



# GOLD REEF RESORTS

"Gold Reef" or "the Company"

REGISTRATION NUMBER 1989/002108/06 | SHARE CODE: GDF | ISIN CODE: ZAE 000028338

Revenue up 29,1%

Adjusted EBITDAR up 18,3%

Adjusted headline earnings up 3,9%

Ordinary dividend of 65 cents per share maintained

## GROUP INCOME STATEMENT

		Reviewed for the year ended 31 Dec 2008 Rm	Restated for the year ended 31 Dec 2007 Rm
<b>Revenue</b>	29,1	2 197	1 702
Net gaming win		2 042	1 566
Theme Park		67	67
Food and beverage		32	21
Other		56	48
Other income		1	8
		2 198	1 710
Gaming levies and VAT		(410)	(310)
Employee costs		(463)	(362)
Promotional and marketing costs		(133)	(95)
Depreciation and amortisation		(161)	(153)
Other operating expenses		(326)	(376)
<b>Operating profit</b>	70,3	705	414
Finance income		80	33
Finance costs		(214)	(56)
<b>Profit before equity accounted earnings</b>		571	391
Share of loss in associate		(8)	(1)
<b>Profit before taxation</b>		563	390
Taxation expense		(188)	(195)
<b>Profit for the year</b>	92,3	375	195
<b>Attributable to:</b>			
Equity holders of Gold Reef	145,2	358	146
Minority interest		17	49
		375	195
Number of shares in issue (000)		291 990	291 990
Weighted average number of shares in issue (000)		274 567	239 662
<b>Earnings per share (cents)</b>	114,2	130,3	60,8
<b>Diluted earnings per share (cents)</b>	114,2	130,3	60,8
<b>Dividends per share</b>			
Ordinary dividend (cents)	-	65,0	65,0
Special dividend (cents)	-	-	35,0

## GROUP BALANCE SHEET

	Reviewed at 31 Dec 2008 Rm	Audited at 31 Dec 2007 Rm
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2 545	2 280
Leasehold improvements	123	104
Intangible assets	1 187	1 189
Deferred tax assets	5	47
Investment in associate	31	42
Derivative financial instruments	-	43
Share scheme	33	80
	3 924	3 785
<b>Current assets</b>		
Inventories	19	18
Trade and other receivables	30	75
Cash and cash equivalents	443	332
Amounts owing by related parties	*	*
	492	425
	4 416	4 210
<b>Total assets</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Ordinary share capital	6	6
Share premium	1 860	1 860
Treasury shares	(71)	(42)
	1 795	1 824
Share-based payment reserve	382	378
Other reserves	(565)	(493)
Retained earnings	799	718
	2 411	2 427
Minority interest	43	32
<b>Total equity</b>	2 454	2 459
<b>Non-current liabilities</b>		
Interest-bearing borrowings	1 506	1 309
Deferred tax liabilities	54	54
Derivative financial instruments	21	-
	1 581	1 363
<b>Current liabilities</b>		
Trade and other payables	135	136
Provisions	57	55
Bank overdraft	*	15
Current tax liabilities	1	41
Current portion of interest-bearing borrowings	188	139
Amounts owing to related parties	*	2
	381	388
<b>Total equity and liabilities</b>	4 416	4 210

\* Amount less than R1 million

## SUPPLEMENTARY INFORMATION

		Reviewed for the year ended 31 Dec 2008 Rm	Restated for the year ended 31 Dec 2007 Rm
<b>EBITDAR RECONCILIATION</b>			
<b>Operating profit</b>		705	414
Property and equipment rental		20	15
Depreciation and amortisation		161	153
<b>EBITDAR</b>	52,2	886	582
Weighted average number of shares in issue (000)		274 567	239 662
<b>EBITDAR per share (cents)</b>	32,8	322,7	243,0
<b>EBITDAR margin (%)</b>		40,3	34,2
<b>ADJUSTED EBITDAR RECONCILIATION</b>			
<b>EBITDAR</b>		886	582
Pre-opening expenses at Silverstar Casino		3	58
IFRS2 charges resulting from share exchange and top-up transaction		-	101
Impairment of related party balance arising out of share exchange and top-up transaction		3	-
Costs relating to corporate activity		12	23
<b>Adjusted EBITDAR</b>	18,3	904	764
Weighted average number of shares in issue (000)		274 567	239 662
<b>Adjusted EBITDAR per share (cents)</b>	3,2	329,1	319,0
<b>Adjusted EBITDAR margin (%)</b>		41,1	44,9
<b>HEADLINE EARNINGS RECONCILIATION</b>			
<b>Attributable profit for the year</b>		358	146
Impairment of intangible		-	40
Profit on sale of financial instruments		*	-
Fair value of land and accounts receivable		-	(1)
Profit on sale of property, plant and equipment		*	(1)
<b>Headline earnings</b>	94,6	358	184
Weighted average number of shares in issue (000)		274 567	239 662
<b>Headline earnings per share (cents)</b>	69,8	130,3	76,7
<b>Diluted headline earnings per share (cents)</b>	69,8	130,3	76,7
<b>ADJUSTED HEADLINE EARNINGS RECONCILIATION</b>			
<b>Headline earnings</b>		358	184
Pre-opening expenses at Silverstar Casino and Queens Casino		2	53
IFRS2 charges resulting from share exchange and top-up transaction		-	101
Impairment of related party balance arising out of share exchange and top-up transaction		3	-
Costs relating to corporate activity		12	23
<b>Adjusted headline earnings</b>	3,9	375	361
Weighted average number of shares in issue (000)		274 567	239 662
<b>Adjusted headline earnings per share (cents)</b>	(9,4)	136,5	150,7

\* Amount less than R1 million

## GROUP CASH FLOW STATEMENT

	Reviewed for the year ended 31 Dec 2008 Rm	Audited for the year ended 31 Dec 2007 Rm
<b>Cash flow from operating activities</b>		
Profit before taxation	563	390
Non-cash items and other adjustments	339	285
	902	675
Decrease / (increase) in net current assets	45	(63)
<b>Cash flow from operating activities</b>	947	612
Finance income	45	32
Finance costs	(214)	(56)
Taxation paid	(186)	(200)
Dividend paid	(277)	(150)
<b>Net cash generated in operating activities</b>	315	238
<b>Cash flow from investing activities</b>		
Additions to property, plant and equipment	(422)	(1 066)
Additions to leasehold improvements	(23)	(5)
Proceeds from disposal of property, plant and equipment	3	10
Investment in intangibles	*	*
Investment in associate	-	-
Loans repaid by / (advanced to) associate	3	(43)
Loans (advanced to) / repaid by related parties	(2)	2
Net cash effect of share exchange and top-up transaction	-	(139)
<b>Net cash utilised in investing activities</b>	(441)	(1 241)
<b>Cash flow from financing activities</b>		
(Repurchase) / issue of shares to share scheme	(34)	60
Issue of shares as part of share exchange and top-up transaction	-	287
Decrease / (increase) in share scheme loan	46	(53)
Dividend and loan repayments to outside shareholders	(6)	(14)
Increase in interest-bearing borrowings	246	977
<b>Net cash generated in financing activities</b>	252	1 257
<b>Net increase in cash and cash equivalents</b>	126	254
Cash and cash equivalents at beginning of year	317	63
<b>Cash and cash equivalents at end of year</b>	443	317

\* Amount less than R1 million

## GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital net of treasury Rm	Reserves ~ Rm	Retained earnings Rm	Minority interest Rm	Total equity Rm
<b>Balance at 1 January 2007</b>	428	40	720	197	1 385
Issue of shares as part of share exchange and top-up transaction	1 336	340	-	-	1 676
Effect of share exchange and top-up transaction on group equity	-	(542)	-	(200)	(742)
Transfer between reserves	-	(2)	2	-	-
Issue of shares to share scheme	60	-	-	-	60
Recognition of share-based payments	-	12	-	-	12
Fair value adjustment on derivative hedge recognised in equity during the year	-	37	-	-	37
Attributable profit for the year	-	-	146	49	195
Dividend paid	-	-	(150)	-	(150)
Dividends paid to minorities by subsidiaries	-	-	-	(14)	(14)
<b>Balance at 1 January 2008</b>	1 824	(115)	718	32	2 459
Net movement between share scheme and participants	(29)	(5)	-	-	(34)
Recognition of share-based payments	-	4	-	-	4
Fair value adjustment on derivative hedge released from equity during the year	-	(67)	-	-	(67)
Attributable profit for the year	-	-	358	17	375
Dividend paid	-	-	(277)	-	(277)
Dividends paid to minorities by subsidiaries	-	-	-	(6)	(6)
<b>Balance at 31 December 2008</b>	1 795	(183)	799	43	2 454

~ "Reserves" comprise of "Share-based payment reserve" and "Other reserves". These reserves are disclosed separately on the balance sheet.

**DIRECTORS:** M Krok (Chairman)\*; SB Joffe (CEO); AJ Aaron\*; MG Diliza\*; JC Farrant >; JS Friedman; A Krok\*\*; MZ Krok\*; S Krok\*\*; J Leutgeb\*#; ZJ Matlala >; C Neuberger#; TM Sadiki, PCM September\*; R Vierziger\*\*#

\*Non-executive director > Independent director \*\*Alternate director #Austrian Citizen

**COMPANY SECRETARY** JS Friedman

**REGISTERED OFFICE** Gold Reef City, Gate 4, Northern Parkway, Ormonde, 2091

**TRANSFER SECRETARIES** Link Market Services South Africa (Pty) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P O Box 4844, Johannesburg, 2000)

**SPONSOR** Nedbank Capital

**INVESTOR RELATIONS** College Hill (Proprietary) Limited



www.goldreefresorts.com



# Reviewed financial results for the year ended 31 December 2008 (“the year”)

## COMMENTARY

### Introduction

Following Silverstar Casino's first full year of trading, total revenue for the Group increased by 29,1% to R2,2 billion from a restated R1,7 billion in the prior comparative period. Adjusted earnings before interest, tax, depreciation, amortisation and rentals (“EBITDAR”) increased 18,3% to R904 million with the margin deteriorating slightly to 41,1%. In response to the challenging operating environment, focus had been directed to controlling costs in order to preserve margins.

Net finance costs increased from R23 million in the prior period to R134 million in 2008, primarily due to increased borrowings to fund property developments. During the year under review a total of R445 million was spent on capital expenditure resulting in depreciation and amortisation increasing to R161 million for 2008.

The 69,2 million ordinary shares issued by Gold Reef for the share exchange and top-up transaction, effective 1 July 2007, afforded Gold Reef full control over cash flows from material subsidiaries but with a dilution effect on earnings per share (“EPS”) and headline earnings per share (“HEPS”), as expected. Future dilution will reduce with growth in contributions from these underlying operations.

The current status of BEE ownership in Gold Reef is being reviewed by the various gaming boards following the Tsogo Sun acquisition as described in more detail in the Black Economic Empowerment paragraph below.

### Basis of Preparation

These reviewed condensed consolidated provisional financial results have been prepared in accordance with IAS34 - *Interim Financial Reporting*, AC500 Standards as issued by the Accounting Practices Board and the requirements of the South African Companies Act, 1973. The accounting policies are consistent with International Financial Reporting Standards as well as those applied in the most recent audited annual financial statements as at 31 December 2007, save for the early adoption of IFRIC 13 – *Customer Loyalty Programmes*. IFRIC 13 is only required for periods beginning on or after 1 July 2008 but Gold Reef has elected to amend its accounting policies in accordance with IFRIC 13, effective 1 January 2008. Gold Reef now deducts the cost of customer loyalty points from net gaming win rather than including this cost in promotional and marketing costs. Comparatives for 2007 have been restated accordingly.

In line with IAS18 - *Revenue*, the Group has amended the accounting treatment applied to promotional allowances for complimentary beverages, meals and accommodation. The revenue and related expenses previously recognised as part of food and beverage and hotel revenue are now eliminated against the corresponding promotional costs recognised in gaming expenses. The 2007 comparatives have been restated accordingly.

Had the above restatements not been made, revenue would have been R2,3 billion, 30,4% higher than the 2007 comparative period. These restatements have had no effect on EPS, HEPS or EBITDAR. These condensed consolidated provisional financial results have been reviewed by the Company's auditors

PricewaterhouseCoopers Inc. and their unmodified review opinion is available for inspection at the Company's registered office.

### Corporate activity

#### Black Economic Empowerment

Tsogo Sun has recently acquired a 23,0% stake in the Company from various BEE shareholders and on the market.

The Board of Gold Reef is concerned that it's empowerment status has been compromised as Tsogo Sun is, on a pure flow through principle, less than 50% black owned. Accordingly, the Board of Gold Reef has petitioned the gaming boards to confirm that the various empowerment commitments relating to shareholding specified in the Group's various gaming licenses remain adequate after the Tsogo Sun acquisition.

#### Securities Regulation Panel (“SRP”)

On 14 April 2008 the SRP released the reasons for the ruling handed down on 1 February 2008. Based on legal advice the Company has launched review proceedings in the High Court to obtain an order reviewing, correcting or setting aside the decision of the SRP.

### Financial Results

#### Consolidated Results

For the 12 months ended 31 December 2008, the Group reported a 29,1% increase in revenue to R2,2 billion from the restated R1,7 billion in the previous year. The increase was primarily due to the inclusion of Silverstar Casino, which opened in December 2007. Net gaming win increased 30,4% to R2,0 billion while food and beverage revenue increased 52,4% to R32 million from the 2007 restated amount.

EBITDAR for the year increased by 52,2% to R886 million from R582 million in the prior comparative period. HEPS increased 69,8% to 130,3 cents compared to 76,7 cents for the previous year.

In order to better compare year on year operational growth, adjustments have been made to EBITDAR and HEPS to eliminate once-off charges relating to pre-opening expenses at Silverstar and Queens casinos, costs relating to corporate activity and various non-recurring items.

Adjusted EBITDAR of R904 million increased 18,3% when compared to the prior comparative period and represented a 41,1% margin on revenue. Adjusted HEPS for 2008 was 136,5 cents, representing a decrease of 9,4%.

Net Group debt increased by R120 million to R1,25 billion which represents a 1,4 multiple of EBITDAR. In order to protect the Company's earnings from increases in interest rates, the Group has hedged most of its debt. This resulted in a saving of R34 million in finance costs for the year.

## SEGMENTAL ANALYSIS

	Revenue			Adjusted EBITDAR			Adjusted EBITDAR Margin		CAPEX	
	2008 Rm	2007 ^ Rm	%	2008 Rm	2007 Rm	%	2008 %	2007 %	2008 Rm	2007 Rm
Gold Reef City Casino	990	994	(0,4)	376	420	(10,5)	38,0	42,3	87	209
Gold Reef City Theme Park	67	67	-	2	*	-	3,0	-	20	26
Silverstar Casino #	510	25	1 940,0	191	8	2 287,5	37,5	32,0	282	759
Golden Horse Casino	244	226	8,0	110	110	-	45,1	48,7	33	16
Mykonos Casino	112	116	(3,4)	48	54	(11,1)	42,9	46,6	10	4
Garden Route Casino	164	166	(1,2)	80	84	(4,8)	48,8	50,6	3	11
Goldfields Casino	118	108	9,3	53	50	6,0	44,9	46,3	10	45
Queens Casino +	46	1	4 500,0	7	*	-	15,2	-	31	93
Gold Reef Management	61	70	(12,9)	16	16	-	26,2	22,9	*	*
Gold Reef Resorts	-	-	-	247	63	292,1	-	-	-	*
Consolidation and other group companies >	(115)	(71)		(226)	(41)				(31)	(92)
	2 197	1 702	29,1	904	764	18,3	41,1	44,9	445	1 071

\* Amount less than R1 million.

^ Revenue figures have been restated for the effects of customer loyalty points in terms of IFRIC 13 as well as the elimination of inter-departmental charges in terms of IAS 18 - Revenue. For further disclosure regarding these adjustments, please refer the “Basis of Preparation” section in the Commentary.

# The large increases in Revenue and Adjusted EBITDAR are due to the fact that Silverstar Casino traded for a full 12 month period in 2008 whereas in the comparative period, trading only commenced on 11 December 2007.

+ The large increases in Revenue and Adjusted EBITDAR are due to the fact that Queens Casino traded for a full 12 month period in 2008 whereas in the comparative period, trading only commenced on 21 December 2007.

> Included in “Consolidation and other group companies” is the elimination of Queens Casino's results due to it being equity accounted.

### Operations

#### Gauteng

The Gauteng gaming market grew 7,8% in the year under review. The opening of Silverstar Casino, which achieved an 8,5% market share for the year to 31 December 2008, has broadened the Group's overall participation in this market and reduced its dependency on Gold Reef City. As a result, Gold Reef has managed to grow its share of the Gauteng market to 24,5%.

Continuing efforts to consolidate joint opportunities in the Gauteng market, as well as individually in their respective target markets, will position both Gold Reef City and Silverstar Casino for optimal growth going forward.

#### Gold Reef City

Revenue declined by 0,4% to R990 million with footfall 4,3% down. Adjusted EBITDAR decreased by 10,5% to R376 million, impacted by increased costs driven by higher inflation. Adjusted EBITDAR represented a margin of 38,0% on revenue.

The theatre incurred a loss of R21 million on worse than expected attendance figures, impacted by a deteriorating economy. Changes have been made to the production mix aimed at reducing this loss.

Theme Park Adjusted EBITDAR increased to R2 million on revenue of R67 million, notwithstanding negative economic conditions exacerbated by unusually heavy rainfall, which impacted footfall. Revenue for December was buoyed by the opening of additional food and beverage facilities which are expected to augment the current offering.

#### Silverstar Casino

Silverstar Casino delivered pleasing full year results with footfall increasing following the completion of all facilities. The gaming mix was improved during the year and the casino now features 784 slots and 24 tables.

Revenue, EBITDAR and market share increased strongly in the second half of the year as the additional facilities contributed to footfall, generating improved profitability. Adjusted EBITDAR margin improved from 31,7% for the six months to June 2008 to 42,8% for the second six months to December 2008 as trading volumes improved and a realignment of costs took effect. The margin for the twelve months ended 31 December 2008 was 37,5%.

Capital expenditure for the year amounted to R282 million, bringing the total cost of the project to R1,1 billion, well within budget.

At 31 December 2008 external debt amounted to R1,3 billion with future de-gearing expected to have a positive impact on earnings. The debt is repayable over a 10 year period.

#### KwaZulu-Natal

##### Golden Horse Casino

Aided by a strong contribution from tables and the newly refurbished Salon Privé, revenue grew by 8,0% to R244 million from the restated R226 million for 2007. Adjusted EBITDAR remained unchanged at R110 million, affected by inflationary pressures on costs. The Adjusted EBITDAR margin declined to 45,1%.

Enhancements to the property, which are scheduled for completion in June 2009, include a refurbishment of the gaming floor, hotel, restaurants and conference facilities. The revised cost of the project of R81 million is being funded out of cash resources.

##### Western Cape

Slower economic growth and challenging trading conditions depressed consumer spend in the Western Cape. The gaming market grew 1,1%, taking into account an increase in gaming positions and facilities in the province.

##### Mykonos Casino

Revenue at Mykonos Casino contracted by 3,4% to R112 million compared to the restated R116 million in 2007. Adjusted EBITDAR was down 11,1% to R48 million from R54 million in the prior comparative period. Consequently, the Adjusted EBITDAR margin has declined to 42,9%.

The refurbishment is progressing well and should be completed by June 2009. As part of the refurbishment 22 slots were added to the gaming floor in order to relieve capacity constraints during the busy holiday season. The refurbishment is being funded out of cash resources.

##### Garden Route Casino

Revenue fell marginally to R164 million compared to the restated R166 million for 2007. Lower trading volumes saw Adjusted EBITDAR decrease 4,8% to R80 million, representing a 48,8% margin on revenue.

Renovations are being planned which will include additional slot machines, food and beverage and entertainment facilities.

#### Free State

##### Goldfields Casino

Improvements to gaming and non-gaming facilities, following the successful conversion from a temporary to a permanent casino, saw revenue increase 9,3% to R118 million compared to a restated R108 million for 2007. This increase in revenue, together with diligent cost control, resulted in Adjusted EBITDAR increasing 6,0% to R53 million.

#### Eastern Cape

##### Queens Casino

Concluding its first full twelve months of trading, Queens Casino generated revenue of R46 million and Adjusted EBITDAR of R7 million. Food and beverage, hotel and entertainment facilities were opened during the course of the year.

The review application, instituted against Lukhanji Leisure by Ekuphumleni Resorts in the Eastern Cape Division of the High Court, was withdrawn.

### Future Developments

#### Vaal River Casino

Gold Reef continues to pursue its application for a licence in the Sasolburg area through a controlling stake in Vaal River Casino Company (Proprietary) Limited.

### Directorate

Following the appointment of two independent non-executive directors, JC Farrant and ZJ Matlala, and the reconstitution of the Audit and Risk Committee and Remuneration and Nominations Committee, the Board has appointed Dr EN Banda as independent non-executive director, effective 13 March 2009.

In line with best practice the Board intends appointing an independent Chairman once an independent director has been able to familiarise himself with the Group.

### Prospects

Notwithstanding the impact of the deteriorating global economy, Gold Reef remains well positioned to benefit from decreasing interest rates and reduced inflation. Silverstar is expected to contribute further in the coming year.

The Group enjoys strong cash flow generation and the Board believes that its businesses are conservatively geared. As four of the Group's interest rate hedge contracts expire during 2009, Gold Reef will benefit from the decreasing interest rate cycle anticipated in 2009.

With all our properties expected to be newly refurbished or recently opened by the end of 2009, limited capital expenditure is anticipated in the short term. This, coupled with de-gearing, which is expected to enhance earnings growth, will result in increased cash resources.

### Dividend

The Board has declared a dividend of 65,0 cents per share covered 2,1 times by Adjusted HEPS. From time to time the Board will reconsider dividend cover based on the Group's cash flow, gearing and capital requirements. Dividends will be financed out of Gold Reef's cash resources after servicing the debt of the Group's underlying operations.

#### The salient dates for the dividend are as follows:

Last day to trade shares cum dividend	Wednesday, 8 April 2009
Shares commence trading ex dividend	Thursday, 9 April 2009
Record date	Friday, 17 April 2009
Payment date	Monday, 20 April 2009

Share certificates may not be dematerialised or rematerialised between Thursday, 9 April 2009 and Friday, 17 April 2009, both days inclusive.

Steven Joffe  
CEO

Jarrod Friedman  
Financial Director

On behalf of the Board  
16 March 2009

