peermont.com

DATE: 29 NOVEMBER 2012



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INTRODUCTION

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

The PIK Notes are PGH II’s senior unsecured obligations and rank equal in right of payment with all of PGH II’s existing and future unsecured indebtedness and effectively junior to all of PGH II’s secured indebtedness, including its senior guarantee of the 7³/₄% Senior Secured Notes due 2014 (“the notes”), 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.

In prior years, PGH II purchased for cash a cumulative R200,1 million in aggregate principal amount of its outstanding 18% PIK Notes, at a price of R134,5 million or 67,2% of face value. All purchased notes were cancelled.

As a result of the above PIK Notes buy-backs, PeerMont reduced its deeply subordinated shareholder loan from PGH II by repaying an amount of R145,7 million to PGH II, utilising one of the available restricted payment baskets. In addition, a portion of the deeply subordinated shareholders loan owed by PeerMont was waived, reducing PeerMont’s obligations by a further R56,9 million.

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 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 18,0% per annum. Interest on the PIK Notes is payable, at the option of PGH II, on 30 April and 30 October of each year. The PIK Notes will mature on 30 April 2015. PGH II may redeem the PIK Notes, in whole or in part, at any time on or after 30 October 2011 at 101,5%, or after 30 October 2012 at 100,0%.

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

The PIK Notes have not been and will not be registered under the US Securities Act of 1933, as amended (“the Securities Act”), or any US 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 US 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 US Trust Indenture Act of 1939, as amended.

Deeply subordinated shareholder loans

Deeply subordinated shareholder loan from PGH I to PGH II

In 2007, PGH I advanced the proceeds of its PIK Equity Loan to the company. This loan was and remains deeply subordinated in favour of the creditors of PGH II. In terms of the deeply subordinated shareholder loan agreement, the loan does not require any amortisation or other payment of interest or principal, nor may the loan holders declare any event of default, place PGH II into liquidation or take any enforcement action prior to the settlement of all senior debt claims and/or claims by the creditors of PGH II.

Deeply subordinated shareholder loans from PGH II to PeerMont

PGH II advanced the proceeds of the deeply subordinated PIK Equity Loan received by it from PGH I, as well as the proceeds of the issue of the PIK Notes in 2007 to its 100% subsidiary, PeerMont, in the form of deeply subordinated shareholder loans. In terms of the PGH II deeply subordinated shareholder loans agreement, the loans do not require any amortisation or other payment of interest or principal before 27 April 2037, nor may the loan holders declare any event of default or take any enforcement action prior to that date.

REPORTING

The PIK Notes indenture requires that the report issued by the issuer of the notes, PeerMont, together with the unconsolidated statement of financial position of PGH II, be distributed to holders of the PIK Notes. The unconsolidated unaudited statement of financial position of PGH II is included as Annexure A and the entire PeerMont quarterly report is included as Annexure B.



ANNEXURE A

Peermont Global Holdings II Proprietary Limited

CONDENSED UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION

at 30 September 2012

	2012 R'm	2011 R'm
Assets		
Total non-current assets	2 983,3	2 895,5
Investment in subsidiary, less impairments	—	—
Amounts due by subsidiary, less impairments	2 983,3	2 895,5
Total current assets	*	3,2
Trade and other receivables	*	*
Current taxation asset	—	3,2
Total assets	2 983,3	2 898,7
Equity and liabilities		
Equity		
Capital and reserves	(1 646,6)	(973,8)
Total non-current liabilities	4 606,7	3 856,7
Interest-bearing long-term borrowings	4 600,9	3 846,7
PIK Notes liability	1 800,8	1 493,2
Deeply subordinated shareholder loan	2 800,1	2 353,5
Deferred taxation liability	5,8	10,0
Total current liabilities	23,2	15,8
Amounts due to subsidiary	19,7	15,8
Current taxation liability	3,5	—
Total equity and liabilities	2 983,3	2 898,7

* Less than R50 000.

QUARTERLY REPORT

for the three and nine months ended 30 September 2012

Required in terms of the indenture of the original €520 000 000

7³/₄% Senior Secured Notes due 2014



PEERMONT

HOTELS CASINOS RESORTS

Peermont Global Proprietary Limited

Registration number 2006/006340/07 • SEDOL: B1W6GY8 • ISIN Rule 144A: XS0297394479 • ISIN Reg S: XS0296654600 • www.peermont.com

DATE: 29 NOVEMBER 2012



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DEFINITIONS

B-BBEE	Broad-based Black Economic Empowerment
BPC	Botswana Power Corporation
CASA	Casino Association of South Africa
Casinos of Mauritius	The companies which operate five casinos in Mauritius
€ or Euro	European Euro, legal tender of the European Union
EBITDA	Earnings before interest, taxation, depreciation, amortisation and other non-cash items
EBITDAR	Earnings before interest, taxation, depreciation, amortisation, rentals and other non-cash items
Emperors Palace	A division of Peermont, trading as Emperors Palace Hotel Casino Convention Resort
FECs	Forward Exchange Contracts
GGR	Gross gaming revenues
Guarantors	Consist of PGH II, Peermont, PGNW, PGKZN, PGLim, PGMNW&L and PGMKZN
Head office	The head office function of Peermont
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg interbank agreed rate
KZNGB	KwaZulu-Natal Gambling and Betting Board
Maxitrade 85	Maxitrade 85 Security Holding Company Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/025081/07)
Mmabatho Palms	A division of PGNW, trading as Mmabatho Palms Casino Convention Resort
Mondazur	A division of Peermont, trading as Mondazur Resort Estate Hotel
NACM	Nominal annual compounded monthly
NACS	Nominal annual compounded semi-annually
NWGB	North West Gambling Board
P or Pula	Botswana Pula, legal tender of the Republic of Botswana
Peermont or the company	Peermont Global Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/006340/07)
Peermont Group or the group	Peermont and its subsidiaries
PGB	Peermont Global (Botswana) Limited, a public limited liability company incorporated under the laws of the Republic of Botswana (Registration number 95/414), including all operations based in Botswana, namely the Grand Palm Hotel Casino Convention Resort, Mondior Hotel, Metcourt Inn Hotel, the Gaborone International Convention Centre, all in Gaborone, Metcourt Lodge Hotel and Sedibeng Casino in Francistown and Syringa Casino in Selebi-Phikwe
PGEFS or Frontier	Peermont Global (Eastern Free State) Proprietary Limited, trading as Frontier Inn and Casino, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1999/011534/07)
PGER	Peermont Global (East Rand) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1996/009361/07) (in liquidation)
PGERH	PGER Holdings Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/001006/07)
PGH I	Peermont Global Holdings I Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/023109/07)
PGH II	Peermont Global Holdings II Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/006232/07)
PGIL	Peermont Global Investments Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1995/004449/06)
PGKZN or Umfolozi	Peermont Global (KZN) Proprietary Limited, trading as Umfolozi Hotel Casino Convention Resort, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/029290/07)
PGLim or Khoroni	Peermont Global (Limpopo) Proprietary Limited, trading as Khoroni Hotel Casino Convention Resort, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/034446/07)
PGMKZN	Peermont Global Management (KZN) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/000558/07)





DEFINITIONS (continued)

PGMNW&L	Peermont Global Management (NW&L) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 2006/029265/07)
PGNW	Peermont Global (North West) Proprietary Limited, a limited liability company incorporated under the Laws of the Republic of South Africa (Registration number 2006/028470/07), which includes the divisions of Mmabatho Palms, Rio and Taung
PGSH or Graceland	Peermont Global (Southern Highveld) Proprietary Limited, trading as Graceland Hotel, Casino and Country Club, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1995/004452/07)
PSHST	Peermont Southern Highveld Staff Trust
PIK	Payment-in-kind
PIK Equity Loan	PIK Equity Loan, due 2106, raised in 2007 by PGH I and onlent to Peermont
PIK Notes	The original R887,0 million 18,0% PIK Notes due 2015, issued by PGH II, listed on the Global Exchange Market of the Irish Stock Exchange
PIK Notes Loan	PIK Notes Loan raised by Peermont from the proceeds of an issue of PIK Notes by PGH II
R or Rand	South African Rand, legal tender of the Republic of South Africa
RCF	Revolving Credit Facility
Rio	A division of PGNW, trading as Rio Hotel Casino Convention Resort
RMB	Rand Merchant Bank, a division of FirstRand Bank Limited
S&P	Standard and Poor's Financial Services LLC, a subsidiary of McGraw-Hill Companies, Inc.
SARS	South African Revenue Service
Securities Act	The U.S. Securities Act of 1933, as amended
Security SPV	Maxitrade 85, a special purpose vehicle
SIC	The State Investment Corporation Limited, a public company limited by shares incorporated under the laws of the Republic of Mauritius (Registration number 4482)
SRSs	Symmetrical Recovery Swaps
SSNs or the notes	The original €520 million 7¾% Senior Secured Notes due 2014, issued on 24 April 2007, listed on the Global Exchange Market of the Irish Stock Exchange
Taung	A division of PGNW, trading as Taung Hotel Convention Resort
The indenture	An indenture under which the notes were issued and guaranteed
The Offering Memorandum	The Offering Memorandum dated 18 April 2007, prepared in connection with the offering of the notes
The Trustee	BNY Corporate Trustee Services Limited, as trustee
TRESS	Tusk Resorts Employee Share Scheme Trust
Tubatse	Peermont Global (Tubatse) Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/010949/07)
Tusk Resorts	Tusk Resorts Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/010949/07)
UST	Umfolozi Staff Trust
VAT	Value added taxation





INTRODUCTION

PeerMont is a South African based group of companies which operates in the gaming, hotel and convention businesses in southern Africa. PeerMont holds seven casino licences in South Africa and three in neighbouring Botswana. The group operates a total of 14 properties, nine in South Africa and five in Botswana. Collectively, these 14 properties offer 3 251 slot machines, 148 gaming tables and 1 675 hotel rooms. Our flagship property is Emperors Palace Hotel Casino Convention Resort, which is strategically located in the Johannesburg metropolitan area. In addition to Emperors Palace, our property portfolio includes seven other casino resorts, two stand-alone casinos and four stand-alone hotels. Certain of our larger casino resorts also feature convention and other facilities.

ORGANISATIONAL INFORMATION

The PeerMont Group consists predominantly of:

- ◆ PeerMont including the Emperors Palace, Mondazur and the head office management and investment divisions;
- ◆ PGNW including the Rio, Mmabatho Palms and Taung divisions;
- ◆ PGKZN;
- ◆ PGLim;
- ◆ PGMNW&L;
- ◆ PGMKZN;
- ◆ PGSH;
- ◆ PGB;
- ◆ PGEFS;
- ◆ Tubatse; and
- ◆ Various other trusts, dormant or intermediate holding companies.

The business address of PeerMont is PeerMont Place, Block 1 Northdowns Office Park, 17 Georgian Crescent West, Bryanston, Johannesburg, South Africa, and its primary telephone number is +27 (11) 557 0557. We maintain an internet website at www.peermont.com. Except for the “Risk Factors” set out below, information on our internet website does not form part of this report.

PRESENTATION OF FINANCIAL INFORMATION

We have prepared the condensed unaudited consolidated financial statements contained in this quarterly report in accordance with IFRS. We present our financial statements in Rand, the legal currency of the Republic of South Africa. In this quarterly report, unless otherwise indicated, all amounts are expressed in Rand millions.

The accounting policies of PeerMont as set out in the 2011 annual financial statements have been consistently applied.

RISK FACTORS

The “Risk Factors” set out on the company’s website detail the risk related to our business, the gaming industry, the notes and the risk related to our operations in both South Africa and Botswana are incorporated herein by reference.



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” placed on the company’s website. Among the key factors that could have a direct impact on our operations, prospects and results are the following:

- ◆ changes in gaming, advertising, smoking and taxation laws and the wider regulatory and legal environment in southern Africa;
- ◆ general economic conditions that impact growth trends in disposable income and discretionary consumer spending;
- ◆ the impact of our indebtedness;
- ◆ our dependence on a single property, Emperors Palace, and the relatively concentrated casino market in Gauteng Province to generate a significant portion of our revenue, profits and cash flows;
- ◆ competition from other entertainment businesses in Gauteng Province and other regions of southern Africa;
- ◆ our ability to maintain our casino licences; and
- ◆ our ability to develop new casino projects.

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



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

Indebtedness

The notes

On 23 April 2007, PeerMont issued €520 million 7¾% SSNs due 2014. The notes were issued and guaranteed under the indenture, dated as of 23 April 2007, by PGH II as parent guarantor, and by PeerMont, PGNW, PGKZN, PGLim, PGMNW&L and PGMKZN, as guarantors, Maxitrade 85, the security SPV, BNY Corporate Trustee Services Limited as trustee, The Bank of New York Mellon as registrar, transfer agent and principal paying agent and BNY Fund Services (Ireland) Limited, as Irish paying agent.

A copy of 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.

In 2008, PeerMont completed a notes repurchase programme in terms of which it purchased a nominal value of R1 268,3 million (€103,9 million) of the notes in issue for R1 129,2 million (€92,5 million) or 89% of the face value. All purchased notes were cancelled. Following such cancellation, the outstanding principal amount of the notes is €416,1 million.

The notes bear interest at a rate of 7¾% per annum. Interest on the notes is payable on 30 April and 30 October of each year. The notes will mature on 30 April 2014. PeerMont may redeem the notes in whole or in part at any time on or after 30 April 2010 at the redemption price specified in the indenture.

The notes, subject to the first priority rights of the RCF lenders, 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, subject to the first priority rights of the RCF lenders, 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 equally and rateably with the SSN foreign exchange providers, by second 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 behind the rights of the RCF lenders, but 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 Global Exchange Market.

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

The issuer's obligations under its RCF are supported by first ranked security over all the issuer's capital stock and certain of the assets of the issuer and Guarantors.

The PIK Notes Loan

On 23 April 2007, PGH II issued R887,0 million 18% PIK Notes. The PIK Notes were issued under an indenture, dated as of 18 April 2007, by PGH II. The proceeds of the PIK Notes were lent to PeerMont in the format of a deeply subordinated shareholder loan.

In prior years, PGH II purchased for cash a cumulative R200,1 million in aggregate principal amount of its outstanding 18% PIK Notes, at a price of R134,5 million or 67,2% of face value. All purchased notes were cancelled.

As a result of the above PIK Note buy-backs, PeerMont reduced its deeply subordinated shareholders loan from PGH II by repaying R145,7 million to it. In addition, the gain on the purchase of PIK Notes was pushed down to PeerMont, further reducing its deeply subordinated shareholders loan by R56,9 million.



The PIK Equity Loan

On 23 April 2007 PGH I raised R1 086,3 million under an amended and restated PIK Equity Loan agreement dated 10 January 2007.

The proceeds of the PIK Equity Loan were onlent to PGH II, which in turn onlent the amount to Peermont in the format of a deeply subordinated shareholders loan.

Deeply subordinated shareholder loans

In April 2007 the company received the proceeds of the abovementioned loans raised by PGH I and PGH II in the form of deeply subordinated shareholder loans. The loans are subordinated in favour of all other creditors of Peermont. In terms of the deeply subordinated shareholder loan agreement, the loans do not require any amortisation or other payment of interest or principal before April 2037, nor may the loan holder declare any event of default or take any enforcement action prior to that date.

Technical insolvency

The liabilities of the group exceed the assets fairly valued, therefore the group is in a net deficit position. PGH II has subordinated its loan to the company of R4 681,3 million as at 30 September 2012 (2011: R3 908,4 million). Considering the effect of the deeply subordinated shareholder loans above, and that the directors believe the company is able to meet its liabilities as these fall due, the quarterly report is prepared on a going concern basis.

Financial statements discussed

For the three and nine month periods ended 30 September 2012 and the prior year comparative periods, we have provided condensed unaudited consolidated financial information which is derived from the condensed unaudited consolidated financial statements of the Peermont Group.

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

Staff Trusts

Certain of the boards of trustees of TRESS, UST and PSHST, formed for the benefit of staff in the group, are controlled by Peermont. Therefore, 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 a reduction to the liability in the period that any distributions/dividends are paid, and the resulting assets retained by the trusts at the end of a reporting period, as a liability. The existing trust resources of TRESS, UST and PSHST will be distributed to beneficiaries in the future.

B-BBEE shareholding in PGNW

As a condition of the approval of the acquisition by the group of the interests in Tusk Resorts (and subsequently PGNW), as well as the acquisition by Peermont of the business of PGIL, Peermont was required to sell 10% of the shares in the new entity operating the business of Mmabatho Palms, Taung and Rio to local B-BBEE partners.

Peermont identified a local B-BBEE partner to whom it intends to sell the required 10% of the shares in PGNW and entered into agreements with the party. The NWGB has approved the B-BBEE party as a shareholder of PGNW, subject to certain amendments being made to the composition of the shareholding. The sale of the shares in PGNW will be concluded once the conditions set by the NWGB have been addressed.

Restructure costs

In the current year the group has incurred costs of approximately R7,7 million for financial and legal advice in connection with the capital restructure process. This brings the total costs incurred to date to approximately R24,7 million. These costs have been deferred, as the intention is to offset these costs against the capital to be raised as part of the capital restructure process.

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 2011, we generated 77,2% of our total revenue from gaming, 10,1% from rooms, 10,6% from food and beverage and 2,1% 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 the occupancy rate as room nights sold as a percentage of total room nights available in a given period. The average room rate is calculated based on total rooms revenue divided by the number of room nights sold in a given period.

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

Other revenue is generated primarily from rental payments received from our retail outlet tenants, from sales of goods at our own outlets, from ticket receipts for our various entertainment offerings, from childcare facilities, from parking and other entrance fees, as well as from rental received on the 152 Bryanston Drive property.

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 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 revenues 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, insurance claims received, refunds received as well as other sundry income.

Operating costs

Our operating costs consist of employee costs; other operational costs; property costs; consumables and services; VAT and gaming levies on gross gaming revenues; promotions and marketing costs; depreciation and amortisation and property and equipment rentals. These represented 29,4%, 7,0%, 5,3%, 14,4%, 21,6%, 8,6%, 12,5% and 1,2% of total operating costs, respectively, for the year ended 31 December 2011.

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, marketing and sales 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 the amortisation of intangible assets other than goodwill and intangible assets that have an indefinite life, such as the majority of our casino licences.

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

Property costs consist of utility costs and property taxes.

Consumables and services consist primarily of cost of sales of food and beverage; cash handling costs; credit card commissions; security and public safety costs; property cleaning costs; and, other service contracts.

Other operational costs consist primarily of maintenance costs; information technology support and maintenance costs; corporate social investment costs; insurance costs; and, training costs.



Results of operations of PeerMont

General

The following table presents selected condensed unaudited consolidated financial information of the PeerMont Group 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.

	(unaudited) 2012	%	(unaudited) 2011
Income statement data	R'm	change	R'm
for the three months ended 30 September			
Revenue	730,9	9,3	668,6
Gaming	557,8	9,8	507,8
Rooms	76,5	4,4	73,3
Food and beverage	81,2	7,7	75,4
Other	15,4	27,3	12,1
Other income	0,9	80,0	0,5
Operating costs	(516,9)	(8,4)	(477,0)
Operating profit before net finance expenses	214,9	11,9	192,1
Finance income	27,7	(91,8)	336,2
Finance expenses	(432,2)	39,6	(715,7)
Loss before taxation	(189,6)	(1,2)	(187,4)
Taxation	41,8	(11,1)	47,0
Loss for the period	(147,8)	(5,3)	(140,4)
Attributable to:			
Equity holders of PeerMont	(154,3)		(147,9)
Non-controlling interests	6,5		7,5
	(147,8)		(140,4)
EBITDA⁽¹⁾ reconciliation			
Operating profit	214,9		192,1
Add: Depreciation and amortisation	60,2		56,6
EBITDA	275,1	10,6	248,7
Add: Rental charges	6,8		6,1
EBITDAR⁽¹⁾	281,9	10,6	254,8
EBITDA margin	37,6%		37,2%
EBITDAR margin	38,6%		38,1%

⁽¹⁾ We define EBITDA as earnings before interest, taxation, depreciation, amortisation and other non-cash items. EBITDAR is EBITDA before rental payments. We believe that EBITDA/R 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/group's ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDA/R is a widely accepted indicator in comparing a company's/group's underlying operating profitability with that of other companies/groups in the same industry. EBITDA/R is not an IFRS measure and you should not consider EBITDA/R as alternative to measures of net profit/(loss) as indicators of operating performance, as measures of cash flow from operations or as indicators 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/R is not a uniform or standardised measure and the calculation of EBITDA/R, accordingly, may vary significantly from entity to entity, and by itself our presentation and calculation of EBITDA/R may not be comparable to that of other companies/groups. A reconciliation of EBITDA/R to operating profit for the three months ended 30 September 2012 and 30 September 2011 is provided above.



	(unaudited) 2012	%	(unaudited) 2011
Income statement data	R'm	change	R'm
for the nine months ended 30 September			
Revenue	2 086,2	7,6	1 938,3
Gaming	1 602,7	6,9	1 499,8
Rooms	217,3	9,3	198,8
Food and beverage	221,3	10,2	200,9
Other	44,9	15,7	38,8
Other income	3,0	*	0,8
Operating costs	(1 500,4)	(6,7)	(1 406,7)
Operating profit before net finance expenses	588,8	10,6	532,4
Finance income	38,0	(94,0)	630,3
Finance expenses	(1 222,4)	36,0	(1 910,2)
Loss before taxation	(595,6)	20,3	(747,5)
Taxation	(23,1)	*	208,1
Loss for the period	(618,7)	(14,7)	(539,4)
Attributable to:			
Equity holders of Peermont	(636,4)		(565,7)
Non-controlling interests	17,7		26,3
	(618,7)		(539,4)
EBITDA⁽¹⁾ reconciliation			
Operating profit	588,8		532,4
Add: Depreciation and amortisation	180,2		180,0
EBITDA	769,0	7,9	712,4
Add: Rental charges	18,3		17,7
EBITDAR⁽¹⁾	787,3	7,8	730,1
EBITDA margin	36,9%		36,8%
EBITDAR margin	37,7%		37,7%

⁽¹⁾ We define EBITDA as earnings before interest, taxation, depreciation, amortisation and other non-cash items. EBITDAR is EBITDA before rental payments. We believe that EBITDA/R 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/group's ability to service its long-term debt and other fixed obligations and to fund its continued growth. Further, EBITDA/R is a widely accepted indicator in comparing a company's/group's underlying operating profitability with that of other companies/groups in the same industry. EBITDA/R is not an IFRS measure and you should not consider EBITDA/R as alternative to measures of net profit/(loss) as indicators of operating performance, as measures of cash flow from operations or as indicators 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/R is not a uniform or standardised measure and the calculation of EBITDA/R, accordingly, may vary significantly from entity to entity, and by itself our presentation and calculation of EBITDA/R may not be comparable to that of other companies/groups. A reconciliation of EBITDA/R to operating profit for the nine months ended 30 September 2012 and 30 September 2011 is provided above.

* Greater than 100%.





Commentary on the results for the period

The three month period ended 30 September 2012 (unaudited) compared to the three month period ended 30 September 2011 (unaudited)

Overview

Group revenue increased by 9,3% from R668,6 million to R730,9 million. Gaming revenue increased by 9,8% to R557,8 million while hotel and resort revenue increased by 7,6% to R173,1 million.

Cash costs increased by 8,6% and EBITDA increased by 10,6% from 248,7 million to R275,1 million.

Emperors Palace performed well and achieved overall revenue growth of 11,5% from R409,6 million to R456,6 million. Gaming revenue at Emperors Palace increased by a pleasing 12,0% for the quarter, boosted by increased promotional activity as well as improvements to the road network. The growth in revenue translated into an increase in EBITDA of 12,5% from R141,3 million to R158,9 million. Revenue derived from the balance of the group's operations grew by R15,3 million or 5,9% while EBITDA increased by R8,8 million or 8,2%. While our Botswana revenues declined by 3,5%, the balance of our South African operations generated revenue growth of 9,5%. In particular, our Graceland, Frontier and Umfolozi operations delivered good performances for the quarter.

Revenue

Group revenue increased by 9,3% from R668,6 million for the three months ended 30 September 2011 to R730,9 million for the three months ended 30 September 2012. Emperors Palace revenues increased by 11,5%. While Botswana revenues declined by 3,5%, our Graceland, Frontier and Umfolozi properties performed well with revenue growth of 11,8%, 10,5% and 9,2% respectively.

Gaming revenues increased by 9,8% from R507,8 million in the quarter ended 30 September 2011 to R557,8 million in the third quarter of 2012.

Hotel and resort revenues increased by 7,6%, as compared to the corresponding three months in the prior year. Rooms revenue increased by 4,4% to R76,5 million due to increased hotel occupancies achieved. Food and beverage revenues increased by 7,7% to R81,2 million.

Operating costs

Operating costs for the three months ended 30 September 2012 were R516,9 million, an increase of R39,9 million or 8,4% from R477,0 million for the three months ended 30 September 2011. Cash costs increased by 8,6% as compared to the same period in 2011.

Depreciation and amortisation for the quarter ended 30 September 2012 was R60,2 million, an increase of R3,6 million or 6,4% from R56,6 million for the three months ended 30 September 2011.

Operating profit before net finance expenses

The resulting operating profit was R214,9 million, an 11,9% improvement on the prior period profit of R192,1 million.

EBITDA

As a result of the 9,3% increase in revenue and 8,6% increase in cash costs, EBITDA increased by 10,6% from R248,7 million to R275,1 million for the quarter to September 2012. The group EBITDA margin increased from 37,2% for the three months ended 30 September 2011 to 37,6% for the current quarter.

Finance income

Finance income for the three months ended 30 September 2012 was R27,7 million, a decrease of R308,5 million from the prior period. The variance to the prior period arose mainly due to the unrealised gain on forward contracts to hedge the SSN liability and related coupon payments being R310,0 million lower than the gain recorded for the same period in 2011.





Finance expenses

Finance expenses at R432,2 million reflected a decrease of R283,5 million from the prior period charge of R715,7 million. The variance to the prior year was mainly due to a smaller foreign exchange loss on the restatement of the SSN liability of R102,0 million as compared to a loss of R419,6 million in the prior year.

Taxation

The taxation and deferred taxation credit of R41,8 million relates mainly to the effect of deferred taxation credits as a result of estimated taxation losses arising at Peermont and certain of its subsidiaries.

Loss for the period

The resulting loss after taxation amounted to R147,8 million as compared to the prior period loss of R140,4 million.

Operations

Emperors Palace

Revenue at Emperors Palace increased by 11,5% to R456,6 million as compared to R409,6 million in the same period of the prior year. This is largely due to growth in both slots and tables revenues.

GGR increased by 12,0% to R375,5 million. In the third quarter, levies paid for Gauteng grew by approximately 10,7%. Our market share increased to approximately 23,1% as compared to 22,5% in the comparable period in 2011.

Hotel and resort revenues for the quarter increased by 9,3% from the prior year period. Rooms revenue increased by 10,2% to R36,7 million from R33,3 million in the comparable period. The overall complex rooms occupancies for the quarter reached a new record level of 90,3%, significantly higher than the 82,0% achieved in the quarter to September 2011.

Cash costs increased by 11,1% to R298,0 million for the quarter. Staff and consumables costs increased by 12,1% and 9,9% respectively in line with the increased demands resulting from the growth in business levels. VAT and gaming levies increased by 12,1% due to the increase in GGR. Despite lower electricity usage, overall utility and property cost increased by 10,9% due to higher regulated tariffs. Promotions and marketing costs increased by R7,2 million or 26,0% as compared to the prior year, resulting from the increased level of gaming promotions run in the current year and other marketing initiatives.

EBITDA at Emperors Palace increased by 12,5% to R158,9 million. The EBITDA margin for the quarter increased to 34,8% from 34,5% for the prior year quarter.

Botswana

The Botswana revenue in Pula terms decreased by 2,2% from P63,4 million (R71,4 million) for the three months ended 30 September 2011 to P62,0 million (R68,9 million) for the same period in 2012. Gaming revenues declined by 2,9% as compared to the prior period, largely due to a decrease in tables revenue. Hotel and resort revenue decreased by 1,8% to P38,7 million (R43,1 million), mainly due to an increase in the supply of rooms in Gaborone.

Other income for the current quarter amounted to P0,5 million and includes a VAT refund and insurance claim received.

Cash costs increased by 5,2% in Pula terms as compared to the same quarter in 2011.

EBITDA decreased in Pula terms by 15,0% to P17,6 million (R19,7 million) from P20,7 million (R23,4 million) for the prior year quarter. The EBITDA margin decreased to 28,6% (2011: 32,8%).

Graceland

Revenues at Graceland increased by 11,8% from R40,0 million to R44,7 million. GGR increased by 10,9% to R32,6 million from R29,4 million in the third quarter of 2011 due to growth in both tables and slots revenues. Hotel and resort revenue increased by 14,2%. This is a result of increases in rooms as well as food and beverage revenues of 12,9% and 11,6% respectively.





Other income in the prior period quarter includes R0,4 million relating to insurance proceeds received.

Cash costs were well controlled and increased by 4,8% as compared to the same quarter in the prior period.

EBITDA increased by 25,9% from R11,2 million to R14,1 million, which resulted in an increase in EBITDA margin from 28,0% to 31,5%.

Umfolazi

Revenues increased by 9,2% to R42,9 million from R39,3 million in the third quarter of 2011. GGR increased by R3,2 million or 9,0% to R38,9 million as compared to the prior period, mostly as a result of improved slots revenues. Hotel and resort revenues increased to R4,0 million from R3,6 million in the prior period.

Other income in the prior year period included R0,3 million relating to Theta refunds received.

Cash costs increased by 5,4% as compared to the prior period quarter. EBITDA at R15,4 million was 14,1% above the prior period quarter. The EBITDA margin increased to 35,9% as compared to 34,4% for the same period in 2011.

Rio

Revenue at Rio for the third quarter of 2012 increased by R3,2 million or 8,0% to R43,4 million, as compared to the same period in 2011. GGR increased by 5,2% to R36,5 million for the current quarter, while hotel and resort revenue increased by 25,5% to R6,9 million for the same period.

Cash costs increased by 7,4% as compared to the prior period quarter. EBITDA at R15,7 million was 9,0% above the comparable period. The EBITDA margin increased to 36,2% (2011: 35,8%).

Mmabatho Palms

The resort generated total revenue of R27,9 million for the period, increasing by 6,1% as compared to the same period in 2011. GGR increased by 7,6% to R18,4 million for the quarter while hotel and resort revenues increased by 3,3% to R9,5 million for the quarter.

The lease contract for the Mmabatho Palms staff complex, which was operated by the resort expired in November 2011. The resort holds an option to acquire 50,0% of the shares in the company owning the staff complex property, which is still to be exercised. The current quarter includes 50,0% of the revenue and expenses relating to the staff complex on a jointly controlled basis. On a comparable basis, revenue increased by 8,0%.

Cash costs increased by 4,8% to R21,7 million. On a comparable basis cash costs increased by 6,3%.

EBITDA increased by 10,7% from R5,6 million to R6,2 million. The EBITDA margin increased to 22,2% (2011: 21,3%). On a comparable basis EBITDA increased to R6,4 million and the comparable EBITDA margin increased to 22,5%.

Khoroni

Khoroni generated revenues of R24,9 million, an increase of 2,9%. GGR increased by 2,8% to R18,5 million for the current quarter due to increased slots revenue, partially offset by a decline in tables revenue. Hotel and resort revenue increased by 3,2% to R6,4 million.

Other income for the quarter to September 2012 includes an amount of R0,2 million profit on the disposal of property, plant and equipment.

Cash costs increased by 8,9% from R15,8 million to R17,2 million. EBITDA at R7,9 million was 6,0% below the R8,4 million for the prior year quarter. The EBITDA margin decreased to 31,7% (2011: 34,7%).





Frontier

Revenue at Frontier increased by 10,5% from R12,4 million in the third quarter of 2011 to R13,7 million. GGR increased by 11,5%, mostly as a result of increased slots revenue. Hotel and resort revenue increased by 5,0%, driven by growth in food and beverage revenue.

Cash costs increased by 7,2%. EBITDA at R3,3 million was 22,2% above the prior period quarter and the EBITDA margin increased from 21,8% to 24,1%.

Head office and management companies

Head office revenue increased by 11,3% from R45,1 million to R50,2 million. The head office revenues mainly consist of the management, administration and incentive fees received from the operating units. The current quarter includes rental income of R1,0 million relating to rental received on the 152 Bryanston Drive property.

Head office EBITDA increased by 17,7% from R28,8 million in 2011 to R33,9 million in the current quarter.

The nine month period ended 30 September 2012 (unaudited) compared to the nine month period ended 30 September 2011 (unaudited)

Overview

Group revenue for the period increased by 7,6% from R1 938,3 million to R2 086,2 million. Gaming revenue increased by 6,9% to R1 602,7 million. Hotel and resort revenue increased by 10,3% to R483,5 million.

Cash costs increased by 7,6% from R1 226,7 million to R1 320,2 million for the nine months to September 2012.

EBITDA increased by 7,9% from R712,4 million to R769,0 million in 2012.

Emperors Palace revenues increased by 8,5% and EBITDA increased by 6,5%. Revenue generated by the balance of the group increased by 6,2% while EBITDA increased by 10,0%. While our Botswana revenues increased by only 1,4%, the balance of our South African operations generated revenue growth of 8,0%. In particular, our Frontier, Rio and Graceland properties performed well.

Revenue

Group revenue increased by 7,6% from R1 938,3 million to R2 086,2 million for the current year to date. For the nine months to September 2012, all of our operations generated revenue growth as compared to the prior year. In particular our Frontier, Rio and Graceland properties performed well with revenue growth of 14,8%, 8,9% and 7,8% respectively.

Gaming revenues increased by 6,9% from R1 499,8 million to R1 602,7 million in the current year.

Hotel and resort revenues increased by 10,3% as compared to the corresponding nine months in the prior year. Rooms revenues increased by 9,3% to R217,3 million, mainly as a result of the increased occupancies achieved in the current year. Our overall room occupancies for the nine months were 73,8% significantly above the national average of 60,8% and above the 70,6% reported for the same period in 2011. Year to date food and beverage revenues increased by 10,2% to R221,3 million.

Other revenue increased by 15,7% to R44,9 million. This is mainly attributable to increased rental received from the tenants occupying space in the Emporium at Emperors Palace and rental income of R1,7 million received on the 152 Bryanston Drive property in the current year.

Operating costs

Operating costs for the nine months ended 30 September 2012 were R1 500,4 million, an increase of R93,7 million or 6,7%, from R1 406,7 million for the prior year.

Depreciation and amortisation for the nine months ended 30 September 2012 was R180,2 million, slightly higher than the R180,0 million for the for the nine months ended 30 September 2011.





Operating profit before net finance expenses

The resulting operating profit for the nine months at R588,8 million was R56,4 million or 10,6% above the prior period's R532,4 million.

EBITDA

EBITDA increased by 7,9% to R769,0 million from R712,4 million in the nine months to September 2011. The group EBITDA margin increased to 36,9% from 36,8% in September 2011.

Finance income

Finance income was R38,0 million, a decrease of R592,3 million from the prior period. The variance to the prior period was mainly due to a smaller foreign exchange gain of R27,5 million on the forward contracts to hedge the SSN liability and related coupon payments as compared to the gain of R624,4 million for the prior year period.

Finance expenses

Finance expenses at R1 222,4 million reflected a decrease of R687,8 million from the prior period charge of R1 910,2 million. This decrease is mainly as a result of the lower foreign exchange loss on the restatement of the SSN liability at R76,5 million for the nine months to September 2012 as compared to R867,6 million for the same period in the prior year.

Taxation

The taxation and deferred taxation charge of R23,1 million results mainly from the increase of the capital gains taxation rate for companies in South Africa from an effective 14,0% to 18,6% as announced by the Minister of Finance during February 2012, offset by deferred taxation credits as a result of estimated taxation losses arising at Peermont and certain of its subsidiaries.

Loss for the period

The resulting loss after taxation at R618,7 million was greater than the prior period loss of R539,4 million.

Operations

Emperors Palace

Revenue at Emperors Palace increased by 8,5% from R1 202,6 million to R1 304,9 million.

GGR increased by 7,8% to R1 076,1 million. Year to date, levies paid for Gauteng grew by approximately 7,0% and our market share at 23,1% remained in line with the prior year.

Hotel and resort revenues for the nine months increased by 12,2% as compared to the prior year. Rooms revenue increased by 10,8% to R101,3 million from R91,4 million in the prior period, attributable to increased occupancies. The overall complex occupancies for the nine months to September 2012 were 84,9%, significantly above the 76,7% reported for the nine months to September 2011.

Food and beverage revenue increased to R97,5 million for the nine months from R86,8 million in the prior year period, an overall 12,3% increase attributable to the increase in hotel occupancy rates and exceptional conferencing revenues generated in the current year.

Cash costs increased by 9,7% to R859,7 million in the current period, primarily due to increases in promotions and marketing expenses, VAT and gaming levies in line with the increase in GGR, consumables and staff costs attributable to the growth in business levels, as well as planned maintenance costs incurred. Despite lower electricity usage, overall utility and property cost increased by 10,1% due to higher regulated tariffs.

EBITDA at Emperors Palace increased by 6,5% to R446,3 million. The EBITDA margin for the nine months ended September 2012 decreased to 34,2% from 34,8% for the comparable prior year period.





Botswana

Revenue in Pula terms decreased by 1,2% from P186,5 million (R201,1 million) for the nine months ended 30 September 2011 to P184,3 million (R203,9 million) for the same period in 2012. Revenues in Rand terms increased slightly due to the weakening of the Rand:Pula exchange rate. Gaming revenues decreased by 6,2% compared to the prior period, mainly attributable to declining privé tables activity. Hotel and resort revenue grew by 2,2% to P113,7 million (R125,9 million) mainly attributable to growth in food and beverage revenue.

Other income for the current year amounted to P0,7 million and includes a VAT refund and insurance claim received, as well as profit on the sale of certain furniture and fittings.

Cash costs increased by 3,3% as compared to the same period in 2011.

EBITDA declined in Pula terms by 9,1% to P55,7 million (R61,6 million) for the nine months ended September 2012, from P61,3 million (R66,1 million) for the prior year period. The EBITDA margin decreased to 30,2% (2011: 32,9%).

Graceland

Graceland revenues increased by 7,8% from R114,6 million to R123,5 million. GGR increased by 8,0% to R91,7 million from R84,9 million. Hotel and resort revenues increased by 7,1% as compared to the prior period.

Other income in the prior year included R0,6 million relating to insurance proceeds received.

Cash costs increased by 1,8% compared to the same period in 2011 as increases in variable costs were offset by savings on maintenance and property costs.

EBITDA increased by 23,6% from R29,6 million to R36,6 million. This resulted in an increased margin from 25,8% for the nine months in 2011 to 29,6% for the nine months in 2012.

Umfolazi

Revenues increased by 4,8% to R119,1 million as compared to the same period in the prior year. GGR increased by 4,7% to R108,9 million from R104,0 million in 2011. Hotel and resort revenues increased by 6,3% to R10,2 million in the current year.

Other income in the current year includes R0,1 million relating to Theta refunds received, compared to R0,3 million for the same period in the prior year.

Cash costs increased by 2,9% to R78,6 million as compared to the prior year.

EBITDA at R40,6 million was 8,3% above the prior period. This resulted in an increased margin of 34,1% (2011: 33,0%).

Rio

Rio generated revenue of R123,8 million for the nine months ended 30 September 2012, a growth of 8,9% as compared to the prior year period. GGR increased by 7,3% to R107,3 million for the nine months. Hotel and resort revenue increased by 20,4%, mainly attributable to the average room rate increasing by 16,4%.

Cash costs increased by 6,6% as compared to the prior year, primarily due to increased promotions and marketing spend.

EBITDA increased by 13,1% from R39,8 million in 2011, to R45,0 million in 2012. The EBITDA margin increased to 36,3% from 35,0% in 2011.



Mmabatho Palms

The resort generated revenue of R78,0 million for the nine months, an increase of 2,6% on the same period in 2011. GGR decreased by 0,2% to R51,4 million from R51,5 million in the comparable period in 2011. This is attributable to 13,5% growth in tables revenue being offset by a decline of 1,5% in slots revenues. Hotel and resort revenues increased by 8,6% as compared to the prior year.

The lease contract for the Mmabatho Palms staff complex, which was operated by the resort expired in November 2011. The resort holds an option to acquire 50,0% of the shares in the company owning the staff complex property, which is still to be exercised. The current quarter includes 50,0% of the revenue and expenses relating to the staff complex on a jointly controlled basis. On a comparable basis, revenue increased by 4,9%.

Cash costs decreased by 0,3% to R62,0 million in the current period. On a comparable basis cash costs increased by 1,1% with inflationary increases being offset by cost savings, primarily on marketing and entertainment expenses.

EBITDA increased by 15,9% from R13,8 million to R16,0 million in 2012. The EBITDA margin increased from 18,2% to 20,5%. On a comparable basis EBITDA increased by 21,7% to R16,8 million.

Khoroni

Khoroni grew revenue by 9,5% from R66,0 million to R72,3 million for the nine months to September 2012. GGR increased by 11,0% and hotel and resort revenues increased by 5,3% as compared to the prior year period.

Other income in the current year includes an amount of R0,2 million profit on the disposal of property, plant and equipment.

Cash costs increased by 10,1% to R50,2 million compared to the prior year period. This can largely be attributed to increased gaming levies in the current year.

EBITDA at R22,3 million was 9,3% above the R20,4 million for the same period in 2011, resulting in an increase in the EBITDA margin to 30,8% (2011: 30,9%).

Frontier

Frontier generated revenues of R41,0 million, an increase of 14,8% on the prior period. GGR increased by 14,1%, largely attributable to increased slots revenue. Hotel and resort revenue increased by 19,6% as compared to the prior period, as a result of growth in both rooms and food and beverage revenue.

Other income in the year to date includes an amount of R0,4 million which relates to a refund received from the local municipality in respect of overbilling on electricity relating to 2011.

Cash costs increased by 10,8%, largely as a result of increased hotel and resort activity.

EBITDA at R10,5 million was 34,6% above the comparable nine months in the prior year. The EBITDA margin increased to 25,6% (2011: 21,8%). On a comparable basis EBITDA increased by 29,5% and the comparable EBITDA margin increased to 24,6%.

Head office and management companies

Head office revenue increased by 9,5%, from R129,1 million to R141,4 million. The head office revenues mainly consist of the management, administration and incentive fees received from the operating units. The current quarter also includes rental income of R1,7 million relating to rental received on the 152 Bryanston Drive property.

Head office EBITDA increased by 13,7% from R80,8 million in 2011 to R91,9 million in 2012. The EBITDA margin reflected an increase at 65,0% when compared to the 62,6% achieved in the prior period.



Liquidity and capital resources

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

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

Cash flows

The following table sets out our condensed unaudited consolidated cash flows for the nine month periods ended 30 September 2011 and 2012:

	(unaudited) 2012	(unaudited) 2011
	R'm	R'm
Cash flow data		
for the nine months ended 30 September		
Cash flows from operating activities	782,6	712,3
Finance income received	9,9	5,5
Finance expenses paid	(387,4)	(390,9)
Taxation paid	(17,3)	(16,8)
Net cash flows from operating activities	387,8	310,1
Cash flows used in investing activities	(140,8)	(91,2)
Cash flows used in financing activities	(21,1)	(38,0)
Net increase in cash and cash equivalents	225,9	180,9

Cash flows from operating activities

Cash inflows from operating activities for the period were R782,6 million compared to R712,3 million for the period ended 30 September 2011.

Finance income

This consists mainly of interest received on cash deposits at financial institutions which has increased in comparison to the prior period. The increase is attributable to increased cash balances on hand.

Finance expenses

This is made up of hedged interest paid on the SSNs of R337,5 million (2011: R337,1 million), interest paid on the deferred hedging loan of R30,7 million (2011: R31,4 million), as well as the borrowings by head office and PGEFS.

Taxation paid

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

Cash flows used in investing activities

Net cash flows used in investing activities for the nine months was R140,8 million. This includes costs of R58,8 million spent on slots replacement throughout the group; R27,5 million on equipment in preparation for the new gaming system; and, P5,5 million (R6,1 million) relating to refurbishment at the Metcourt Hotel in Francistown. The balance consists of normal replacement capital expenditure.

Cash flows used in financing activities

Net cash outflows used in financing activities for the period amounted to R21,1 million. This includes R12,3 million relating to the redemption of the non-controlling shareholders' portion of the preference shares in PGB as well as the normal redemption of debt by head office and PGEFS.





Cash and cash equivalents

At 30 September 2012 the group was in a net positive cash position of R184,4 million. There was no cash utilisation of the RCF on the reporting date. Details of R118,6 million cash not available to the group for third party flows is presented later in the report.

Capital expenditures

Our net capital expenditures in the nine months ended 30 September 2012 and 2011, were R139,8 million and R91,2 million respectively. 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 (“replacement 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 net replacement capital expenditures in the nine months ended 30 September 2012 and 2011 were R139,8 million and R89,0 million, representing approximately 6,7% and 4,6% of total revenue, respectively. This consisted of approximately R58,8 million spent on slots replacement throughout the group; R27,5 million on equipment in preparation for the new gaming system, P5,5 million (R6,1 million) relating to refurbishment at the Metcourt Hotel in Francistown; and, the balance on normal replacement capital expenditure. In 2011 our replacement capital expenditure consisted of approximately R55,3 million spent on slots replacement; P5,6 million (R6,0 million) on the refurbishment of the third floor of the Walmont Hotel in Gaborone; and, the balance on normal replacement capital expenditure.

There was no material expansion capital expenditure incurred in the nine months to September 2012. Our net expansion capital expenditure in the nine months ended September 2011 was R2,2 million relating to the expansion of the slots gaming floor at Khoroni.

Available capital resources

Our principal source of funds is provided by cash flows from operations; amounts raised as specific project debt allowed per the indenture; and, amounts available under our RCF. The RCF expires on 27 December 2013.

At 30 September 2012, of the R550,0 million available under our RCF for working capital and general corporate purposes, R59,1 million of the facility had been utilised to provide guarantees to various gambling boards and financial institutions. Cash held of R118,6 million included in the reported balance of R184,4 million but not available to the group consists of approximately R49,0 million required for operational and cash floats, R40,7 million reserved for community development infrastructure at Emperors Palace and R28,9 million held on behalf of trust beneficiaries. After adjustment for the above, capacity of R490,9 million under the RCF and cash of R65,8 million was available for group requirements at 30 September 2012.

Although we believe that our expected cash flow from operations, together with available facilities, will be sufficient to meet our needs for the foreseeable future, we cannot assure you that our business will generate sufficient cash flow from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our working capital or other liquidity needs, including making payments under the notes or our other debt when these 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” set out in this report and on the company’s website. 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 September 2012:

	Less than			After	Total R'm
	1 year R'm	1 – 3 years R'm	3 – 5 years R'm	5 years R'm	
Second priority SSNs ⁽¹⁾⁽³⁾	139,6	4 289,4	—	—	4 429,0
Deferred hedging loan	26,6	—	400,0	—	426,6
Deeply subordinated shareholder loans	—	—	—	4 681,3	4 681,3
PIK Equity Loan ⁽²⁾⁽³⁾	—	—	—	2 826,8	2 826,8
PIK Notes Loan ⁽²⁾⁽³⁾	—	—	—	1 854,5	1 854,5
Bank borrowings ⁽⁴⁾	8,4	17,7	9,3	7,5	42,9
	174,6	4 307,1	409,3	4 688,8	9 579,8
Operating lease commitments	10,9	12,3	10,0	120,8	154,0
Total	185,5	4 319,4	419,3	4 809,6	9 733,8

⁽¹⁾ The amount reflected is €416,1 million disclosed at current spot rate, less unamortised issue costs and discounts, plus accrued interest, the capital of which is due in April 2014.

⁽²⁾ The amount reflected includes the capital owing and accrued and capitalised interest on subordinated long-term shareholder funding from PGH II.

⁽³⁾ It is currently the group’s objective to refinance/restructure the deeply subordinated shareholder loans (not due before 2037), the SSNs (contractually due 2014) and the deferred hedging loan (contractually due 2017) in or before April 2014. In terms of the 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 loan holder declare any event of default or take any enforcement action prior to that date. See “Update on discussions regarding our capital structure” presented later in this report.

⁽⁴⁾ Bank borrowings comprise secured loan facilities from financial institutions in South Africa. This does not reflect amounts outstanding under, or that may in future be borrowed under, the RCF.

Pension plans

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

Off-balance sheet arrangements

We have no off-balance sheet arrangements.

Contingent liabilities

SARS has challenged the taxation effect of a R33,8 million gain made by PGERH on the realisation of a foreign currency option contract in 2005. The company obtained two Senior Counsel opinions at the time of submitting the taxation return and consequently treated the gain as non-taxable. SARS assessed the company for taxation and interest. PGERH sought to resolve the matter through an alternate dispute resolution mechanism, but this was unsuccessful. The group’s legal advisers have met with SARS officials in an attempt to resolve this long outstanding dispute. We await feedback from SARS on this meeting. Should the SARS interpretation prove to be correct, the group may be exposed to an additional taxation liability of approximately R9,8 million and any interest and/or penalties assessed by SARS.





Legal proceedings

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

Events subsequent to quarter end

No material events and circumstances have occurred subsequent to the quarter end up to the date of this report.

Market risk

Foreign currency risk

Our condensed unaudited consolidated financial results are affected by currency transactions and translation effects resulting from fluctuations in the exchange rates between the Rand and other currencies, principally the Euro, Pula and US Dollar.

In connection with the issuance of the notes, we entered into SRSs to hedge the Rand equivalent of the current principal amount of €416,1 million, and interest due under the notes to the maturity of the notes at April 2014.

Currency translation effects occur due to the fact that in 2011 we earned 10,2% of our revenue and incurred approximately 10,7% of our total costs in Pula. We do not hedge this exposure. Currency translation effects occur due to the fact that our Botswana operations earned all of their revenue in Pula and also prepared their financial statements in this currency. For group consolidation purposes these financial statements are translated to Rand, the group's reporting currency.

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

The table below indicates the exchange rates used in the period covered in this report:

	Average for 3 months		Average for 9 months		Closing spot rate	
	2012	2011	2012	2011	2012	2011
Euro/Rand	10,33	10,08	10,30	9,80	10,64	10,84
Pula/Rand	1,10	1,08	1,11	1,08	1,10	1,11

Interest rate risk

We have a policy of managing our exposure to changes in floating interest rates on our borrowings.

The notes interest is fixed at 7¾% until 2014 and the related foreign currency risk is fully hedged. The interest on the shareholder loans is set at 18,0%. The deferred hedging loan bears interest at a rate of JIBAR plus 9,75%, which is reset at each coupon payment date.



Critical accounting policies and use of estimates

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

Details of accounting policies, which were consistently applied, and significant estimates made were set out in our audited annual financial statements for the year ended 31 December 2011. Please refer to these for more detail.

New accounting interpretations issued and not yet effective

Management has evaluated the effect of all new standards, amendments and interpretations that have been issued prior to the date of this report, which would be effective for the group's accounting period on or after 1 October 2012. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the group's results.

New and ongoing developments

Fourth Gaborone casino licence

The casino licence for the Masa Casino in Gaborone was granted in principle by the Botswana Casino Control Board on 6 June 2012, subject to the Board's normal inspection procedures. PGB resolved to challenge this decision and the necessary affidavits were filed for an application to review the award of the licence. Sun International and the Gaborone Hotel approached the Court for an interdict to prevent Masa Casino from opening until such time as the review application had been heard. The interdict matter was heard at the High Court in Lobatse on 16 and 17 August 2012 and the presiding Judge extended the temporary relief granted to Sun International and the Gaborone Hotel to 13 September 2012. The Judge ruled in favour of the review applicants and ruled that the casino could not be opened until the review application had been heard. It is expected that this will occur in the first quarter of 2013.

Gaming system upgrade

The roll-out of the Bally gaming system throughout the group's casinos is currently underway and the system was successfully installed at our Botswana properties in September 2012. Our Graceland and Emperors Palace properties are scheduled to follow in the first quarter of 2013 with the balance of the group operations following later during the year. The overall cost to the group is expected to increase approximately R110,9 million, primarily due to a weaker ZAR:USD exchange rate as well as additional functionality to be acquired. This will be funded out of replacement capital expenditure budgets.

Thaba Moshate Hotel Casino and Convention Resort

Although the local municipality has approved the rezoning of the land earmarked for the development of the casino and other facilities, a land claim is still pending on this property. The matter has been referred to the Land Claims Court and we are awaiting a proposal from the Land Claims Commissioner on a possible resolution of the claim. In addition, Peermont continues to defend the High Court application brought by a property developer regarding the original property establishment. To date Peermont has invested approximately R29,6 million in this project, including R21,5 million in respect of land and infrastructure costs.





152 Bryanston Drive offices

The company has entered into an agreement to dispose of the previous head office premises at 152 Bryanston Drive to an unrelated party for a consideration of R48 million. The conditions precedent to the agreement were not fulfilled. This was due to changes to the property required by the tenant, which affected the zoning of the property. Peermont is currently negotiating an extension of the property sale agreement to accommodate the required rezoning requirements, which if successfully concluded, will extend the transaction timetable. If the transaction is finally implemented, the proceeds will be used, inter alia, to settle the outstanding mortgage liability of approximately R28,4 million at 30 September 2012.

Update on discussions regarding our capital structure

As previously reported, the Board and its advisors have been engaging with key stakeholders and their advisors regarding the de-gearing and restructuring of the group's balance sheet. This engagement continues, including through direct discussions with key stakeholders. There can be no assurance that these efforts will lead to a definitive agreement and/or successful completion of any transaction involving the group's capital structure.



ANNEXURE A

CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF **Peermont Global Proprietary Limited and its subsidiaries**

for the three and nine month periods ended 30 September 2012

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Peermont Global Proprietary Limited and its subsidiaries

GROUP INCOME STATEMENT

for the three months ended 30 September

	Note	2012 R'm	2011 R'm
Revenue		730,9	668,6
Gaming		557,8	507,8
Rooms		76,5	73,3
Food and beverage		81,2	75,4
Other		15,4	12,1
Other income	1	0,9	0,5
		731,8	669,1
Operating costs		(516,9)	(477,0)
Employee costs		(153,2)	(141,9)
VAT and gaming levies on gross gaming revenue		(111,4)	(100,7)
Promotions and marketing		(44,3)	(41,4)
Depreciation and amortisation		(60,2)	(56,6)
Property and equipment rentals		(6,8)	(6,1)
Property costs		(33,5)	(30,7)
Consumables and services		(75,1)	(65,5)
Other operational costs		(32,4)	(34,1)
Operating profit before net finance expenses		214,9	192,1
Net finance expenses		(404,5)	(379,5)
Finance income	2	27,7	336,2
Finance expenses	2	(432,2)	(715,7)
Loss before taxation		(189,6)	(187,4)
Taxation		41,8	47,0
Loss for the period		(147,8)	(140,4)
Attributable to:			
Equity holders of Peermont		(154,3)	(147,9)
Non-controlling interests		6,5	7,5
		(147,8)	(140,4)

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 30 September

	2012 R'm	2011 R'm
Loss for the period	(147,8)	(140,4)
Other comprehensive income		
Exchange differences on translating foreign operations	0,4	6,5
Total comprehensive income	(147,4)	(133,9)
Attributable to:		
Equity holders of Peermont	(154,1)	(144,0)
Non-controlling interests	6,7	10,1
	(147,4)	(133,9)



PeerMont Global Proprietary Limited and its subsidiaries

GROUP INCOME STATEMENT

for the nine months ended 30 September

	Note	2012 R'm	2011 R'm
Revenue		2 086,2	1 938,3
Gaming		1 602,7	1 499,8
Rooms		217,3	198,8
Food and beverage		221,3	200,9
Other		44,9	38,8
Other income	1	3,0	0,8
		2 089,2	1 939,1
Operating costs		(1 500,4)	(1 406,7)
Employee costs		(454,2)	(426,1)
VAT and gaming levies on gross gaming revenue		(319,5)	(296,6)
Promotions and marketing		(132,5)	(125,8)
Depreciation and amortisation		(180,2)	(180,0)
Property and equipment rentals		(18,3)	(17,7)
Property costs		(83,4)	(76,3)
Consumables and services		(215,0)	(191,5)
Other operational costs		(97,3)	(92,7)
Operating profit before net finance expenses		588,8	532,4
Net finance expenses		(1 184,4)	(1 279,9)
Finance income	2	38,0	630,3
Finance expenses	2	(1 222,4)	(1 910,2)
Loss before taxation		(595,6)	(747,5)
Taxation		(23,1)	208,1
Loss for the period		(618,7)	(539,4)
Attributable to:			
Equity holders of PeerMont		(636,5)	(565,7)
Non-controlling interests		17,7	26,3
		(618,7)	(539,4)

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 30 September

	2012 R'm	2011 R'm
Loss for the period	(618,7)	(539,4)
Other comprehensive income		
Exchange differences on translating foreign operations	(2,5)	8,2
Total comprehensive income	(621,3)	(531,2)
Attributable to:		
Equity holders of PeerMont	(637,9)	(560,8)
Non-controlling interests	16,7	29,6
	(621,2)	(531,2)





GROUP STATEMENT OF FINANCIAL POSITION

at 30 September

	Note	2012 R'm	2011 R'm
Assets			
Total non-current assets		8 819,1	8 867,7
Property, plant and equipment	3	4 178,1	4 264,1
Intangible assets	4	4 583,2	4 586,6
Non-current asset held for sale		36,6	—
Deferred taxation assets		7,3	6,2
Derivative instruments		8,7	5,4
Investment		4,9	4,2
Loans and receivables		0,3	1,2
Total current assets		392,4	325,3
Inventories		54,4	54,4
Trade and other receivables		108,6	97,8
Loans and receivables		1,0	0,4
Current portion of derivative instruments		10,1	—
Amounts due by related parties		33,2	25,9
Current taxation assets		0,7	—
Cash and cash equivalents		184,4	146,8
Total assets		9 211,5	9 193,0
Equity and liabilities			
Equity			
Capital and reserves		(1 698,7)	(1 012,8)
Non-controlling interests		94,1	80,8
Total equity		(1 604,6)	(932,0)
Total non-current liabilities			
Interest-bearing long-term borrowings	5	9 405,2	8 649,9
Deferred taxation liabilities		514,5	539,2
Derivative instruments		—	57,9
Amounts due to related parties		26,9	29,6
Total current liabilities		869,5	848,4
Trade and other payables		342,3	318,2
Current portion of derivative instruments		337,1	254,1
Bank overdraft		—	93,4
Current portion of interest-bearing long-term borrowings	5	174,6	170,1
Amounts due to related parties		11,1	10,0
Current taxation liabilities		4,4	2,6
Total equity and liabilities		9 211,5	9 193,0



PeerMont Global Proprietary Limited and its subsidiaries

GROUP STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September

	Share capital R'm	Share premium R'm	Translation reserve R'm	Retained earnings R'm	Sub-total R'm	Non- controlling interest R'm	Total equity R'm
Balance at 1 January 2011	0,2	381,0	(8,2)	(825,0)	(452,0)	82,5	(369,5)
Total comprehensive income	—	—	4,9	(565,7)	(560,8)	29,6	(531,2)
Preference shares issued	—	—	—	—	—	33,9	33,9
Redemption of PGB preference shares	—	—	—	—	—	(10,9)	(10,9)
Dividends paid	—	—	—	—	—	(54,3)	(54,3)
Balance at 30 September 2011	0,2	381,0	(3,3)	(1 390,7)	(1 012,8)	80,8	(932,0)
Balance at 1 January 2012	0,2	381,0	(4,0)	(1 439,3)	(1 062,1)	93,6	(968,5)
Total comprehensive income	—	—	(1,5)	(636,4)	(637,9)	16,7	(621,2)
Interest paid to PGB non-controlling interest	—	—	—	—	—	(0,5)	(0,5)
Redemption of PGB preference shares	—	—	—	—	—	(12,3)	(12,3)
Acquisition of non-controlling interest	—	—	—	1,3	1,3	(2,3)	(1,0)
Dividends paid	—	—	—	—	—	(1,1)	(1,1)
Balance at 30 September 2012	0,2	381,0	(5,5)	(2 074,4)	(1 698,7)	94,1	(1 604,6)

GROUP STATEMENT OF CASH FLOWS

for the nine months ended 30 September

	2012 R'm	2011 R'm
Cash flows from operating activities	782,6	712,3
Finance income received	9,9	5,5
Finance expenses paid	(387,4)	(390,9)
Taxation paid	(17,3)	(16,8)
Net cash flows from operating activities	387,8	310,1
Cash flows used in investing activities	(140,8)	(91,2)
Replacement of property, plant and equipment to maintain operations	(138,9)	(88,5)
Replacement of intangible assets to maintain operations	(1,6)	(1,1)
Proceeds on disposal of property, plant and equipment	0,7	0,6
Acquisition of non-controlling interests	(1,0)	—
Acquisition of property, plant and equipment to expand operations	—	(2,2)
Cash flows used in financing activities	(21,1)	(38,0)
Redemption of PGB preference shares – non-controlling interest	(12,3)	(10,9)
Interest-bearing long-term borrowings repaid	(6,7)	(11,0)
Decrease in non-current amounts due to related parties	(2,5)	(3,8)
Dividends paid	(0,1)	(12,6)
Enterprise development loans repaid	0,5	0,3
Net increase in cash and cash equivalents	225,9	180,9
Cash and cash equivalents at the beginning of the period	(41,3)	(129,3)
Effect of exchange rate fluctuations on cash held	(0,2)	1,8
Cash and cash equivalents at the end of the period	184,4	53,4





PeerMont Global Proprietary Limited and its subsidiaries

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 September

	Three months ended 30 September		Nine months ended 30 September	
	2012 R'm	2011 R'm	2012 R'm	2011 R'm
1 Other income				
Refunds received – Theta	0,4	0,1	1,6	0,4
VAT refund received	0,3	—	0,3	—
Insurance claims received	0,3	0,5	0,3	0,7
(Loss)/profit on disposal of property, plant and equipment	(0,1)	(0,1)	0,4	(0,4)
Refunds received – Dihlabeng municipality	—	—	0,4	—
Other income	—	—	*	0,1
	0,9	0,5	3,0	0,8
2 Net finance expenses				
Foreign exchange gain on forward contracts to hedge SSN liability and related coupon payments	23,8	333,8	27,5	624,4
Interest received	3,7	2,1	9,8	4,8
Foreign exchange gains – realised	0,1	0,2	0,4	0,8
Interest accrued on preference shares	0,1	0,1	0,3	0,3
Finance income	27,7	336,2	38,0	630,3
Interest payable – PIK Equity Loan	(117,9)	(101,0)	(346,1)	(292,4)
Interest paid/payable – SSN	(104,4)	(100,1)	(311,3)	(291,2)
Foreign exchange loss on restatement of SSN liability	(102,0)	(419,6)	(76,5)	(867,6)
Interest payable – PIK Notes loan	(84,1)	(70,3)	(243,9)	(202,5)
Interest payable – Deferred hedging loan	(15,6)	(15,7)	(46,4)	(46,8)
Interest paid – other	(8,2)	(9,0)	(26,0)	(29,2)
Foreign exchange loss on SSN coupon payment	—	—	(172,2)	(180,5)
Finance expenses	(432,2)	(715,7)	(1 222,4)	(1 910,2)

* Less than R50 000.



PeerMont Global Proprietary Limited and its subsidiaries

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 September (continued)

3 Property, plant and equipment

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
30 September 2012			
Land	194,3	—	194,3
Freehold buildings	3 916,2	(526,9)	3 389,3
Leasehold buildings	204,8	(29,1)	175,7
Furniture, fittings and equipment	942,8	(552,7)	390,1
Capital work in progress	28,7	—	28,7
	5 286,8	(1 108,7)	4 178,1
30 September 2011			
Land	197,8	—	197,8
Freehold buildings	3 950,6	(427,4)	3 523,2
Leasehold buildings	192,4	(20,2)	172,2
Furniture, fittings and equipment	815,3	(457,7)	357,6
Capital work in progress	13,3	—	13,3
	5 169,4	(905,3)	4 264,1

	2012 R'm	2011 R'm
Land and freehold buildings comprise the following properties:		
– Stand 64, Jones Road and Erf 569, Jet Park Extension 28, Gauteng	2 883,9	2 962,2
– Portion 1 of the farm Graceland 593; remainder of the farm Graceland 593 IS (excluding Portions 1 and 2); Portion 42 (a portion of Portion 37) of the Farm Driehoek 275; remaining extent of Erf 8438 Secunda Extension 16; and remaining extent of Erf 5869 Secunda Extension 16, Mpumalanga	267,5	275,7
– Erven 995 and 996, Meiringspark Ext 8, Klerksdorp; and Portion 605 (portion of Portion 604) of the farm Townlands, Klerksdorp, North West	159,2	164,3
– Portion 1 of Erf 113, Kuleka, Empangeni, KwaZulu-Natal	80,9	82,5
– Erf 20, Thohoyandou – D, Venda, Limpopo	63,0	64,3
– Portion 152 of the farm Pretoriuskloof, Johan Blygnaut Drive, Bethlehem, Free State	56,5	64,9
– Erf 101 San Lameer, Registration Division ET, KwaZulu-Natal	38,8	39,6
– Farm Leeuwvallei 297 KT, Burgersfort, Limpopo	21,5	21,5
– Lot 16145 and 16147, Francistown, Botswana	12,3	9,4
– Portion 20 of Erf 45, Bryanston, Johannesburg, Gauteng	—	36,6
	3 583,6	3 721,0





PeerMont Global Proprietary Limited and its subsidiaries

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 September 2012 (continued)

4 Intangible assets

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
30 September 2012			
Goodwill	1 385,3	(2,8)	1 382,5
Casino licences	2 797,6	(2,4)	2 795,2
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	22,5	(19,8)	2,7
Franchise costs	6,1	(5,7)	0,4
Right of use of buildings	7,1	(7,1)	—
	4 621,0	(37,8)	4 583,2
30 September 2011			
Goodwill	1 385,3	—	1 385,3
Casino licences	2 797,6	(2,0)	2 795,6
Right to receive management fees	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	20,2	(17,8)	2,4
Franchise costs	6,2	(5,5)	0,7
Right of use of buildings	7,1	(6,9)	0,2
	4 618,8	(32,2)	4 586,6



PeerMont Global Proprietary Limited and its subsidiaries

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the period ended 30 September 2012 (continued)

	2012 R'm	2011 R'm
5 Interest-bearing long-term borrowings		
<i>South African – secured</i>		
Deferred hedging loan	426,6	426,3
ABSA term loan – PGEFS	14,5	19,4
Nedbank property loan	28,4	31,7
<i>South African – unsecured</i>		
Deeply subordinated shareholder loans	4 681,3	3 908,4
Promissory notes liability	—	1,1
<i>Foreign – secured</i>		
SSNs	4 429,0	4 432,4
<i>Finance leases</i>		
Iskhus Power Proprietary Limited	—	0,7
Total interest-bearing long-term liabilities	9 579,8	8 820,0
Current portion included in current liabilities	(174,6)	(170,1)
	9 405,2	8 649,9

6 Segmental analysis

	Three months ended 30 September				Nine months ended 30 September			
	Revenue	Revenue	EBITDA	EBITDA	Revenue	Revenue	EBITDA	EBITDA
	2012 R'm	2011 R'm	2012 R'm	2011 R'm	2012 R'm	2011 R'm	2012 R'm	2011 R'm
Emperors Palace	456,6	409,6	158,9	141,3	1 304,9	1 202,6	446,3	419,1
Botswana [‡]	68,9	71,4	19,7	23,4	203,9	201,1	61,6	66,1
Head office	50,2	45,1	33,9	28,8	141,4	129,1	91,9	80,8
Graceland	44,7	40,0	14,1	11,2	123,5	114,6	36,6	29,6
Rio	43,4	40,2	15,7	14,4	123,8	113,7	45,0	39,8
Umfolozi	42,9	39,3	15,4	13,5	119,1	113,6	40,6	37,5
Mmabatho Palms	27,9	26,3	6,2	5,6	78,0	76,0	16,0	13,8
Khoroni	24,9	24,2	7,9	8,4	72,3	66,0	22,3	20,4
Frontier	13,7	12,4	3,3	2,7	41,0	35,7	10,5	7,8
Other	6,9	5,3	*	(0,6)	18,0	15,0	(1,8)	(2,5)
Inter-company	(49,2)	(45,2)	—	—	(139,7)	(129,1)	—	—
PeerMont Group	730,9	668,6	275,1	248,7	2 086,2	1 938,3	769,0	712,4

[‡] Average exchange rate (Rand/Pula) R1,10:P1 (2011: R1,08:P1) for the three months and R1,11:P1 (2011: R1,08:P1) for the nine months applied to the revenue and EBITDA figures.

* Less than R50 000.



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