



# GOLD REEF

## R E S O R T S

Gold Reef Resorts Limited ("Gold Reef") (Registration number 1989/002108/06) Share Code: GDF ISIN Code: ZAE 000028338

Revenue up 30,2%  
HEPS up 24,8%  
Construction started on Silverstar  
BEE transactions announced

### INTRODUCTION

Gold Reef is pleased at the continued strong performance of the group's casinos reflecting increased revenue and profitability across the board.

As announced on 9 March 2007, Gold Reef has subsequent to year-end concluded a number of BEE transactions (which are subject to the fulfilment of certain conditions precedent) to increase direct empowerment at Gold Reef level to at least 25,1% and to achieve Gold Reef's objective of increasing its exposure to existing operations. Further details of these transactions are set out below under the heading 'Post Balance Sheet Events'.

### FINANCIAL RESULTS

The group reported an increase in revenue of 30,2% to R1,5 billion reflecting net gaming win up 32,0%. Profit attributable to shareholders grew 10,2% to R254,3 million. EBITDA of R623,7 million increased 27,8% and represented a 41,1% margin on revenue. Headline earnings per share increased by 24,8% to 127,4 cents from 102,1 cents in the previous year. Group borrowings increased to R471,3 million as a result of extensive development taking place at a number of the casinos, representing a Debt:EBITDA ratio of 75,6% and a gearing ratio of 34,0%, both well within industry norms.

	Revenue			EBITDA			EBITDA %		CAPEX	
	2006	2005		2006	2005		2006	2005	2006	2005
	R'000	R'000	%	R'000	R'000	%	%	%	R'000	R'000
Gold Reef City	977 528	850 258	15,0	343 904	304 202	13,1	35,2	35,8	224 358	89 575
Golden Horse Casino	200 352	167 549	19,6	91 938	73 321	25,4	45,9	43,8	18 431	6 975
Mykonos Casino	105 325	83 392	26,3	46 958	34 200	37,3	44,6	41,0	13 364	8 697
Garden Route Casino	148 169	123 351	20,1	71 786	60 459	18,7	48,4	49,0	11 713	5 687
Goldfields Casino*	94 046	86 241	9,1	45 314	39 460	14,8	48,2	45,8	62 442	1 686
Silverstar*	-	-	-	-	-	-	-	-	56 446	-
Gold Reef Management	60 158	51 268	17,3	14 027	20 056	(30,1)	23,3	39,1	192	71
Gold Reef	-	-	-	551 423	28 487	-	-	-	-	-
Consolidation	(68 465)	(196 637)	-	(541 692)	(72 094)	-	-	-	(28 960)	(4 856)
	1 517 113	1 165 422	30,2	623 658	488 091	27,8	41,1	41,9	357 986	107 835

\* The figures shown for Goldfields Casino and Silverstar are for the full year and not for the period during which the properties were consolidated/proportionately consolidated, respectively.

### OPERATIONS

#### Gold Reef City

Driven by continued robust trading Gold Reef City Casino saw a 14,4% increase in revenue. Notwithstanding disruption as a result of construction during the latter half of 2006 the casino managed to gain 0,75% market share for the year.

Phase 1 of the new development at the casino has been completed. A new smoking casino boasting 570 slot machines and 15 tables opened its doors to positive trade. Further, two refurbished restaurants reopened. Phase 2 of the development is already underway. The entire development is due to be completed by October 2007 at an estimated total cost of R302 million. Forecast development capital expenditure for 2007 is estimated to be R218 million.

During the year, trading at the Theme Park recovered and an improvement in attendance marked a return to profitability of R2,2 million. The revitalisation programme launched last year is ongoing. The Theme Park's focus remains on growing revenue with greater emphasis on strict cost control. R53 million was invested in new developments including retail outlets, additional food and beverage facilities and refurbishments. All new attractions are expected to be open to the public by Easter 2007.

The capital expenditure is being funded out of free cash flow and external debt.

Gold Reef's claim for damages against M-NET and Carte Blanche is due to be heard towards the end of 2007.

The Apartheid Museum has steadily increased its profile, benefiting from a number of corporate sponsorships and charity partnerships as well as the successful roll-out of a school education programme.

#### Golden Horse Casino

Driven by increased patronage the casino grew revenue by 19,6% to R200,4 million. EBITDA of R91,9 million rose 25,4% from R73,3 million, with an improved EBITDA:Revenue ratio of 45,9%.

Renovations started in 2006 include additional restaurants and entertainment facilities at a cost of R6,3 million at year-end, with a total expected cost of R9,5 million.

#### Mykonos Casino

The region's high macro-economic growth was reflected in the casino's exceptional performance. Management continued to steer the casino's ongoing success with a concentrated focus on maintaining and driving revenue growth. As a result the casino exceeded expectations to position itself as the group's top growth performer, posting a 26,3% increase in revenue of R105,3 million. Higher EBITDA of R47,0 million represented an increased 44,6% margin on revenue.

#### Garden Route Casino

Garden Route Casino traded well with a 20,1% growth in revenue to R148,2 million from R123,4 million. An 18,7% increase in EBITDA to R71,8 million reflected a healthy EBITDA:Revenue ratio of 48,4%.

Capitalising on positive growth the casino introduced 52 new slot machines and 3 tables, leading to a marked increase in revenue. The casino intends installing the remaining 48 slot machines of the total 100 approved by the Western Cape Gambling and Racing Board in due course. Growth was further driven by the opening of the adjacent internationally acclaimed golf course in November 2006 and the commencement of construction of approximately 500 upmarket residences.

#### Goldfields Casino

Trading at the casino reflected pleasing growth with an increase of 9,1% in revenue to R94,0 million. EBITDA of R45,3 million represented a 48,2% margin on revenue.

Subsequent to the award of a permanent casino licence by the Free State Gambling and Racing Board, Goldfields Casino received zoning permission and is currently converting from a temporary to a permanent casino. R61 million had been invested at year-end. The entire development is due to be completed by August 2007 at a total cost of R102 million. The capital expenditure is being funded out of free cash flow and external debt. A positive impact on footfall is expected once the new conference facility, Salon Privé and additional restaurants are opened.

#### Silverstar

As announced on 10 November 2006 Gold Reef received approval for its acquisition, together with its BEE partner Akani Leisure Silverstar Holdings (Pty) Limited ("Akani Leisure Silverstar"), of 100% of Silverstar which holds the seventh and final casino licence for Gauteng. The Gauteng Gambling Board has also approved the termination of the management contract with Century Resorts Limited.

Construction on the Silverstar complex has commenced. The casino is set to open in the first quarter of 2008. It will feature 700 slot machines and 30 tables as well as a hotel, multiple restaurants and conference and entertainment facilities.

Capital expenditure amounted to R70,6 million at year-end. A further R1,13 billion is expected, bringing the total anticipated cost to R1,2 billion, which will be funded primarily by external debt.

### CORPORATE ACTIONS

The following corporate actions announced on 13 February 2006 have been concluded and were successfully implemented during the year:

#### Akani Leisure Investments (Pty) Limited ("ALI")

ALI redeemed the participating preference shares and Gold Reef acquired a 49,97% direct interest in the ordinary share capital of ALI. Gold Reef's economic interest in Akani Egoli (Pty) Limited ("Akani Egoli"), which operates Gold Reef City, reduced from 83,94% to 74,99% resulting in a 25,01% BEE beneficial shareholding in Akani Egoli.

#### Garden Route, Goldfields and Mykonos transactions

Gold Reef increased its effective interests in Garden Route Casino (Pty) Limited to 85,0%; in Goldfields Casino and Entertainment Centre (Pty) Limited to 88,0% and in West Coast Leisure (Pty) Limited, which operates Mykonos Casino, to 60,3%.

### POST BALANCE SHEET EVENTS

As announced on 9 March 2007, Gold Reef has subsequent to year-end concluded a number of BEE transactions which increase the black empowerment equity shareholding to at least 25,1%. By exchanging the BEE interests in certain of Gold Reef's

individual casinos and by acquiring the remaining 25% and 30% interests in the Gold Reef City Casino and Goldfields Casino management contracts respectively, for Gold Reef shares and cash ("the share exchange"), the group has increased its exposure to its high-performing operations and consolidated its gaming platform.

As a result of the share exchange Gold Reef will increase its shareholding in Gold Reef City, Silverstar, Golden Horse Casino and Goldfields Casino to 100%. In Mykonos Casino, Gold Reef will increase its stake to 70,4%. A total of 55,2 million Gold Reef shares will be issued for the share exchange, equating to 21,03% of Gold Reef's increased issued share capital.

In addition, in order to achieve a minimum of 25,1% black-owned direct economic shareholding, Gold Reef will issue 14 000 000 shares to certain of the BEE shareholders who will participate in the share exchange at R20,50 a share, for R287,0 million ("the top-up transaction").

The share exchange and the top-up transaction satisfy the equity requirements of the Codes of Good Practice on Black Economic Empowerment ("the Codes") issued by the Department of Trade and Industry and comply with the Gaming Boards' recommendations on black empowerment. Gold Reef is also making good progress in complying with the other requirements of the Codes. In order to maintain the BEE equity platform, the BEE shareholders who will be receiving Gold Reef shares in terms of the transactions are restricted from disposing of their shareholdings for three years, save amongst each other. Thereafter they will be entitled to dispose of their Gold Reef shares only to historically disadvantaged individuals and/or with the approval of the relevant gaming boards.

Bongani Biyela, previously the General Manager of Gold Reef City Casino, will be appointed Gold Reef's executive director of strategy and business development. Richard Moloko and Patrick September will be appointed as non-executive directors. These appointments will become effective following the successful implementation of the share exchange and the top-up transaction.

Shareholders are reminded to review the announcement dated 9 March 2007 for the conditions precedent to the share exchange and the top-up transaction. A general meeting of Gold Reef shareholders is scheduled to be held on Wednesday, 25 April 2007 at 10:00, for the purposes of considering the share exchange and the top-up transaction. A circular giving full details of the transactions and a notice of the general meeting are scheduled to be posted to shareholders on Thursday, 29 March 2007. Any changes in these dates will be published in the media and on SENS.

### FUTURE DEVELOPMENTS

#### Queenstown

Gold Reef is part of a consortium awarded preferred bidder status for the Queenstown casino licence in the Eastern Cape. The group holds a 25% stake in the licence applicant, Lukhanji Leisure (Pty) Limited. The proposed casino will require capital investment of approximately R95 million into the casino (which will have 180 slot machines and 6 tables), restaurants, a sports bar and a 32-room hotel with conference facilities.

#### Vaal River Casino

Gold Reef has acquired a controlling stake in Vaal River Casino Company (Pty) Limited, the only applicant for a licence in the Sasolburg area (Zone 4) of the Free State. The licence application is being opposed by competitor Emerald Casino.

### PROSPECTS

The share exchange and top-up transaction, together with the proposed appointment of the new directors to the board of Gold Reef, will position the group at the forefront of transformation in the South African gaming industry.

The increased BEE shareholding is expected to enhance future business opportunities and to create long-term financial benefits for Gold Reef and its shareholders. Increased exposure to the individual operations through stakes of up to 100%, bodes well for the group's future bottom-line growth. Gold Reef further expects the consolidation to strengthen its balance sheet leading to a more effective utilisation of gearing which will be earnings-enhancing going forward.

New developments at existing operations are anticipated to be key drivers of organic growth. These include refurbishments at Gold Reef City Casino which will encompass a 1 000 seat theatre. In addition a number of planned events at Gold Reef City Theme Park in the wake of completed renovations are expected to generate further growth. Silverstar, in particular, presents considerable opportunity for Gold Reef to grow its gaming base and reduce its dependence on Gold Reef City.

The introduction of cashless gaming should generate further growth for the group, while future local and international transaction opportunities underpin positive prospects.

### CAUTIONARY ANNOUNCEMENT

As previously announced on 9 March 2007, shareholders are reminded that Gold Reef is currently in discussions which are at an early stage. These may or may not result in a transaction/s which if concluded may have a material impact on the price of Gold Reef's securities. Accordingly shareholders are advised to continue exercising caution when dealing in their Gold Reef securities until a further announcement is made.

### DIVIDEND

No final dividend has been declared pending the fulfilment of the conditions precedent as set out in the announcement relating to the BEE transactions published on 9 March 2007. A further announcement in this regard will be made by Monday 30 April 2007.

### BASIS OF PREPARATION

These reviewed annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the South African Companies Act, 1973. The accounting policies are consistent with those applied in the most recent audited financial statements. These annual financial statements have been reviewed by the company's auditors PricewaterhouseCoopers Inc., and their review opinion is available for inspection at the company's registered offices.

Steven Joffe  
Chief Executive Officer

Jarrod Friedman  
Financial Director

On behalf of the board.  
19 March 2007



# REVIEWED FINANCIAL RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2006 (“the year”)

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## GROUP INCOME STATEMENT

		Reviewed for the year ended 31 December 2006	Audited for the year ended 31 December 2005
	%	R'000	R'000
<b>Revenue</b>	30,2	<b>1 517 113</b>	1 165 422
Net gaming win	32,0	<b>1 381 332</b>	1 046 409
Theme Park	25,0	<b>58 396</b>	46 700
Food and beverage	25,3	<b>33 759</b>	26 944
Other	(3,8)	<b>43 626</b>	45 369
		<b>9 365</b>	27 806
Other income		<b>9 365</b>	27 806
		<b>1 526 478</b>	1 193 228
Gaming levies and VAT		<b>(271 310)</b>	(207 610)
Employee costs		<b>(314 695)</b>	(253 402)
Promotional and marketing costs		<b>(113 679)</b>	(107 484)
Depreciation and amortisation		<b>(101 812)</b>	(90 278)
Other operating expenses		<b>(218 482)</b>	(147 144)
<b>Operating profit</b>	30,8	<b>506 500</b>	387 310
Finance income		<b>11 957</b>	19 179
Finance costs		<b>(36 960)</b>	(19 295)
<b>Profit before equity accounted earnings</b>		<b>481 497</b>	387 194
Share of profits of associate		<b>669</b>	2 613
<b>Profit before taxation</b>		<b>482 166</b>	389 807
Taxation expense		<b>(159 210)</b>	(121 968)
<b>Profit for the year</b>	20,6	<b>322 956</b>	267 839
<b>Attributable to:</b>			
Equity holders of Gold Reef	10,2	<b>254 312</b>	230 732
Minority interest		<b>68 644</b>	37 107
		<b>322 956</b>	267 839
Number of shares in issue (000)		<b>220 603</b>	220 603
Weighted average number of shares in issue (000)		<b>203 961</b>	205 260
<b>Earnings per share (cents)</b>	10,9	<b>124,7</b>	112,4
<b>Diluted earnings per share (cents)</b>	11,0	<b>124,7</b>	112,3
<b>Dividend per share (cents)</b>		<b>*</b>	51,0

\* Details provided in the commentary under the heading "Dividend"

## SUPPLEMENTARY INFORMATION

### HEADLINE EARNINGS RECONCILIATION

<b>Attributable profit for the year</b>	10,2	<b>254 312</b>	230 732
Profit on sale of available-for-sale investments		-	(21 726)
CGT arising on ALI refinancing		<b>5 466</b>	-
(Profit) / loss on sale of property, plant and equipment		<b>(16)</b>	488
<b>Headline earnings</b>	24,0	<b>259 762</b>	209 494
<b>Headline earnings per share (cents)</b>	24,8	<b>127,4</b>	102,1

### EBITDA RECONCILIATION

<b>Operating profit</b>	30,8	<b>506 500</b>	387 310
Property and equipment rental		<b>15 346</b>	10 503
Depreciation and amortisation		<b>101 812</b>	90 278
<b>EBITDA</b>	27,8	<b>623 658</b>	488 091
<b>EBITDA margin (%)</b>		<b>41,1</b>	41,9

## GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital net of treasury shares	Reserves	Retained earnings	Minority interest	<b>Total equity</b>
Balance at 1 January 2005	458 131	9 221	463 589	74 454	<b>1 005 395</b>
Ordinary shares issued	1 404	-	-	-	<b>1 404</b>
Treasury shares acquired	(31 183)	-	-	-	<b>(31 183)</b>
Recognition of share-based payments	-	9 742	-	-	<b>9 742</b>
Transfer between reserves	-	(16)	16	-	-
Profit on sale of shares by share trust	-	49	-	-	<b>49</b>
Attributable profit for the year	-	-	230 732	37 107	<b>267 839</b>
Dividend paid	-	-	(98 964)	-	<b>(98 964)</b>
Movement in loans from minorities	-	-	-	(15 132)	<b>(15 132)</b>
<b>Balance at 1 January 2006</b>	428 352	18 996	595 373	96 429	<b>1 139 150</b>
Recognition of share-based payments	-	9 988	-	-	<b>9 988</b>
Revaluation of land per IFRS3 business combination	-	27 519	-	-	<b>27 519</b>
Hedge reserve created during the year	-	(10 345)	-	-	<b>(10 345)</b>
Attributable profit for the year	-	-	254 312	68 644	<b>322 956</b>
Dividend paid	-	-	(104 020)	-	<b>(104 020)</b>
Movement in loans from minorities	-	-	-	(1 702)	<b>(1 702)</b>
Adjustment arising on ALI refinancing	-	-	(25 773)	61 323	<b>35 550</b>
Transactions with minorities in Mykonos Casino	-	(6 153)	-	(1 623)	<b>(7 776)</b>
Dividends paid to minorities by subsidiaries	-	-	-	(42 505)	<b>(42 505)</b>
Minorities created on Goldfields acquisition	-	-	-	3 213	<b>3 213</b>
Minorities created on Garden Route acquisition	-	-	-	13 116	<b>13 116</b>
<b>Balance at 31 December 2006</b>	428 352	40 005	719 892	196 895	<b>1 385 144</b>

## GROUP BALANCE SHEET

	Reviewed at 31 December 2006	Audited at 31 December 2005
	R'000	R'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>1 278 485</b>	857 039
Leasehold improvements	<b>101 710</b>	98 540
Intangible assets	<b>472 717</b>	135 092
Deferred tax assets	<b>62 627</b>	6 046
Investment in associate	-	5 315
Investment in joint ventures	<b>36 280</b>	18 591
Financial assets	<b>94 675</b>	1
Share incentive scheme	<b>25 484</b>	32 839
	<b>2 071 978</b>	1 153 463
<b>Current assets</b>		
Inventories	<b>7 584</b>	2 739
Receivables and prepayments	<b>20 223</b>	15 007
Cash and cash equivalents	<b>105 735</b>	126 547
Amounts owing by related parties	<b>4 865</b>	98 401
	<b>138 407</b>	242 694
<b>Total assets</b>	<b>2 210 385</b>	1 396 157
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Ordinary share capital	<b>4 412</b>	4 412
Share premium	<b>499 280</b>	499 280
Treasury shares	<b>(75 340)</b>	(75 340)
	<b>428 352</b>	428 352
Share-based payment reserve	<b>26 210</b>	16 222
Other reserves	<b>13 795</b>	2 774
Retained earnings	<b>719 892</b>	595 373
	<b>1 188 249</b>	1 042 721
Minority interest	<b>196 895</b>	96 429
<b>Total equity</b>	<b>1 385 144</b>	1 139 150
<b>Non-current liabilities</b>		
Interest-bearing borrowings	<b>394 330</b>	10 682
Deferred tax liabilities	<b>56 453</b>	42 394
	<b>450 783</b>	53 076
<b>Current liabilities</b>		
Trade and other payables	<b>144 623</b>	66 033
Provisions	<b>46 653</b>	13 809
Bank overdraft	<b>43 013</b>	17 185
Tax liabilities	<b>58 779</b>	55 443
Current portion of interest-bearing borrowings	<b>76 967</b>	50 000
Amounts owing to related parties	<b>4 423</b>	1 461
	<b>374 458</b>	203 931
<b>Total equity and liabilities</b>	<b>2 210 385</b>	1 396 157

## GROUP CASH FLOW STATEMENT

	Reviewed for the year ended 31 December 2006	Audited for the year ended 31 December 2005
	R'000	R'000
<b>Cash flow from operating activities</b>		
Profit before taxation	<b>482 166</b>	389 807
Non-cash items and other adjustments	<b>137 263</b>	69 775
Cash flow from trading operations	<b>619 429</b>	459 582
Decrease / (increase) in net current assets	<b>49 438</b>	(6 004)
Cash flow from operating activities	<b>668 867</b>	453 578
Interest received	<b>11 957</b>	19 179
Interest paid	<b>(36 960)</b>	(16 892)
Taxation paid	<b>(227 584)</b>	(133 308)
Dividend paid	<b>(104 020)</b>	(98 964)
<b>Net cash generated in operating activities</b>	<b>312 260</b>	223 593
<b>Cash flow from investing activities</b>		
Additions to property, plant and equipment	<b>(351 456)</b>	(107 708)
Additions to leasehold improvements	<b>(6 530)</b>	(127)
Proceeds from disposal of property, plant and equipment	<b>4 178</b>	9 433
Proceeds from disposal of management contract	-	5 000
(Investment in) / proceeds from disposal of available-for-sale investments	<b>(94 674)</b>	20 411
Investment in intangibles	<b>(53)</b>	(42 771)
Loans (issued to) / repaid by joint ventures	<b>(36 280)</b>	548
Loans repaid by associate	<b>691</b>	5 052
Net repayments by / (advances to) related parties	<b>94 601</b>	(72 569)
Net cash effect of acquisition of Inkonka	<b>(175 623)</b>	-
Net cash effect of acquisition of Tanglepark	<b>(117 006)</b>	-
Net cash effect of acquisition of Silverstar	<b>(78 278)</b>	-
Net cash effect of ALI refinancing	<b>35 550</b>	-
Net cash effect of acquisition of West Coast Leisure	<b>(7 776)</b>	-
<b>Net cash utilised in investing activities</b>	<b>(732 656)</b>	(182 731)
<b>Cash flow from financing activities</b>		
Ordinary shares issued	-	12
Share premium raised	-	1 392
Net treasury shares acquired by share scheme	-	(31 134)
Decrease in share incentive scheme loan	<b>7 355</b>	4 774
Dividend and loan repayments to outside shareholders	<b>(44 207)</b>	(15 132)
Increase in interest-bearing borrowings	<b>410 608</b>	3 984
<b>Net cash generated / (utilised) in financing activities</b>	<b>373 756</b>	(36 104)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(46 640)</b>	4 758
Cash and cash equivalents at beginning of year	<b>109 362</b>	104 604
<b>Cash and cash equivalents at end of year</b>	<b>62 722</b>	109 362

**Directors:** M Krok (Chairman)\*; SB Joffe (Chief Executive Officer); JS Friedman (Financial Director); C Neuberger (Chief Operating Officer) #; AJ Aaron\*; RJ Khoza\*; A Krok\*; MZ Krok\*; S Krok\*; J Leutgeb\*#; BJ Schutte\*; R Vierziger\*\*# (\*Non-executive director \*\*Alternate director #Austrian citizen)

**Registered office:** Gold Reef City, Gate 4, Northern Parkway, Ormonde, 2157

**Transfer secretaries:** Link Market Services (Pty) Limited (formerly Ultra Registrars (Pty) Limited), 5th Floor, 11 Diagonal Street, Johannesburg, 2001. (P O Box 4844, Johannesburg, 2000)

**Company secretary:** JS Friedman CA(SA)