Quarterly Report

for the three months ended 31 March 2013

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: 28 MAY 2013

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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 7¾% 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 ll, 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 at face value.

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.

Peermont Global Holdings II Proprietary Limited

CONDENSED UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION

at 31 March 2013

	2013 R'm	2012 R'm
Assets		
Total non-current assets	**3 171,4**	2 934,7
Investment in subsidiary, less impairments	**—**	—
Amounts due by subsidiary, less impairments	**3 171,4**	2 934,7
Total assets	**3 171,4**	2 934,7
Equity and liabilities		
Equity		
Capital and reserves	**(1 943,5)**	(1 299,3)
Total non-current liabilities	**5 085,9**	4 215,3
Interest-bearing long-term borrowings	**5 082,5**	4 207,5
PIK Notes liability	**1 977,6**	1 639,8
Deeply subordinated shareholder loan	**3 104,9**	2 567,7
Deferred taxation liability	**3,4**	7,8
Total current liabilities	**29,0**	18,7
Amount due to subsidiary	**26,7**	16,4
Taxation payable	**2,3**	2,3
Total equity and liabilities	**3 171,4**	2 934,7

ANNEXURE B

QUARTERLY REPORT

for the three months ended 31 March 2013

Required in terms of the indenture of the original €520 000 000
7¾% 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: 28 MAY 2013

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Definitions

ABSA	ABSA Bank Limited
BBBEE	Broad-based Black Economic Empowerment
€ 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
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg interbank agreed rate
LGB	Limpopo Gambling 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
NWGB	North West Gambling Board
P or Pula	Botswana Pula, legal tender of the Republic of Botswana
Peermont, the issuer 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)
PGERH	PGER Holdings Proprietary Limited, a limited liability company incorporated under the laws of the Republic of South Africa (Registration number 1997/015805/07)
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)
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)
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
PKZNST	Peermont (KZN) Staff Trust (formerly Umfolozi Staff Trust)
PSHST	Peermont Southern Highveld Staff Trust
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
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 2006/019823/07)
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)
US$	United States Dollar, legal tender of the United States of America
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 licenses 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 1 671 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;
- 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 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 2012 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, seeks, projection, objective 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, 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.

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 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 onlent 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 Notes 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 shareholder loan.

Deeply subordinated shareholder loans
In April 2007 the company received the proceeds of the above mentioned 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.

Going concern basis of accounting
The group's current liabilities exceed its current assets and the group is in a shareholder deficit position of R1 906,7 million (2012: R1 260,7 million). The shareholder loans of R5 171,1 million (2012: R4 279,0 million) are deeply subordinated in favour of third parties, and are sufficient to cover the accumulated deficits. Technical insolvency is specifically excluded as an event of default in the various group debt agreements.

The Peermont group is in discussions with its shareholders, debt holders and a number of financial institutions to restructure and/or renew the group debt facilities which mature in December 2013 and April 2014.

Based on the progress that has been made on restructuring the group's debt facilities, current cash flow forecasts of Peermont, and the redemption date of the SSNs being 30 April 2014, the deferred hedging loan being 30 April 2017 and that the lender of the deeply subordinated shareholder loans may not declare any event of default or take any enforcement action prior to April 2037, the directors do not foresee any liquidity shortfalls in the foreseeable future and therefore the financial statements have been prepared on a going concern basis.

The term of the group's R550 million RCF expires on 27 December 2013. Current cash flow projections estimate that the facility will not have a cash drawdown against it at the maturity date. A facility will be required for existing guarantees issued of approximately R60 million at the facility's maturity. As part of the ongoing restructuring negotiations, the company is engaging with various institutions on obtaining a new facility to match its needs after the restructuring has taken place and will negotiate the required guarantee facility when it is needed.

Financial statements discussed
For the three month period ended 31 March 2013 and the prior year comparative period, 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
The boards of trustees of TRESS, PKZNST 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 assets vesting under the control of the trustees of the trusts and the resulting trust equity is recognised as a liability. Any distributions/dividends are recognised as a reduction to the liability in the period that these are accrued or paid. The existing trust resources of TRESS, PKZNST and PSHST will be distributed to beneficiaries in due course.

BBBEE 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 entity operating the business of Mmabatho Palms, Taung and Rio to local BBBEE partners.

Peermont identified a local BBBEE 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 BBBEE party as a shareholder of PGNW. The transfer of the shares in PGNW will be concluded once the final approval from the NWGB of a revised agreement of sale is received.

Restructure costs
In the current year the group has incurred costs of approximately R12,4 million for financial and legal advice in connection with the capital restructure process. This brings the total costs incurred to date to approximately R42,0 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 2012, we generated 77,0% of our total revenue from gaming, 10,1% from rooms, 10,7% from food and beverage and 2,2% 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; VAT and gaming levies on gross gaming revenues; consumables and services; depreciation and amortisation; promotions and marketing costs; property costs; property and equipment rentals; and other operational costs. These represented 30,2%, 21,5%, 14,5%, 12,1%, 8,9%, 5,2%, 1,4% and 6,2% of total operating costs, respectively for the year ended 31 December 2012.

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.

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.

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.

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.

Property costs consist of utility costs and property taxes.

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

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

Results of operations of the Peermont group

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.

Income statement data for the three months ended 31 March	**(unaudited)** **2013** **R'm**	% change	(unaudited) 2012 R'm
Revenue	**739,6**	11,4	663,8
Gaming	**585,6**	13,9	514,0
Rooms	**69,8**	2,5	68,1
Food and beverage	**68,1**	3,8	65,6
Other	**16,1**	—	16,1
Other income	**0,7**	*	0,2
Operating costs	**(531,8)**	(9,6)	(485,2)
Operating profit before net finance expenses	**208,5**	16,6	178,8
Finance income	**214,8**	*	91,1
Finance expenses	**(707,3)**	(72,6)	(409,9)
Loss before taxation	**(284,0)**	(*)	(140,0)
Taxation	**62,9**	*	(134,5)
Loss for the period	**(221,1)**	19,5	(274,5)
Attributable to:			
Equity holders of Peermont	**(223,8)**		(278,9)
Non-controlling interests	**2,7**		4,4
	(221,1)		(274,5)
EBITDA[1] reconciliation			
Operating profit	**208,5**		178,8
Add: Depreciation and amortisation	**64,2**		60,0
EBITDA	**272,7**	14,2	238,8
Add: Rental charges	**7,0**		5,6
EBITDAR[1]	**279,7**	14,4	244,4
EBITDA margin	**36,9%**		36,0%
EBITDAR margin	**37,8%**		36,8%

[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 an 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 31 March 2013 and 31 March 2012 is provided above.*

* *Greater than 100%*

Commentary on the results for the period

The three months ended 31 March 2013 (unaudited) compared to the three months ended 31 March 2012 (unaudited)

Overview

Group revenue increased by 11,4% from R663,8 million to R739,6 million. Gaming revenue increased by 13,9% to R585,6 million while hotel and resort revenue increased by 2,8% to R154,0 million.

Cash costs increased by 10,0% and EBITDA increased by 14,2% from R238,8 million to R272,7 million.

Emperors Palace had an exceptional quarter and achieved overall revenue growth of 16,7% from R416,3 million to R485,8 million. Gaming revenue at Emperors Palace increased by 19,0% for the quarter driven largely by an increase in tables activity. The growth in revenue combined with control over cash costs translated into an increase in EBITDA of 25,2% from R140,5 million to R175,9 million. While our Botswana revenues declined by 4,8%, the balance of our South African operations generated revenue growth of 5,2%. In particular, our Graceland and Umfolozi operations delivered good performances for the quarter.

Revenue

Group revenue increased by 11,4% from R663,8 million for the three months ended 31 March 2012 to R739,6 million for the three months ended 31 March 2013. Emperors Palace revenues increased by 16,7%. While Botswana revenues declined by 4,8%, our Graceland and Umfolozi properties performed well with revenue growth of 10,9% and 13,0% respectively.

Gaming revenues increased by 13,9% from R514,0 million in the quarter ended 31 March 2012 to R585,6 million in the first quarter of 2013.

Hotel and resort revenues increased by 2,8%, as compared to the corresponding three months in the prior year. Rooms revenue increased by 2,5% to R69,8 million off an already high base and food and beverage revenues increased by 3,8% to R68,1 million. Our overall room occupancies for the three months were 69,6%, slightly below the 70,5% reported for the same period of 2012. Hotel and resort revenue growth was softer due to the decline in Botswana revenues diluting the growth in hotel and resort revenues for the rest of the group.

Operating costs

Operating costs for the three months ended 31 March 2013 were R531,8 million, an increase of R46,6 million or 9,6% from R485,2 million for the three months ended 31 March 2012. Cash costs increased by 10,0% as compared to the same period in 2012.

Depreciation and amortisation for the quarter ended 31 March 2013 was R64,2 million, an increase of R4,2 million or 7,0% from R60,0 million for the three months ended 31 March 2012.

Operating profit before net finance expenses

The resulting operating profit was R208,5 million, a 16,6% improvement on the prior period profit of R178,8 million.

EBITDA

As a result of the 11,4% increase in revenue and 10,0% increase in cash costs, EBITDA increased by 14,2% from R238,8 million to R272,7 million for the quarter to March 2013. The group EBITDA margin increased from 36,0% for the first quarter of 2012 to 36,9% for the current quarter.

Finance income

Finance income for the three months ended 31 March 2013 was R214,8 million, an increase of R123,7 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 of R209,4 million at March 2013 as compared to the R88,1 million gain on restatement of the SSN liability recorded in the three months to 31 March 2012.

Finance expenses

Finance expenses at R707,3 million reflected an increase of R297,4 million from the prior period charge of R409,9 million. The variance to the prior year was mainly due to the foreign exchange loss on the restatement of the SSN liability of R290,4 million as compared to the loss on forward contracts to hedge the SSN liability and related coupon payments of R97,1 million recorded in the prior year, in addition to increased interest payable on the SSNs and the deeply subordinated shareholder loans.

Taxation
The taxation and deferred taxation credit of R62,9 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. As previously reported, the deferred taxation charge in the prior year was a result of the increase in the taxation rate applied to capital gains in South Africa from an effective 14,0% to 18,7% as announced by the Minister of Finance in February 2012.

Loss for the period
The resulting loss after taxation amounted to R221,1 million as compared to the prior period loss of R274,5 million.

Operations

Emperors Palace
Revenue at Emperors Palace increased by 16,7% to R485,8 million as compared to R416,3 million in the same period of the prior year.

GGR increased by 19,0% to R410,2 million. Our market share, based on actual gaming levies paid by casinos in Gauteng on weekly gaming revenues, increased from approximately 22,7% in the first quarter of 2012 to 25,9% in the first quarter of 2013. The gaming performance was boosted by certain foreign tables players visiting the casino during and after the African Cup of Nations football tournament which was hosted in South Africa in January and February 2013.

Hotel and resort revenues for the quarter increased by 5,6% from the prior year period. Rooms revenue increased by 8,3% to R33,9 million from R31,3 million in the comparable period. The overall complex rooms occupancies increased from 79,4% to 81,3% in the quarter to March 2013.

Cash costs increased by 12,4% to R310,1 million for the quarter. VAT and Gaming levies increased by 19,1% and management fees increased by 15,8%, both due to the increase in gaming revenues. Staff costs increased by 10,0% due to reduced vacancies and increased human resources accruals. The increase in utility and property cost was limited to 2,0% for the quarter mainly due to electricity savings. Promotions and marketing costs were largely flat with a R0,3 million or 0,9% increase as compared to the prior year.

EBITDA at Emperors Palace increased by 25,2% to R175,9 million. The EBITDA margin for the quarter increased to 36,2% from 33,7% for the prior year quarter.

Botswana
The Botswana revenue in Pula terms decreased by 7,6% from P60,3 million (R66,1 million) for the three months ended 31 March 2012 to P55,7 million (R62,9 million) for the same period in 2013. Gaming revenues increased by 1,2% in Pula terms as compared to the prior period, largely due to the resumption of growth in tables revenue being partially offset by a decline in slots revenues. Hotel and resort revenue decreased by 13,6% to P31,2 million (R35,2 million), affected by the increase in supply of rooms in the Gaborone market. We estimate that the number of rooms in the Gaborone area increased by approximately 26% with the opening of three new hotels in April, July and September 2012.

Cash costs were kept well under control and increased by only P0,5 million or 1,2% as compared to the same quarter in 2012. This was achieved in spite of rental costs increasing by P1,0 million (R1,2 million) to P2,5 million (R2,8 million), mainly as a result of additional performance rental provided for in respect of the Gaborone International Convention Centre.

EBITDA decreased in Pula terms by 29,1% to P12,7 million (R14,4 million) from P17,9 million (R19,6 million) for the prior year quarter. The EBITDA margin decreased to 22,9% (2012: 29,7%).

Graceland
Revenues at Graceland increased by 10,7% from R38,4 million to R42,5 million. GGR increased by 9,0% to R31,5 million from R28,9 million in the first quarter of 2012 due to healthy growth in both tables and slots revenues. Hotel and resort revenue increased by 15,8% as a result of increases in rooms as well as food and beverage revenues.

Cash costs were well controlled and increased by 5,4% as compared to the same quarter in the prior period.

EBITDA increased by 25,5% from R10,6 million to R13,3 million, which resulted in an increase in EBITDA margin from 27,6% to 31,3%.

Umfolozi

Revenues increased by 13,0% to R40,0 million from R35,4 million in the first quarter of 2012. GGR increased by R4,0 million or 12,3% to R36,6 million as compared to the prior period, driven by both slots and tables revenues. Hotel and resort revenues increased to R3,4 million from R2,8 million in the prior period.

Cash costs increased by 10,3% and EBITDA at R13,3 million was 19,8% above the prior period quarter. The EBITDA margin increased to 33,3% as compared to 31,4% for the same period in 2012.

Rio

Revenue at Rio for the first quarter of 2013 declined by R0,6 million or 1,5% to R39,6 million, as compared to the same period in 2012. While GGR decreased by 2,8% to R34,5 million, mostly due to a decline in slots revenue, hotel and resort revenue increased by 8,5% to R5,1 million for the same period.

Cash costs at R25,7 million remained in line with the prior year and EBITDA at R14,0 million was 4,1% below the comparable period. The EBITDA margin decreased to 35,4% (2012: 36,3%).

Mmabatho Palms

The resort generated total revenue of R24,1 million for the period, declining by 2,8% as compared to the same period in 2012. GGR decreased by 1,2% to R16,2 million while hotel and resort revenues decreased by 6,0% to R7,9 million for the quarter. As previously reported, trading conditions in the Mmabatho Palms catchment area continue to be adversely affected by disruptions in essential municipal services.

The prior year results include revenue and expenses derived from the Mmabatho staff complex which was accounted for on a jointly controlled basis until December 2012 when the option to acquire 50,0% of the shares in the company owning the staff complex was sold. On a comparable basis, revenue decreased by 0,4%.

Cash costs increased by 1,5% to R20,4 million. On a comparable basis cash costs increased by 2,5%.

The lack of growth in revenue combined with marginally increased cash costs resulted in a decrease in EBITDA of 21,3% from R4,7 million to R3,7 million. The EBITDA margin decreased to 15,4% (2012: 19,0%). On a comparable basis EBITDA decreased by 14,0%.

Khoroni

Khoroni generated revenues of R24,3 million, an increase of 3,8%. GGR decreased by 0,6% to R17,9 million for the current quarter due to increased tables revenue being offset by a decline in slots revenue. Hotel and resort revenue increased by 18,5% to R6,4 million.

Cash costs increased by 6,8% from R16,2 million to R17,3 million. EBITDA at R7,0 million was 2,8% below the R7,2 million for the prior year quarter. The EBITDA margin decreased to 28,8% (2012: 30,8%).

Frontier

Revenue at Frontier remained relatively flat at R13,2 million for the quarter. GGR declined by 1,8%, mostly as a result of decreased slots revenue. Hotel and resort revenue increased by 5,0%, driven by growth in food and beverage revenue.

Cash costs increased by 8,1% and EBITDA at R2,5 million was R0,9 million below the prior period quarter. The EBITDA margin decreased from 25,6% to 18,9%.

Head office and management companies

Head office revenue increased by 11,2% from R43,9 million to R48,8 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 the 152 Bryanston Drive property.

Head office EBITDA increased by 6,1% from R27,7 million in 2012 to R29,4 million in the current quarter. Cash costs for the quarter at head office include R2,2 million relating to an accrual for executive remuneration. In the prior year this was accounted for in the fourth quarter for the full year. On a comparable basis head office EBITDA increased by 14,1%.

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. 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 three months ended 31 March 2013 and 2012:

Cash flow data for the three months ended 31 March	**(unaudited)** **2013** **R'm**	(unaudited) 2012 R'm
Cash inflows from operating activities	**248,5**	252,7
Finance income received	**5,2**	3,0
Finance expenses paid	**(6,6)**	(5,9)
Taxation paid	**(4,3)**	(4,8)
Net cash inflows from operating activities	**242,8**	245,0
Cash outflows from investing activities	**(69,6)**	(30,7)
Cash outflows from financing activities	**(12,7)**	(16,4)
Net increase in cash and cash equivalents	**160,5**	197,9

Cash inflows from operating activities

Cash inflows from operating activities for the period were R248,5 million compared to R252,7 million for the period ended 31 March 2012. The decrease from the prior year is a result of working capital changes which generated a net cash outflow in the three months to March 2013 as compared to a net cash inflow in the same period of 2012. These movements were a result of higher cash outflows for bonus payments and a lower value of accruals raised in the three months to March 2013 as compared to the prior period.

Finance income received

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 paid

This is made up of hedged interest paid on the borrowings by head office and PGEFS. No cash flows related to the deeply subordinated shareholder loans, the deferred hedging loan and the SSNs took place during the quarters.

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 outflows from investing activities

The net cash outflow from investing activities for the three months was R69,6 million. This includes replacement capital expenditure of R9,2 million spent on slots replacement throughout the group; R47,2 million on computer software and equipment on installation of the new gaming system; and P1,1 million (R1,2 million) relating to refurbishment at the Metcourt Hotel in Francistown and the Grand Palm in Gaborone. The balance consists of normal replacement capital expenditure. R1,4 million was spent on expansion capital expenditure, including the Club Floor Lounge at Emperors Palace and the Chinese restaurant and spa at the Grand Palm resort.

Cash outflows from financing activities

Net cash outflows used in financing activities for the period amounted to R12,7 million. This includes R11,3 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 31 March 2013 the group was in a net positive cash position of R215,6 million. There was no cash utilisation of the RCF on the reporting date. Details of R60,5 million cash not available to the group for third party flows are presented later in the report.

Capital expenditures

Our net capital expenditures in the three months ended 31 March 2013 and 2012, were R69,6 million and R30,7 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 three months ended 31 March 2013 and 2012 were R68,2 million and R30,7 million, representing approximately 9,2% and 4,6% of total revenue, respectively. This consisted of approximately R9,2 million spent on slots replacement throughout the group; R47,2 million on computer software and equipment on installation of the new gaming system; P1,1 million (R1,2 million) relating to refurbishment at the Metcourt Hotel in Francistown and the Grand Palm in Gaborone and the balance on normal replacement capital expenditure. In 2012 our replacement capital expenditure consisted of R12,3 million on equipment in preparation for the new gaming system; P0,9 million (R1,0 million) on the refurbishment of the third floor of the Walmont Hotel in Gaborone; and the balance on normal replacement capital expenditure.

Our expansion capital expenditure for the three months ended 31 March 2013 was R1,4 million spent on the Club Floor Lounge at Emperors Palace and the Chinese restaurant and spa at the Grand Palm resort.

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 is available until 27 December 2013.

At 31 March 2013, 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 R60,5 million included in the reported balance of R219,3 million but not available to the group consists of approximately R30,0 million required for operational and cash floats and R30,5 million held on behalf of trust beneficiaries. After adjustment for the above, capacity of R490,9 million under the RCF and cash of R158,8 million was available for group requirements at 31 March 2013.

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 31 March 2013:

	Less than 1 year R'm	1 – 3 years R'm	3 – 5 years R'm	After 5 years R'm	Total R'm
Second priority SSNs[(1) (3)]	155,7	4 815,3	—	—	4 971,0
Deferred hedge loan[(3)]	25,2	—	400,0	—	425,2
Deeply subordinated shareholder loans	—	—	—	5 171,1	5 171,1
PIK Equity Loan[(2) (3)]	—	—	—	3 134,6	3 134,6
PIK Notes Loan[(2) (3)]	—	—	—	2 036,5	2 036,5
Bank borrowings[(4)]	31,5	7,3	—	—	38,8
	212,4	4 822,6	400,0	5 171,1	10 606,1
Operating lease commitments	14,8	22,8	21,4	224,1	283,1
Total	227,2	4 845,4	421,4	5 395,2	10 889,2

(1) The amount reflected is €416,1 million disclosed at the 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, the deeply subordinated shareholder 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

Taxation

As previously reported, 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 advisors remain in contact with SARS officials in an attempt to resolve this long-outstanding dispute. 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.

Restructure advisors

The terms of the mandates agreed with financial advisors retained by the company, in relation to a review of the group debt and equity structures, provide that a combined success fee of approximately R35,8 million will be payable if a definitive restructuring and/or refinancing transaction is concluded.

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$.

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 our Botswana company earned all of its revenue in Pula and also prepared its financial statements in this currency. For group consolidation purposes these financial statements are translated to Rand, the group's reporting currency. In 2012 we earned 9,7% of our revenue and incurred approximately 10,7% of our total costs in Pula. We do not hedge this exposure.

From time to time, we incur costs in Euro or US$ 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 rate for 3 months		**Closing spot rate**	
	2013	2012	**2013**	2012
Euro/Rand	**11,81**	10,16	**11,81**	10,25
Pula/Rand	**1,13**	1,10	**1,15**	1,08

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 deeply subordinated shareholder loans bear interest at fixed rates. The interest rate of the PIK Equity Loan with a balance of R3 134,6 million (2012: R2 591,1 million) at period end is at 20,0% (2012: 18,0%) per annum NACS and will increase to 21,5% in April 2013. The interest rate of the PIK Notes Loan with a balance of R2 036,5 million (2012: R1 687,9 million) is fixed at 18,0% per annum NACS. 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 2012. 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 April 2013. 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

Withholding taxation on gaming revenues

It was announced in the 2012 national budget speech that a national gambling taxation based on gross gaming revenue will be introduced. This taxation is expected to take the form of an additional 1% national levy on a uniform provincial gambling taxation base. This legislation is expected to be implemented by the close of 2013.

Gaming system upgrade

The roll out of the Bally gaming system throughout the group's casinos continues and the system was successfully installed at our Botswana properties in 2012, our Graceland property in January 2013 and Emperors Palace in March 2013. Our other properties are scheduled to follow later during the year. The overall cost to the group is expected to amount to approximately R112 million. Approximately R31 million was funded out of 2011 and 2012 replacement capital expenditure budgets and the balance of approximately R81 million is expected to be funded from 2013 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, there is still a land claim pending on this property. The land claim 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 the meantime the Land Claims Court has dismissed with costs an application by the claimant for an order to stop any development on the subject land and the Supreme Court of Appeals has also dismissed this application for leave to appeal against this judgment. In addition, Peermont continues to defend the High Court application brought by a property developer regarding the original township establishment process. Peermont has taken legal opinion and is currently engaging with the LGB to finalise the casino licence conditions and guarantees associated with the project. Once these matters are resolved to the satisfaction of the Peermont board, we intend to obtain shareholder approval to commence construction during the course of 2013. The overall construction cost is currently anticipated to be approximately R285 million. To date Peermont has invested approximately R30,7 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 agreement was not implemented as alterations to the property made by the tenant had affected the zoning of the property, with the result that the property has to be rezoned. An addendum to the sale agreement has been concluded with the purchaser to the effect that the transaction is now subject to the approval of the rezoning. The proceeds will be used, inter alia, to settle the outstanding mortgage liability of approximately R26,7 million at 31 March 2013.

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 de-gearing and restructuring of the group's balance sheet, including through direct discussions with key stakeholders. In addition the company has also engaged with local and international financial institutions to negotiate the refinancing of the SSNs. This engagement continues. 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 months ended 31 March 2013

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Group income statement

for the three months ended 31 March

	Note	2013 R'm	2012 R'm
Revenue		**739,6**	663,8
Gaming		**585,6**	514,0
Rooms		**69,8**	68,1
Food and beverage		**68,1**	65,6
Other		**16,1**	16,1
Other income	1	**0,7**	0,2
		740,3	664,0
Operating costs		**(531,8)**	(485,2)
Employee costs*		**(165,0)**	(150,2)
VAT and gaming levies on gross gaming revenue		**(117,2)**	(102,4)
Promotions and marketing		**(42,9)**	(41,9)
Depreciation and amortisation		**(64,2)**	(60,0)
Property and equipment rentals		**(7,0)**	(5,6)
Property costs		**(25,5)**	(25,0)
Consumables and services		**(73,8)**	(67,6)
Other operational costs*		**(36,2)**	(32,5)
Operating profit before net finance expenses		**208,5**	178,8
Net finance expenses		**(492,5)**	(318,8)
Finance income	2	**214,8**	91,1
Finance expenses	2	**(707,3)**	(409,9)
Loss before taxation		**(284,0)**	(140,0)
Taxation		**62,9**	(134,5)
Loss for the period		**(221,1)**	(274,5)
Attributable to:			
Equity holders of Peermont		**(223,8)**	(278,9)
Non-controlling interests		**2,7**	4,4
		(221,1)	(274,5)

Group statement of comprehensive income

for the three months ended 31 March

Loss for the period	**(221,1)**	(274,5)
Other comprehensive income		
Exchange differences on translating foreign operations	**2,5**	(4,9)
Total comprehensive income for the period	**(218,6)**	(279,4)
Attributable to:		
Equity holders of Peermont	**(222,3)**	(281,8)
Non-controlling interests	**3,7**	2,4
	(218,6)	(279,4)

* *Certain prior year amounts have been restated to improve comparability.*

Group statement of financial position

at 31 March

	Note	2013 R'm	2012 R'm
Assets			
Total non-current assets		**9 316,8**	8 783,9
Property, plant and equipment	3	**4 156,6**	4 187,8
Intangible assets	4	**4 585,4**	4 583,0
Investments		**3,6**	4,4
Loans and receivables		**0,6**	0,4
Derivative instruments		**558,6**	—
Deferred taxation assets		**12,0**	8,3
Total current assets		**490,0**	392,8
Non-current asset held for sale*		**36,6**	36,1
Inventories		**54,5**	56,8
Trade and other receivables		**129,7**	87,9
Amounts due by related parties		**43,2**	29,2
Loans and receivables		**0,6**	1,0
Current portion of derivative instruments		**—**	9,6
Taxation receivable		**6,2**	1,8
Cash and cash equivalents		**219,2**	170,4
Total assets		**9 806,8**	9 176,7
Equity and liabilities			
Equity			
Capital and reserves		**(1 999,7)**	(1 343,9)
Non-controlling interests		**93,0**	83,2
Total equity		**(1 906,7)**	(1 260,7)
Total non-current liabilities		**10 812,7**	9 566,8
Interest-bearing long-term borrowings*	5	**10 393,7**	8 767,3
Derivative instruments		**—**	130,2
Amounts due to related parties		**27,6**	28,0
Deferred taxation liabilities		**391,4**	641,3
Total current liabilities		**900,8**	870,6
Trade and other payables		**339,6**	311,8
Current portion of derivative instruments		**323,5**	322,8
Bank overdraft		**3,6**	14,7
Current portion of interest-bearing long-term borrowings*	5	**212,4**	205,8
Amounts due to related parties		**19,3**	12,6
Taxation payable		**2,4**	2,9
Total equity and liabilities		**9 806,8**	9 176,7

* *Certain prior period amounts have been restated to improve comparability.*

Group statement of changes in equity

for the three months ended 31 March

	Share capital R'm	Share premium R'm	Translation reserve R'm	Accumu-lated loss R'm	Capital and reserves R'm	Non-controlling interests R'm	Total equity R'm
Balance at 1 January 2012	0,2	381,0	(4,0)	(1 439,3)	(1 062,1)	93,6	(968,5)
Total comprehensive income for the period							
Loss for the period	—	—	—	(278,9)	(278,9)	4,4	(274,5)
Other comprehensive income	—	—	(2,9)	—	(2,9)	(2,0)	(4,9)
Transactions with owners accounted directly in equity							
Redemption of PGB preference shares	—	—	—	—	—	(12,3)	(12,3)
Preference share dividends paid to PGB non-controlling interest	—	—	—	—	—	(0,5)	(0,5)
Balance at 31 March 2012	0,2	381,0	(6,9)	(1 718,2)	(1 343,9)	83,2	(1 260,7)
Balance at 1 January 2013	0,2	381,0	(4,6)	(2 153,5)	(1 776,9)	101,7	(1 675,2)
Total comprehensive income for the period							
Loss for the period	**—**	**—**	**—**	**(223,8)**	**(223,8)**	**2,7**	**(221,1)**
Other comprehensive income	**—**	**—**	**1,5**	**—**	**1,5**	**1,0**	**2,5**
Transactions with owners accounted directly in equity							
Redemption of PGB preference shares	**—**	**—**	**—**	**—**	**—**	**(11,3)**	**(11,3)**
Adjustment to non-controlling interest	**—**	**—**	**—**	**(0,5)**	**(0,5)**	**0,5**	**—**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**(1,6)**	**(1,6)**
Balance at 31 March 2013	**0,2**	**381,0**	**(3,1)**	**(2 377,8)**	**(1 999,7)**	**93,0**	**(1 906,7)**

Group statement of cash flows

for the three months ended 31 March

	2013 R'm	2012 R'm
Cash inflows from operating activities	**248,5**	252,7
Finance income received	**5,2**	3,0
Finance expenses paid	**(6,6)**	(5,9)
Taxation paid	**(4,3)**	(4,8)
Net cash inflows from operating activities	**242,8**	245,0
Cash outflows from investing activities	**(69,6)**	(30,7)
Replacement of property, plant and equipment to maintain operations	**(67,5)**	(30,7)
Replacement of intangible assets to maintain operations	**(0,8)**	(0,1)
Proceeds on disposal of property, plant and equipment	**0,1**	0,1
Acquisition of property, plant and equipment to expand operations	**(1,4)**	—
Cash outflows from financing activities	**(12,7)**	(16,4)
Redemption of PGB preference shares – non-controlling interest	**(11,3)**	(12,3)
Interest-bearing long-term borrowings repaid	**(2,1)**	(2,2)
Increase/(decrease) in non-current amounts due to related parties	**0,7**	(1,9)
Dividends paid to non-controlling interests	**(0,2)**	—
Enterprise development loans receivable repaid	**0,2**	*
Net increase in cash and cash equivalents	**160,5**	197,9
Cash and cash equivalents at the beginning of the period	**54,4**	(41,4)
Effect of exchange rate fluctuations on cash held	**0,7**	(0,8)
Cash and cash equivalents at the end of the period	**215,6**	155,7

* *Less than R50 000.*

Notes to the group financial statements

for the three months ended 31 March

		2013 R'm	2012 R'm
1.	**Other income**		
	Insurance claims received	**0,3**	*
	Refunds received	**0,3**	0,1
	Profit on disposal of property, plant and equipment	**0,1**	0,1
		0,7	0,2
2.	**Net finance expenses**		
	Foreign exchange gain on SRSs to hedge SSN liability and related coupon payments	**209,4**	—
	Interest received	**4,2**	2,9
	Foreign exchange gains – realised	**1,1**	0,1
	Interest accrued on preference shares	**0,1**	*
	Foreign exchange gain on restatement of SSN liability	**—**	88,1
	Finance income	**214,8**	91,1
	Foreign exchange loss on restatement of SSN liability	**(290,4)**	—
	Interest payable – deeply subordinated PIK Equity Loan	**(182,0)**	(110,3)
	Interest payable – SSNs	**(119,7)**	(101,9)
	Interest payable – deeply subordinated PIK Notes Loan	**(92,4)**	(77,3)
	Interest payable – deferred hedging loan	**(14,8)**	(15,6)
	Other interest paid	**(6,9)**	(7,7)
	Preference dividends paid to non-controlling interest	**(1,1)**	—
	Foreign exchange losses on SRSs to hedge SSN liability and related coupon payments	**—**	(97,1)
	Finance expenses	**(707,3)**	(409,9)

* *Less than R50 000.*

Notes to the group financial statements

for the three months ended 31 March (continued)

3. Property, plant and equipment

	Cost R'm	Accumulated depreciation R'm	Carrying value R'm
31 March 2013			
Land	**194,4**	**—**	**194,4**
Freehold buildings	**3 923,9**	**(578,7)**	**3 345,2**
Leasehold buildings and improvements	**220,9**	**(34,3)**	**186,6**
Furniture, fittings and equipment	**975,7**	**(623,8)**	**351,9**
Capital work in progress	**78,5**	**—**	**78,5**
	5 393,4	**(1 236,8)**	**4 156,6**
31 March 2012			
Land	194,2	—	194,2
Freehold buildings	3 913,8	(475,2)	3 438,6
Leasehold buildings and improvements	202,4	(25,1)	177,3
Furniture, fittings and equipment	841,5	(492,0)	349,5
Capital work in progress	28,2	—	28,2
	5 180,1	(992,3)	4 187,8

	2013 R'm	2012 R'm
Land and freehold buildings comprise the following properties:		
– Stand 64, Jones Road and Erf 569, Jet Park Extension 28, Gauteng	**2 843,0**	2 923,8
– Portion 1 of the farm Graceland 593 IS; 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 Erf 5869 Secunda Extension 16, Mpumalanga	**263,8**	271,4
– Erven 995 and 996, Meiringspark Extension 8, Klerksdorp and Portion 605 (portion of Portion 604) of the farm Townlands, Klerksdorp, North West	**156,6**	161,7
– Portion 1 of Erf 113, Kuleka, Empangeni, KwaZulu-Natal	**79,9**	81,2
– Erf 20, Thohoyandou – D, Venda, Limpopo	**62,0**	63,9
– Portion 152 of the farm Pretoriuskloof, Johan Blignaut Drive, Bethlehem, Free State	**55,7**	57,3
– Erf 101 San Lameer, Registration Division ET, KwaZulu-Natal	**38,4**	39,2
– Erven 8311 to 8320 of Burgersfort Extension 46, Limpopo	**21,5**	21,5
– Lot 16145 and 16147, Francistown, Botswana	**18,7**	12,8
	3 539,6	3 632,8

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the three months ended 31 March (continued)

4. Intangible assets

	Cost R'm	Accumulated amortisation R'm	Carrying value R'm
31 March 2013			
Goodwill	**1 385,3**	**(2,8)**	**1 382,5**
Casino licences	**2 797,7**	**(2,5)**	**2 795,2**
Management contracts	**382,4**	**—**	**382,4**
Trademarks	**20,0**	**—**	**20,0**
Computer software	**26,3**	**(21,1)**	**5,2**
Franchise costs	**6,3**	**(6,2)**	**0,1**
	4 618,0	**(32,6)**	**4 585,4**
31 March 2012			
Goodwill	1 385,3	(2,8)	1 382,5
Casino licences	2 797,6	(2,2)	2 795,4
Management contracts	382,4	—	382,4
Trademarks	20,0	—	20,0
Computer software	20,8	(18,7)	2,1
Franchise costs	6,0	(5,4)	0,6
Right of use of buildings	7,1	(7,1)	—
	4 619,2	(36,2)	4 583,0

5. Interest-bearing long-term borrowings

	2013 R'm	2012 R'm
South African – secured		
Deferred hedging loan	**425,2**	426,5
Nedbank property loan	**26,7**	30,1
ABSA term loan – PGEFS	**12,1**	16,9
South African – unsecured		
Deeply subordinated shareholder loans	**5 171,1**	4 279,0
Foreign – secured		
SSNs	**4 971,0**	4 220,2
Finance leases		
Iskhus Power Proprietary Limited	**—**	0,4
Total interest-bearing long-term liabilities	**10 606,1**	8 973,1
Less: current portion included in current liabilities	**(212,4)**	(205,8)
– Nedbank property loan related to non-current asset held for sale	**(26,7)**	(30,1)
– Current portions of other borrowings	**(185,7)**	(175,7)
	10 393,7	8 767,3

Notes to the group financial statements

for the three months ended 31 March (continued)

6. Segmental analysis

	Revenue 2013 R'm	Revenue 2012 R'm	**EBITDA 2013 R'm**	EBITDA 2012 R'm
Emperors Palace	**485,8**	416,3	**175,9**	140,5
Botswana#	**62,9**	66,1	**14,4**	19,6
Head office	**48,8**	43,9	**29,4**	27,7
Graceland	**42,5**	38,4	**13,3**	10,6
Umfolozi	**40,0**	35,4	**13,3**	11,1
Rio	**39,6**	40,2	**14,0**	14,6
Khoroni	**24,3**	23,4	**7,0**	7,2
Mmabatho Palms	**24,1**	24,8	**3,7**	4,7
Frontier	**13,2**	13,3	**2,5**	3,4
Other	**6,2**	5,9	**(0,8)**	(0,6)
Inter-company	**(47,8)**	(43,9)	**—**	—
Peermont group total	**739,6**	663,8	**272,7**	238,8

 # Average exchange rate (Rand/Pula) R1,13:P1 (2012: R1,10:P1) for the three months applied to the revenue and EBITDA figures.

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