



# GOLD REEF RESORTS

(Incorporated in the Republic of South Africa)  
"Gold Reef" or "the Company" or "the Group"  
Registration Number 1989/002108/06 | Share Code: GDF | ISIN: ZAE 000028338

## CONDENSED CONSOLIDATED INCOME STATEMENT

	UNAUDITED FOR THE 6 MONTHS ENDED 30 JUNE 2010	UNAUDITED FOR THE 6 MONTHS ENDED 30 JUNE 2009	AUDITED FOR THE YEAR ENDED 31 DEC 2009
	Rm	Rm	Rm
<b>Revenue</b>	1 070	1 087	2 229
Net gaming win	994	1 017	2 065
Theme Park	30	28	72
Food and beverage	17	15	35
Other	29	27	57
Other income	1	1	15
	1 071	1 088	2 244
Gaming levies and VAT	(200)	(204)	(412)
Employee costs	(265)	(249)	(480)
Promotional and marketing costs	(78)	(59)	(140)
Depreciation and amortisation	(99)	(90)	(185)
Other operating expenses	(176)	(175)	(336)
<b>Operating profit</b>	253	311	691
Finance income	16	28	38
Finance costs	(74)	(96)	(171)
<b>Profit before equity accounted earnings</b>	195	243	558
Share of loss of associate	(2)	(3)	(5)
<b>Profit before taxation</b>	193	240	553
Taxation expense	(80)	(94)	(180)
<b>Profit for the period</b>	113	146	373
<b>Profit attributable to:</b>			
Equity holders of Gold Reef	108	140	360
Minority interest	5	6	13
	113	146	373
Number of shares in issue (000)	292 344	291 990	291 990
Weighted average number of shares in issue (000)	276 186	274 859	275 291
<b>Earnings per share (cents)</b>	39,0	50,9	131,0
<b>Diluted earnings per share (cents)</b>	39,0	50,9	131,0

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED FOR THE 6 MONTHS ENDED 30 JUNE 2010	UNAUDITED FOR THE 6 MONTHS ENDED 30 JUNE 2009	AUDITED FOR THE YEAR ENDED 31 DEC 2009
	Rm	Rm	Rm
<b>Profit for the period</b>	113	146	373
<b>Other comprehensive income for the period, net of tax</b>	(2)	(1)	15
Fair value (loss)/gain on interest rate hedge	(3)	(1)	7
Fair value gain/(loss) on foreign exchange hedge	*	*	*
Income tax relating to components of other comprehensive income	1	*	8
<b>Total comprehensive income for the period</b>	111	145	388
<b>Total comprehensive income attributable to:</b>			
Equity holders of Gold Reef	106	139	375
Minority interest	5	6	13
	111	145	388

## CONDENSED CONSOLIDATED BALANCE SHEET

	UNAUDITED AT 30 JUNE 2010	UNAUDITED AT 30 JUNE 2009	AUDITED AT 31 DEC 2009
	Rm	Rm	Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2 531	2 506	2 547
Leasehold improvements	160	153	138
Intangible assets	1 184	1 186	1 185
Deferred income tax assets	5	6	13
Investment in associate	24	25	23
Share scheme	42	27	47
	3 946	3 903	3 953
<b>Current assets</b>			
Inventories	19	18	19
Trade and other receivables	50	38	42
Current tax assets	9	13	2
Amounts owing by related parties	1	*	*
Cash and cash equivalents	283	326	440
	362	395	503
<b>Total assets</b>	4 308	4 298	4 456
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	6	6	6
Share premium	1 866	1 860	1 860
Treasury shares	(64)	(72)	(58)
	1 808	1 794	1 808
Share-based payment reserve	392	385	389
Other reserves	(547)	(566)	(545)
Retained earnings	906	759	979
	2 559	2 372	2 631
Minority interest	43	38	45
<b>Total equity</b>	2 602	2 410	2 676
<b>Non-current liabilities</b>			
Interest-bearing borrowings	1 231	1 418	1 325
Deferred income tax liabilities	57	58	64
Derivative financial instruments	2	26	9
Cash-settled share incentive scheme liability	5	1	4
	1 295	1 503	1 402
<b>Current liabilities</b>			
Trade and other payables	164	136	153
Provisions	57	60	34
Current portion of interest-bearing borrowings	187	188	187
Current income tax liabilities	*	1	4
Amounts owing to related parties	*	*	*
Bank overdraft	3	-	-
	411	385	378
<b>Total equity and liabilities</b>	4 308	4 298	4 456

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL NET OF TREASURY SHARES	RESERVES	RETAINED EARNINGS	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF GOLD REEF	MINORITY INTEREST	TOTAL EQUITY
	Rm	Rm	Rm	Rm	Rm	Rm
<b>Balance at 1 January 2009</b>	1 795	(183)	799	2 411	43	2 454
<b>Total comprehensive income for the period ended 30 June 2009</b>	-	(1)	140	139	6	145
Profit for the period	-	-	140	140	6	146
Fair value loss on interest rate hedge, net of tax	-	(1)	-	(1)	-	(1)
Fair value loss on foreign exchange hedge, net of tax	-	*	-	*	-	*
Net movement between share scheme and participants	(1)	-	-	(1)	-	(1)
Recognition of share-based payments	-	3	-	3	-	3
Dividend paid	-	-	(180)	(180)	-	(180)
Dividend paid to minorities by subsidiaries	-	-	-	-	(11)	(11)
<b>Balance at 30 June 2009</b>	1 794	(181)	759	2 372	38	2 410
<b>Total comprehensive income for the period ended 31 December 2009</b>	-	16	220	236	7	243
Profit for the period	-	-	220	220	7	227
Fair value gain on interest rate hedge, net of tax	-	16	-	16	-	16
Fair value loss on foreign exchange hedge, net of tax	-	*	-	*	-	*
Net movement between share scheme and participants	14	6	-	20	-	20
Recognition of share-based payments	-	3	-	3	-	3
Dividend paid	-	-	(181)	(181)	-	(181)
Dividend paid to minorities by subsidiaries	-	-	-	-	(7)	(7)
<b>Balance at 31 December 2009</b>	1 808	(156)	979	2 631	45	2 676
<b>Total comprehensive income for the period ended 30 June 2010</b>	-	(2)	108	106	5	111
Profit for the period	-	-	108	108	5	113
Fair value loss on interest rate hedge, net of tax	-	(2)	-	(2)	-	(2)
Fair value gain on foreign exchange hedge, net of tax	-	*	-	*	-	*
Issue of shares	6	-	-	6	-	6
Net movement between share scheme and participants	(6)	-	-	(6)	-	(6)
Recognition of share-based payments	-	3	-	3	-	3
Dividend paid	-	-	(181)	(181)	-	(181)
Dividend paid to minorities by subsidiaries	-	-	-	-	(7)	(7)
<b>Balance at 30 June 2010</b>	1 808	(155)	906	2 559	43	2 602

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	UNAUDITED FOR THE 6 MONTHS ENDED 30 JUNE 2010	UNAUDITED FOR THE 6 MONTHS ENDED 30 JUNE 2009	AUDITED FOR THE YEAR ENDED 31 DEC 2009
	Rm	Rm	Rm
<b>Cash flow from operating activities</b>			
Profit before taxation	193	240	553
Non-cash items and other adjustments	163	166	335
	356	406	888
Decrease/(increase) in net current assets	15	(1)	(37)
Cash flow from operating activities	371	405	851
Finance income	16	31	39
Finance costs	(74)	(96)	(156)
Taxation paid	(90)	(104)	(168)
Dividend paid	(181)	(180)	(180)
<b>Net cash generated in operating activities</b>	42	56	386
<b>Cash flow from investing activities</b>			
Additions to property, plant and equipment	(79)	(48)	(186)
Additions to leasehold improvements	(24)	(33)	(20)
Investment in intangibles	-	*	*
Proceeds from disposal of property, plant and equipment	1	*	2
Loans (advanced to)/repaid by associate	(3)	3	3
Loans (advanced to)/repaid by related parties	(1)	*	1
<b>Net cash utilised in investing activities</b>	(106)	(78)	(200)
<b>Cash flow from financing activities</b>			
Issue of shares	6	-	-
Shares (repurchased)/issued by share scheme	-	(1)	19
Net movement between share scheme and participants	(6)	-	-
Decrease/(increase) in share scheme loans	5	6	(14)
Dividend and loan repayments to outside shareholders	(7)	(11)	(11)
Decrease in interest-bearing borrowings	(94)	(89)	(183)
<b>Net cash utilised in financing activities</b>	(96)	(95)	(189)
<b>Net decrease in cash and cash equivalents</b>	(160)	(117)	(3)
Cash and cash equivalents at beginning of period	440	443	443
<b>Cash and cash equivalents at end of period</b>	280	326	440

## SUPPLEMENTARY INFORMATION

	UNAUDITED FOR THE 6 MONTHS ENDED 30 JUNE 2010	UNAUDITED FOR THE 6 MONTHS ENDED 30 JUNE 2009	AUDITED FOR THE YEAR ENDED 31 DEC 2009
	Rm	Rm	Rm
<b>EBITDAR RECONCILIATION</b>			
Operating profit	253	311	691
Property and equipment rental	9	9	21
Depreciation and amortisation	99	90	185
<b>EBITDAR</b>	361	410	897
Weighted average number of shares in issue (000)	276 186	274 859	275 291
<b>EBITDAR per share (cents)</b>	130,6	149,2	326,0
<b>EBITDAR margin (%)</b>	33,7	37,7	40,3
<b>HEADLINE EARNINGS RECONCILIATION</b>			
Attributable profit for the period	108	140	360
Profit on sale of financial instruments	-	-	*
Impairment of property, plant and equipment	-	-	1
Loss/(profit) on sale of property, plant and equipment	*	*	2
<b>Headline earnings</b>	108	140	363
Weighted average number of shares in issue (000)	276 186	274 859	275 291
<b>Headline earnings per share (cents)</b>	39,2	50,9	131,9
<b>Diluted headline earnings per share (cents)</b>	39,2	50,9	131,9



## CONDENSED NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34 - Interim financial reporting, AC500 Standards as issued by the Accounting Practices Board or its successor and the requirements of Schedule 4 Part (iv) of the South African Companies Act, 1973. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This interim report has not been audited or reviewed by Gold Reef's auditors.

### 2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements and are in line with IFRS.

### 3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Group executive directors. These individuals review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports.

The executive directors consider the business from both a geographic and operational perspective and assess the performance of the operating segments based on a measure of Revenue and Earnings before interest, tax, depreciation, amortisation and rentals ("EBITDAR").



[www.goldreefresorts.com](http://www.goldreefresorts.com)

DIRECTORS: EN Banda (Chairman) > ; MG Diliza > ; JC Farrant > ; JS Friedman; SB Joffe (Chief Executive Officer); MZ Krok > ; S Krok\*\* > ; ZJ Matlala > ; C Neuberger#; TM Sadiki; PCM September\* > ; P Vallet\*  
(\*Non-Executive Director > Independent Director \*\*Alternate Director #Austrian Citizen)

COMPANY SECRETARY: L Fick  
REGISTERED OFFICE: Gold Reef City, Gate 4, Northern Parkway, Ormonde, 2091  
TRANSFER SECRETARIES: Link Market Services South Africa (Pty) Limited  
16th Floor, 11 Diagonal Street, Johannesburg, 2001  
SPONSOR: Deutsche Securities (SA) (Proprietary) Limited  
INVESTOR RELATIONS: College Hill (Proprietary) Limited

# Unaudited interim financial results for the six months ended 30 June 2010 (“the period”)

## SEGMENTAL ANALYSIS

	REVENUE			EBITDAR			EBITDAR MARGIN		ASSETS				TOTAL ASSETS	
	JUNE 2010 Rm	JUNE 2009 Rm	%	JUNE 2010 Rm	JUNE 2009 Rm	%	JUNE 2010 %	JUNE 2009 %	NON-CURRENT		CURRENT		JUNE 2010 Rm	JUNE 2009 Rm
									JUNE 2010 Rm	JUNE 2009 Rm	JUNE 2010 Rm	JUNE 2009 Rm		
Gold Reef City Casino	447	482	(7,3)	141	175	(19,4)	31,5	36,3	1 066	1 050	59	69	1 125	1 119
Gold Reef City Theme Park	36	34	5,9	(4)	(3)	(33,3)	(12,7)	(8,8)	35	37	8	9	43	46
Silverstar Casino	270	262	3,1	95	95	-	35,2	36,3	1 013	1 049	204	256	1 217	1 305
Golden Horse Casino	123	121	1,7	50	51	(2,0)	40,4	42,1	224	198	34	15	258	213
Mykonos Casino	59	55	7,3	22	22	-	37,5	40,0	59	57	19	7	78	64
Garden Route Casino	77	76	1,3	32	34	(5,9)	42,2	44,7	122	87	24	41	146	128
Goldfields Casino	58	57	1,8	22	23	(4,3)	38,7	40,4	121	120	13	12	134	132
Queens Casino	25	24	4,2	5	4	25,0	21,0	16,7	99	110	8	7	107	117
Gold Reef Management	31	34	(8,8)	(6)	4	(250,0)	(20,0)	11,8	1	1	107	89	108	90
Gold Reef Resorts	-	-	-	7	5	40,0	-	-	2 818	2 817	179	174	2 997	2 991
Consolidation and other Group companies >	(56)	(58)	-	(3)	*	-	-	-	(1 612)	(1 623)	(293)	(284)	(1 905)	(1 907)
	1 070	1 087	(1,6)	361	410	(12,0)	33,7	37,7	3 946	3 903	362	395	4 308	4 298

	CASH ON HAND		DEBT				TOTAL DEBT NET OF CASH		CAPEX				TOTAL CAPEX	
	JUNE 2010 Rm	JUNE 2009 Rm	NON-CURRENT		CURRENT		JUNE 2010 Rm	JUNE 2009 Rm	DEVELOPMENTAL		OPERATIONAL		JUNE 2010 Rm	JUNE 2009 Rm
			JUNE 2010 Rm	JUNE 2009 Rm	JUNE 2010 Rm	JUNE 2009 Rm			JUNE 2010 Rm	JUNE 2009 Rm				
Gold Reef City Casino	13	18	(102)	(160)	(58)	(58)	(147)	(200)	-	-	28	7	28	7
Gold Reef City Theme Park	1	(2)	-	-	-	-	1	(2)	13	2	4	3	17	5
Silverstar Casino	184	238	(1 067)	(1 163)	(96)	(96)	(979)	(1 021)	-	1	5	5	5	6
Golden Horse Casino	11	8	(23)	(35)	(12)	(13)	(24)	(40)	24	33	10	13	34	46
Mykonos Casino	14	5	-	-	-	-	14	5	-	3	8	4	8	7
Garden Route Casino	19	34	(13)	(21)	(8)	(8)	(2)	5	-	8	6	1	6	9
Goldfields Casino	6	6	(26)	(39)	(13)	(13)	(33)	(46)	-	-	5	1	5	1
Queens Casino	4	3	(43)	(42)	(4)	(8)	(43)	(47)	*	*	1	*	1	*
Gold Reef Management	17	11	-	-	-	-	17	11	-	-	*	*	*	*
Gold Reef Resorts	14	4	-	-	-	-	14	4	-	-	-	-	-	-
Consolidation and other Group companies >	(3)	1	43	42	4	8	44	51	*	*	(1)	*	(1)	*
	280	326	(1 231)	(1 418)	(187)	(188)	(1 138)	(1 280)	37	47	66	34	103	81

> Included in “Consolidation and other Group companies” is the elimination of Queens Casino due to it being equity accounted.  
\* Amount less than R1 million

## COMMENTARY

Trading conditions remained difficult in the first six months of 2010 with the economy showing limited signs of recovery. As anticipated, consumers’ disposable income continued to be impacted by high levels of household debt, with contributing factors being the large increases in utility and municipal charges as well as job insecurity. As evidence of the quality of the Group’s recently refurbished property portfolio, most casinos performed in line with or better than their respective provincial markets. The exception was Gold Reef City Casino where tables revenue fell significantly in response to a marked decline in Prive gaming activity in comparison to the prior comparative period.

Group revenue declined by 1,6% to R1,1 billion with food and beverage revenue increasing by 13,3%. EBITDAR decreased 12,0% to R361 million mainly as a result of the revenue shortfall, exacerbated by the operational gearing in the business. Accordingly, the EBITDAR margin fell to 33,7%.

The Company’s response to the economic recession and declining revenues has been to focus on containing cost increases. Consequently, the Group had limited opportunities in the current period for further major cost cutting initiatives that had not already been exploited. Despite this, total costs were well contained but included non-recurring items of R12 million relating to the proposed merger with Tsogo Sun Holdings (Proprietary) Limited (“Tsogo Sun”). Further merger costs of approximately R21 million are expected to be incurred in the second half of the year, should the transaction be successful.

Employee costs were well controlled and again achieved by headcount reductions through natural attrition. Promotional and marketing costs increased to R78 million, however this increase is distorted by the reallocation of food and beverage complimentary costs from other operating expenses in order to be consistent with the accounting treatment applied at the 2009 year-end. This reallocation has no impact on the Group’s profit for the period. Had the interim results for 2009 been prepared on the same basis as 2010, promotional and marketing costs would have increased by 12,0% as opposed to 32,2% while other operating expenses would have increased by 7,1% as opposed to 0,6%.

Net finance costs were R58 million, a reduction of R10 million compared to the same period last year. Total net debt reduced by R142 million to R1,1 billion.

Headline earnings per share (“HEPS”) decreased 23,0% to 39,2 cents as a result of the trading conditions referred to above as well as higher depreciation and amortisation, which increased 10,0% to R99 million due to the recent refurbishment programme and capital expenditure incurred at the properties. Excluding the effects of the non-recurring costs relating to the Tsogo Sun merger, EBITDAR and HEPS fell by 9,2% and 14,9% respectively.

Cashflow from operations remained strong during the period at R371 million. Total capex was R103 million of which R66 million was operational capex in order to maintain the high quality of the properties. Developmental capex amounted to R37 million, which included R24 million incurred at Golden Horse Casino and the refurbishment of the property is nearing completion.

As in previous years, the Company has not declared a dividend at the interim period. The dividend of 65c per share declared for the previous financial year was paid on 26 April 2010.

### OPERATIONS

#### GAUTENG

Total Gross Gaming Revenue (“GGR”) in Gauteng was flat for the period with the second quarter showing some growth, following a contraction of 3,2% in the first quarter of 2010. The Group’s market share in Gauteng fell to 24,1% due to the reduced tables revenue at Gold Reef City Casino.

#### Gold Reef City

Gold Reef City Casino’s revenue fell 7,3% to R447 million compared to the same period last year. GGR growth from slot machines was in line with the market but as stated above, tables revenue fell due to much reduced high roller activity. EBITDAR fell 19,4% to R141 million and the margin reduced to 31,5%, directly as a result of the lower revenue.

Theme Park revenue increased by 5,9% while EBITDAR fell due to increased costs, specifically municipal and utility costs as well as employee costs. Due to the seasonality of this business, the second half of the year normally significantly outperforms the first. The hotel refurbishment was completed with R13 million capex incurred on the project during the period.

#### Silverstar Casino

Silverstar Casino continued to perform well with revenue up 3,1% to R270 million and EBITDAR flat at R95 million. The casino also achieved a small growth in its market share in Gauteng as footfall increased by 2,5% from the prior comparative period. Total debt at Silverstar Casino fell to R1,2 billion at 30 June 2010 from R1,3 billion at 30 June 2009 and is repayable over the next nine years.

#### KWAZULU NATAL

##### Golden Horse Casino

Golden Horse Casino underperformed the market slightly due, in part, to disruptions caused by the renovation. Revenues increased by 1,7% to R123 million but EBITDAR fell slightly to R50 million due primarily to operational gearing. The final phase of the casino’s refurbishment, being the hotel rooms and exterior, is expected to be completed in the third quarter of 2010.

#### WESTERN CAPE

Trends have shown that the economic recession impacted the Western Cape market more than any other province. Even though the market showed signs of growth during the first quarter of 2010, albeit off a lower base, the performance during the second quarter saw GGR decline marginally compared to the same reporting period last year. In spite of these tough trading conditions, the casinos performed well and the Group’s market share in the Western Cape increased from 12,6% to 13,1%.

The Provincial Government of the Western Cape has informed the Company that it intends to permit an existing Western Cape casino license to relocate to an area in the Cape Metropole. No further information is currently available regarding this development but Gold Reef considers this to be a potential strategic growth opportunity.

#### Mykonos Casino

Mykonos Casino had a good six months and outperformed the Western Cape market with revenue increasing by 7,3% to R59 million while the EBITDAR margin fell slightly, mainly due to costs associated with the introduction of smart-card gaming.

#### Garden Route Casino

Performance at Garden Route Casino was in line with the province. Revenues were flat with the EBITDAR margin declining due to inflationary cost pressures.

#### FREE STATE

##### Goldfields Casino

Goldfields Casino outperformed the market with revenues up 1,8% to R58 million. The EBITDAR margin was also impacted by the cost of the introduction of smart-card gaming during the six month period. The adjacent shopping centre development is progressing well and the footfall generated by this development should have a positive impact on the casino.

#### EASTERN CAPE

##### Queens Casino

There was a small growth in revenue at Queens Casino to R25 million and a significant improvement in the margin, with EBITDAR up 25,0% to R5 million following a major cost restructure during the second half of 2009. Capex has been allocated to improving road access to the casino which will hopefully improve footfall to the complex.

#### BOTSWANA

Gold Reef has a 50% interest in a new gaming operation in Gaborone, Botswana. The casino will form part of a larger development which includes a hotel, food and beverage facilities as well as retail outlets and is anticipated to open before the end of the year. Gold Reef’s investment is expected to be less than R30 million.

#### MERGER OF GOLD REEF AND TSOGO SUN

Shareholders of Gold Reef approved the proposed merger with Tsogo Sun on 26 April 2010. Outstanding conditions precedent include approvals from the Competition Authorities and the relevant Gambling Boards.

Application to the Competition Commission for approval of the Company’s merger with Tsogo Sun was submitted on 17 May 2010 and continues to be evaluated. The Competition Commission has requested additional time to consider the proposed merger following which it will be referred to the Competition Tribunal. Applications have also been submitted to the Gambling Boards of all the relevant provinces.

#### PROSPECTS

Economic conditions in South Africa remain difficult with limited signs of improvement during the first half of 2010. Relief provided to consumers through interest rate cuts in 2009 is only expected to show its effects in the final quarter of 2010.

With its portfolio of refurbished properties, Gold Reef is poised to take advantage of such an improvement in economic conditions and consumer confidence. The Group’s lean cost structure will also ensure that any improvement in trading activities will flow directly to EBITDAR and HEPS, benefiting the Company’s stakeholders.

STEVEN JOFFE  
CHIEF EXECUTIVE OFFICER

JARROD FRIEDMAN  
FINANCIAL DIRECTOR

On behalf of the board  
1 September 2010

