



# GOLD REEF

## CASINO RESORTS

### REVIEWED FINANCIAL RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2005

- EPS up 19,3% to 112,4 cents
- HEPS up 12,1% to 102,1 cents
- GRCR increases stake in Garden Route Casino to 85%

Gold Reef Casino Resorts Limited ("GRCR" or "the company")  
 Registration number: 1989/002108/06 Share Code: GDF ISIN Code: ZAE 0028338

#### GROUP INCOME STATEMENT

|  |        | Reviewed for the year ended 31 December 2005 | Restated for the year ended 31 December 2004 |
|--|--------|--|--|
|  | %      | R'000  | R'000  |
| <b>Revenue</b>                                   | 10,3   | 1 165 422                                    | 1 056 683                                    |
| Net gaming win                                   | 12,0   | 1 046 409                                    | 934 502                                      |
| Theme Park                                       | (14,2) | 46 700                                       | 54 424                                       |
| Food and beverage                                | 1,8    | 26 944                                       | 26 465                                       |
| Other  | 9,9    | 45 369                                       | 41 292                                       |
| Other income                                     |        | 27 806                                       | 11 170                                       |
|  |        | 1 193 228                                    | 1 067 853                                    |
| Gaming levies and VAT                            |        | (207 610)                                    | (186 346)                                    |
| Employee costs                                   |        | (253 402)                                    | (219 678)                                    |
| Promotional and marketing costs                  |        | (107 484)                                    | (84 480)                                     |
| Depreciation and amortisation                    |        | (90 278)                                     | (86 122)                                     |
| Other operating expenses                         |        | (147 144)                                    | (144 042)                                    |
| <b>Operating profit</b>                          | 11,6   | 387 310                                      | 347 185                                      |
| Finance income                                   |        | 19 179                                       | 7 957  |
| Finance costs                                    |        | (19 295)                                     | (13 222)                                     |
| <b>Profit before equity accounted earnings</b>   |        | 387 194                                      | 341 920                                      |
| Share of profits of associate                    |        | 2 613  | 1 414  |
| <b>Profit before taxation</b>                    | 13,5   | 389 807                                      | 343 334                                      |
| Taxation expense                                 |        | (121 968)                                    | (122 302)                                    |
| <b>Profit for the year</b>                       | 21,2   | 267 839                                      | 221 032                                      |
| <b>Attributable to:</b>                          |        |  |  |
| Equity holders of GRCR                           | 20,0   | 230 732                                      | 192 208                                      |
| Minority interest                                |        | 37 107                                       | 28 824                                       |
|  |        | 267 839                                      | 221 032                                      |
| Number of shares in issue (000)                  |        | 220 603                                      | 220 003                                      |
| Weighted average number of shares in issue (000) |        | 205 260                                      | 203 938                                      |
| <b>EPS (cents)</b>                               | 19,3   | 112,4  | 94,2   |
| <b>Diluted EPS (cents)</b>                       | 19,5   | 112,3  | 94,0   |
| <b>Dividend per share (cents)</b>                | 6,3    | 51,0   | 48,0   |

#### HEADLINE EARNINGS RECONCILIATION

|   |      | Reviewed for the year ended 31 December 2005 | Restated for the year ended 31 December 2004 |
|---|------|--|--|
| <b>Attributable profit for the year</b>       | 20,0 | 230 732                                      | 192 208                                      |
| Profit on sale of financial instruments       |      | (21 726)                                     | (6 919)                                      |
| Loss on sale of property, plant and equipment |      | 488  | 590  |
| <b>Headline earnings</b>                      | 12,7 | 209 494                                      | 185 879                                      |
| <b>HEPS (cents)</b>                           | 12,1 | 102,1  | 91,1   |

#### EBITDA RECONCILIATION

|                               |      | Reviewed for the year ended 31 December 2005 | Restated for the year ended 31 December 2004 |
|-------------------------------|------|--|--|
| <b>Operating profit</b>       | 11,6 | 387 310                                      | 347 185                                      |
| Property and equipment rental |      | 10 503                                       | 8 886  |
| Depreciation and amortisation |      | 90 278                                       | 86 122                                       |
| <b>EBITDA</b>                 | 10,4 | 488 091                                      | 442 193                                      |
| <b>EBITDA margin</b>          | 0,2  | 41,9%  | 41,8%  |

#### GROUP BALANCE SHEET

|  |  | Reviewed at 31 December 2005 | Restated at 31 December 2004 |
|--|--|------------------------------|------------------------------|
|  |  | R'000                        | R'000                        |
| <b>ASSETS</b>                                  |  |                              |                              |
| <b>Non-current assets</b>                      |  |                              |                              |
| Property, plant and equipment                  |  | 857 039                      | 845 540                      |
| Leasehold improvements                         |  | 98 540                       | 101 626                      |
| Intangible assets                              |  | 135 092                      | 93 458                       |
| Deferred tax assets                            |  | 6 046                        | 9 624                        |
| Investment in joint ventures                   |  | 18 591                       | 18 733                       |
| Investment in associate                        |  | 5 315                        | 7 378                        |
| Financial assets                               |  | 1                            | 1                            |
| Share incentive scheme                         |  | 32 839                       | 37 613                       |
|  |  | 1 153 463                    | 1 113 973                    |
| <b>Current assets</b>                          |  |                              |                              |
| Inventories                                    |  | 2 739                        | 2 986                        |
| Receivables and prepayments                    |  | 15 007                       | 17 666                       |
| Cash and cash equivalents                      |  | 126 547                      | 104 742                      |
| Amounts owing by related parties               |  | 98 401                       | 27 840                       |
|  |  | 242 694                      | 153 234                      |
| <b>Total assets</b>                            |  | 1 396 157                    | 1 267 207                    |
| <b>EQUITY AND LIABILITIES</b>                  |  |                              |                              |
| <b>Capital and reserves</b>                    |  |                              |                              |
| Ordinary share capital                         |  | 4 414                        | 4 402                        |
| Share premium                                  |  | 498 975                      | 497 583                      |
| Treasury shares                                |  | (75 037)                     | (43 854)                     |
|  |  | 428 352                      | 458 131                      |
| Share-based payment reserve                    |  | 16 222                       | 6 480                        |
| Other reserves                                 |  | 2 774                        | 2 741                        |
| Retained earnings                              |  | 595 373                      | 463 589                      |
|  |  | 1 042 721                    | 930 941                      |
| Minority interest                              |  | 96 429                       | 74 454                       |
| <b>Total equity</b>                            |  | 1 139 150                    | 1 005 395                    |
| <b>Non-current liabilities</b>                 |  |                              |                              |
| Interest-bearing borrowings                    |  | 10 682                       | 26 698                       |
| Deferred tax liabilities                       |  | 42 394                       | 50 019                       |
|  |  | 53 076                       | 76 717                       |
| <b>Current liabilities</b>                     |  |                              |                              |
| Trade and other payables                       |  | 66 033                       | 72 811                       |
| Provisions                                     |  | 13 809                       | 15 941                       |
| Bank overdraft                                 |  | 17 185                       | 138                          |
| Tax liabilities                                |  | 55 443                       | 62 736                       |
| Current portion of interest-bearing borrowings |  | 50 000                       | 30 000                       |
| Amounts owing to related parties               |  | 1 461                        | 3 469                        |
|  |  | 203 931                      | 185 095                      |
| <b>Total equity and liabilities</b>            |  | 1 396 157                    | 1 267 207                    |

#### GROUP STATEMENT OF CHANGES IN EQUITY

|   |  | Reviewed for the year ended 31 December 2005 | Restated for the year ended 31 December 2004 |
|---|--|--|--|
|   |  | R'000  | R'000  |
| <b>Ordinary share capital</b>               |  |  |  |
| At beginning of year                        |  | 4 402  | 4 357  |
| Ordinary shares issued                      |  | 12   | 45   |
| At end of year                              |  | 4 414  | 4 402  |
| <b>Share premium</b>                        |  |  |  |
| At beginning of year                        |  | 497 583                                      | 481 476                                      |
| Share premium raised                        |  | 1 392  | 16 107                                       |
| At end of year                              |  | 498 975                                      | 497 583                                      |
| <b>Treasury shares</b>                      |  |  |  |
| At beginning of year                        |  | (43 854)                                     | (43 854)                                     |
| Treasury shares acquired                    |  | (31 183)                                     | -  |
| At end of year                              |  | (75 037)                                     | (43 854)                                     |
| <b>Total share capital</b>                  |  | 428 352                                      | 458 131                                      |
| <b>Share-based payment reserve</b>          |  |  |  |
| At beginning of year                        |  | 6 480  | 982  |
| Recognition of share-based payments         |  | 9 742  | 5 498  |
| At end of year                              |  | 16 222                                       | 6 480  |
| <b>Other reserves</b>                       |  |  |  |
| At beginning of year                        |  | 2 741  | 1 611  |
| Transfer to retained earnings               |  | (16)   | (12)   |
| Profit on sale of shares by share trust     |  | 49   | 1 142  |
| At end of year                              |  | 2 774  | 2 741  |
| <b>Retained earnings</b>                    |  |  |  |
| At beginning of year                        |  | 463 589                                      | 324 304                                      |
| Transfer from other reserves                |  | 16   | 12   |
| Attributable profit for the year            |  | 230 732                                      | 192 208                                      |
| Dividend declared                           |  | (98 964)                                     | (52 935)                                     |
| At end of year                              |  | 595 373                                      | 463 589                                      |
| <b>Total equity holders' interest</b>       |  | 1 042 721                                    | 930 941                                      |
| <b>Minority interest</b>                    |  |  |  |
| At beginning of year                        |  | 74 454                                       | 59 331                                       |
| Movement in loans from outside shareholders |  | (15 132)                                     | (13 701)                                     |
| Attributable profit for the year            |  | 37 107                                       | 28 824                                       |
| At end of year                              |  | 96 429                                       | 74 454                                       |
| <b>Total equity</b>                         |  | 1 139 150                                    | 1 005 395                                    |

#### GROUP CASH FLOW STATEMENT

|   |  | Reviewed for the year ended 31 December 2005 | Restated for the year ended 31 December 2004 |
|---|--|--|--|
|   |  | R'000  | R'000  |
| <b>Cash flow from operating activities</b>              |  |  |  |
| Profit before taxation                                  |  | 389 807                                      | 343 334                                      |
| Non-cash items and other adjustments                    |  | 69 775                                       | 87 772                                       |
| Cash flow from trading operations                       |  | 459 582                                      | 431 106                                      |
| (Increase)/decrease in working capital                  |  | (6 004)                                      | 9 334  |
| Cash flow from operating activities                     |  | 453 578                                      | 440 440                                      |
| Net interest received/(paid)                            |  | 2 287  | (4 701)                                      |
| Taxation paid   |  | (133 308)                                    | (92 300)                                     |
| Dividend paid   |  | (98 964)                                     | (52 935)                                     |
| <b>Net cash generated in operating activities</b>       |  | 223 593                                      | 290 504                                      |
| <b>Cash flow from investing activities</b>              |  |  |  |
| Additions to property, plant and equipment              |  | (107 708)                                    | (88 550)                                     |
| Additions to leasehold improvements                     |  | (127)  | (1 297)                                      |
| Proceeds from disposal of property, plant and equipment |  | 9 433  | 2 952  |
| Proceeds from disposal of management contract           |  | 5 000  | -  |
| Proceeds from disposal of financial instruments         |  | 20 411                                       | -  |
| Investment in intangibles                               |  | (42 771)                                     | (2 114)                                      |
| Loans repaid by joint ventures                          |  | 548  | 4 926  |
| Loans repaid by associate                               |  | 5 052  | 16 145                                       |
| Net advances to subsidiaries and related parties        |  | (72 569)                                     | (24 664)                                     |
| <b>Net cash utilised in investing activities</b>        |  | (182 731)                                    | (92 602)                                     |
| <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                 |  | 4 774  | 1 396  |
| Decrease in outside shareholders' loans                 |  | (15 132)                                     | (13 701)                                     |
| Increase/(decrease) in interest-bearing borrowings      |  | 3 984  | (146 784)                                    |
| <b>Net cash utilised in financing activities</b>        |  | (36 104)                                     | (159 089)                                    |
| <b>Net increase in cash and cash equivalents</b>        |  | 4 758  | 38 813                                       |
| Cash and cash equivalents at beginning of year          |  | 104 604                                      | 65 791                                       |
| <b>Cash and cash equivalents at end of year</b>         |  | 109 362                                      | 104 604                                      |

#### DIRECTORS:

M Krok (Chairman)\*; SB Joffe (CEO); JS Friedman (FD); C Neuberger (COO) #; 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:

Ultra Registrars (Pty) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (P O Box 4844, Johannesburg, 2000)

#### COMPANY SECRETARY:

JS Friedman CA(SA)

[www.grcresorts.co.za](http://www.grcresorts.co.za)

## COMMENTS

### INTRODUCTION

The directors are pleased to present GRCR's results for the year ended 31 December 2005 ("the year"). Golden Horse, Casino Mykonos, Garden Route Casino and Goldfields Casino continued to trade well and achieved improved EBITDA margins. However, Gold Reef City's performance was impacted by poor trading at the Theme Park as a result of unjustified negative publicity generated by M-Net's programme Carte Blanche.

### FINANCIAL RESULTS

While gaming revenue increased by 12,0%, group revenue for the year increased 10,3% to R1,2 billion. Profit attributable to shareholders grew 20,0% to R230,7 million. EBITDA of R488,1 million was up 10,4% and represented a 41,9% margin on revenue.

Headline earnings per share (HEPS) increased by 12,1% to 102,1 cents from the restated comparative of 91,1 cents.

Comparatives for the 2004 financial year have been restated in compliance with International Financial Reporting Standards (see 'Transition to International Financial Reporting Standards').

|                      | Revenue   |           |      | EBITDA   |          |      | EBITDA % |      | CAPEX   |          |
|----------------------|-----------|-----------|------|----------|----------|------|----------|------|---------|----------|
|                      | 2005      | 2004      |      | 2005     | 2004     |      | 2005     | 2004 | 2005    | 2004     |
|                      | R'000     | R'000     | %    | R'000    | R'000    | %    | %        | %    | R'000   | R'000    |
| Gold Reef City       | 850 258   | 796 046   | 6,8  | 304 202  | 302 015  | 0,7  | 35,8     | 37,9 | 89 575  | 71 322   |
| Golden Horse         | 167 549   | 142 350   | 17,7 | 73 321   | 57 531   | 27,4 | 43,8     | 40,4 | 6 975   | 6 625    |
| Casino Mykonos       | 83 392    | 69 743    | 19,6 | 34 200   | 27 207   | 25,7 | 41,0     | 39,0 | 8 697   | 4 955    |
| Garden Route Casino  | 123 351   | 98 447    | 25,3 | 60 459   | 44 413   | 36,1 | 49,0     | 45,1 | 5 687   | 15 782   |
| Goldfields Casino    | 86 241    | 80 550    | 7,1  | 39 460   | 35 895   | 9,9  | 45,8     | 44,6 | 1 686   | 1 909    |
| Gold Reef Management | 51 268    | 48 205    | -    | 20 056   | 23 566   | -    | -        | -    | 71      | 32       |
| GRCR                 | -         | -         | -    | 28 487   | 12 160   | -    | -        | -    | -       | -        |
| Consolidation        | (196 637) | (178 658) | -    | (72 094) | (60 594) | -    | -        | -    | (4 856) | (10 778) |
|                      | 1 165 422 | 1 056 683 | 10,3 | 488 091  | 442 193  | 10,4 | 41,9     | 41,8 | 107 835 | 89 847   |

### OPERATIONS

**Gold Reef City** - Gold Reef City Casino's satisfactory performance resulted in an 8,4% increase in revenue to R804,0 million. However, Gold Reef City achieved combined revenue growth of only 6,8% due to the Theme Park's 14,4% decrease in revenue to R46,3 million.

Gold Reef City Casino maintained an EBITDA margin on revenue of 37,8% to achieve EBITDA of R304,2 million. The static performance was due mainly to the underperformance of tables as a result of a lower hold percentage, as well as renovations and construction which disrupted trade. In order to boost performance the management team was bolstered during the year.

Since year-end the remodelled Globe Theatre and 1 400-bay covered parking facility have been completed. Steady footfall at the casino in 2006, notwithstanding inclement weather, reflects the benefit of the covered parking facility. A five-year capital expenditure plan has been devised to drive future growth. This involves an extensive upgrade and redesign of the casino floor and surrounding amenities.

The number of visitors to the Theme Park declined by 21,1%. Legal and marketing expenses increased over the course of the year to address the situation brought about by the Carte Blanche programme. The Theme Park continues to invest significant sums in maintaining the safety of its rides. In addition, the safety of the rides continues to be regularly assessed by external structural engineers and regulated by the Department of Labour, whose reports continue to affirm the safety of the rides.

The Theme Park has further begun to implement a comprehensive plan to improve its offering including increased capacity on major rides, a 4D cinema and new restaurants. GRCC is confident that this plan should restore the Theme Park to former levels of performance over the medium term. Post year-end GRCC issued summons against M-Net and Carte Blanche for damages resulting directly from the unjustified negative publicity.

The Apartheid Museum maintained its good performance through the successful roll-out of its school education programme and an escalating profile supported by strict cost control.

**Golden Horse** - The casino's strong performance was reflected in a 17,7% increase in revenue to R167,6 million. EBITDA of R73,3 million was up 27,4% from R57,5 million, with an improved EBITDA: Revenue ratio of 43,8%. The casino is cash positive having completely repaid external debt during the year.

Pietermaritzburg's growth following its designation as the new capital city of KwaZulu-Natal indirectly contributed to the casino's robust trade and a high occupancy rate in the hotel.

In order to capitalise on the casino's steady growth, significant investment will be made in new development projects including restaurants and a large multi-purpose function facility.

**Casino Mykonos** - Maintaining its track record of 20% growth year-on-year since inception, the casino reported revenue of R83,4 million. Higher EBITDA of R34,2 million represented an increased 41,0% margin on revenue.

Macro-economic growth and increasing residential development along the coast in the Western Cape continued to benefit the casino with positive trading conditions and sustainable growth.

**Garden Route Casino** - The casino remained the group's stellar performer with revenue spiralling by 25,3% to R123,4 million from R98,4 million. A 36,1% increase in EBITDA to R60,5 million reflected in a higher EBITDA:Revenue ratio of 49,0%.

The lodges on the adjacent golf course have been completed and construction has commenced on the 500-residence development. The internationally acclaimed golf course is expected to be complete by the end of the year. In order to accommodate the anticipated increase in patrons, new upmarket facilities will be added to the casino.

**Goldfields Casino** - Notwithstanding a tough trading environment the relatively young casino recorded revenue of R86,2 million. EBITDA of R39,5 million represented a 45,8% margin on revenue. The casino also retained its debt-free position to remain cash positive. Closure of mines in the area continued to impact on the casino's growth.

In line with the award by the Free State Gambling & Racing Board of a permanent casino licence, an upgrade of the existing site is planned. Post year-end Goldfields Casino has acquired the premises from which the casino operates for a total consideration of R45 million.

### CORPORATE ACTIONS

As previously reported:

- on 1 July 2005 GRCC sold its 9,9% investment in the issued share capital of Johnnic Holdings Limited to Hosken Consolidated Investments Limited at a profit of R20,4 million, which has been used to fund the group's growth strategy;
- following notification by SAB Miller plc that it is not a seller of its 49% interest in Tsogo Sun Holdings (Pty) Limited, discussions between the parties in this respect ceased during the year; and
- GRCC acquired from Casinos Austria International Holding GmbH its entitlement to a royalty of 0,375% of the gross gaming revenues of GRCC's casinos, for R42,4 million. This transaction was effective 31 December 2005 and GRCC expects that it will be earnings enhancing in the medium term.

### FUTURE DEVELOPMENT

As previously announced Silverstar Development Limited ("Silverstar") was awarded the sixth and final casino licence for Gauteng. During the year Silverstar received environmental and town planning approval for the casino. The Gauteng Gambling Board is considering change requests submitted by Silverstar, motivated by changes in regulations and developments since submission of the original license application nine years ago. A date for a hearing of the change requests will be set in due course.

GRCC and Akani Leisure Investments (Pty) Limited ("ALI"), GRCC's BEE partner in Gold Reef City, have not yet exercised the option to purchase the entire issued share capital of Silverstar and to secure the new casino's management contract.

Silverstar will present GRCC with the opportunity to reduce the group's dependence on Gold Reef City.

### POST BALANCE SHEET EVENTS

As announced on 13 February 2006 GRCC has concluded a number of corporate actions ("the transactions") in line with its objective to consolidate its gaming platform by increasing exposure to its existing operations. In addition certain of the transactions facilitate the increase by GRCC's BEE partners of their beneficial shareholdings. This is in accordance with GRCC's strategy to increase BEE beneficial shareholdings in all operations to at least 25,1% over the medium term.

Specifically:

**ALI transaction** - ALI has elected to redeem the participating preference shares issued to, inter alia, GRCC. In order to fund this redemption GRCC will acquire a 49,97% direct interest in the ordinary share capital of ALI for R445,5 million, thereby reducing its economic interest in Akani Egoli (Pty) Limited ("Akani Egoli") - which operates Gold Reef City - from 83,94% but entrenching a 74,99% beneficial shareholding and securing a 25,01% BEE beneficial shareholding in Akani Egoli. The ALI transaction remains subject to the approval of the Gauteng Gambling Board.

**Garden Route transaction** - GRCC has increased its beneficial shareholding in Garden Route Casino (Pty) Limited ("Garden Route") from 42,5% to 85,0% for a consideration of R156 million. As BEE shareholder WidgeTrade 205 (Pty) Limited ("WidgeTrade") was unable to participate in the transaction in the

ratio of its pro rata shareholding in Garden Route by 28 February 2006, the Western Cape Gambling and Racing Board has approved the transaction subject to black economic empowerment investors being entitled to an option to increase their shareholding in Garden Route to 25,1% in the future at fair value.

**Goldfields transaction** - GRCC had intended to increase its beneficial shareholding in Goldfields Casino and Entertainment Centre (Pty) Limited ("Goldfields Casino") from 14,67% to 74,9%. This included the refinancing of Akani Leisure Goldfields Investments (Pty) Limited ("ALGI") as a condition precedent to the transaction. The Free State Gambling and Racing Board has approved the transaction subject to the deletion of this condition precedent.

As a result the terms of the Goldfields transaction will be revised, with GRCC's direct shareholding in Goldfields Casino likely to increase to 60%. It is anticipated that the transaction will be concluded on the revised terms and conditions.

**The Mykonos transaction** - GRCC has increased its beneficial shareholding in West Coast Leisure (Pty) Limited, which operates Casino Mykonos, from 54,3% to 60,3%. The aggregate consideration amounted to R7,8 million and the transaction has become unconditional.

Shareholders are referred to the announcement dated 13 February 2006 for detailed information on the transactions.

### PROSPECTS

The transactions reinforce GRCC's confidence in the growth potential of its existing operations and are expected to create long term financial benefits for shareholders. In addition, enhanced BEE participation at certain of the group's operations following the transactions reflect GRCC's commitment to transformation and position the respective casinos for future growth.

The group will leverage its balance sheet and cash position to fund the transactions as well as the Silverstar opportunity. The long term financial benefit of both the transactions and the Silverstar opportunity together with de-gearing over the medium to long term should contribute to future earnings growth.

Accordingly the directors anticipate growth over the medium term, with the transactions and initiatives including Silverstar expected to generate substantially stronger growth over the long term.

### DIVIDEND

The board has declared a dividend for the year of 51,0 cents per share covered twice by HEPS. From time to time the board will reconsider dividend cover based on the group's cash flow, gearing and capital requirements. The dividend will be financed out of GRCC's free cash flow after servicing the debt of the group's underlying operations.

The salient dates for the dividend are as follows:

|  |                          |
|--|--------------------------|
| Last day to trade shares <i>cum</i> dividend | Wednesday, 12 April 2006 |
| Shares trade <i>ex</i> dividend              | Thursday, 13 April 2006  |
| Record date                                  | Friday, 21 April 2006    |
| Payment date                                 | Monday, 24 April 2006    |

No share certificates may be dematerialised or rematerialised between Thursday 13 April 2006 and Friday 21 April 2006, both dates inclusive.

**Steven Joffe** **Jarrod Friedman**  
CEO **Financial Director**

On behalf of the board.  
15 March 2006

## TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

### INTRODUCTION

These consolidated financial statements are the first financial statements of GRCC that have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been reviewed by the company's auditors, PricewaterhouseCoopers Inc. Their review opinion is available for inspection at the company's registered office.

South African Generally Accepted Accounting Practice (GAAP) differs in certain respects from IFRS. When preparing GRCC's 2005 consolidated financial statements, management has amended certain accounting, valuation and consolidation methods applied in the GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on GRCC's equity and its net income are shown in this announcement.

### BASIS OF PREPARATION

GRCC has applied IFRS 1: First Time Adoption of International Financial Reporting Standards in preparing these financial statements.

GRCC's transition date is 1 January 2004 ("the transition date"). GRCC's opening IFRS balance sheet at that date has been restated to reflect all existing IFRS statements applicable at 31 December 2005. At the transition date IFRS 1 allows a number of exemptions from and exceptions to this retrospective application principle on adoption of IFRS.

### OPTIONAL EXEMPTIONS FROM AND MANDATORY EXCEPTIONS TO THE RETROSPECTIVE APPLICATION OF OTHER IFRSs IN ACCORDANCE WITH IFRS 1

GRCC has elected to apply the following optional exemptions from full retrospective application of IFRS:

- Business combinations exemption**  
GRCC has applied the business combinations exemption in IFRS 1. It has therefore not restated business combinations that took place prior to the transition date.
- Fair value or revaluation as deemed cost**  
GRCC has elected to measure selected items of casino equipment and Theme Park rides included in property, plant and equipment at their fair value and use that fair value at the transition date as their deemed cost.
- Share-based payment transaction exemption**  
GRCC has elected to apply the share-based payment exemption. IFRS 2: Share-based Payment requires that equity instruments granted under equity-settled awards are measured at the fair value of the equity instruments granted. By applying the exemption, share-based payments that were granted before 7 November 2002, or granted after 7 November 2002 but vested before 1 January 2005, are not subject to IFRS 2.
- Changes in existing decommissioning, restoration and similar liabilities included in the cost of property, plant and equipment**  
GRCC has elected to apply this exemption relating to a liability for restoration of a building in an associate. IFRS 1 allows the entity to measure this liability at the transition date in accordance with IAS 37: Provisions, contingent liabilities and contingent assets and to add the liability to the cost of the asset to which it relates. As the associate is equity accounted in the financial statements, the change has an effect on the income from associate and investment in associate line items.

The remainder of the optional exemptions were considered and were not applicable namely:

- Employee benefits exemption;
- Cumulative translation differences exemption;
- Compound financial instruments exemption;
- Assets and liabilities of subsidiaries, associates and joint ventures exemption;
- Exemption from restatement of comparatives for IAS 32 and IAS 39;
- Designation of financial assets and financial liabilities exemption;
- Insurance contracts exemption;
- Leases exemption; and
- Fair value measurement of financial assets or liabilities at initial recognition.

GRCC has applied the following mandatory exceptions from retrospective application:

- Derecognition of financial assets and liabilities exception**  
Financial assets and liabilities derecognised before 1 January 2004 are not re-recognised under IFRS. The application of the exemption from restating comparatives for IAS 32 and IAS 39 means that GRCC recognised from 1 January 2005 any financial assets and financial liabilities derecognised since 1 January 2004 that do not meet the IAS 39 derecognition criteria. GRCC did not choose to apply the IAS 39 derecognition criteria to an earlier date. There were no such assets and hence an adjustment was not required.
- Hedge accounting exemption**  
GRCC has claimed hedge accounting from 1 January 2005 only if the hedge relationship meets all the hedge accounting criteria under IAS 39. GRCC does not apply hedge accounting. No adjustment was required.
- Estimates exception**  
Estimates under IFRS at 1 January 2004 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. No adjustment was required.
- Assets held-for-sale and discontinued operations exemption**  
GRCC applies IFRS 5 prospectively from 1 January 2005. Any assets held-for-sale or discontinued operations are recognised in accordance with IFRS 5 only from 1 January 2005. GRCC did not have any assets that met the held-for-sale criteria during the period presented. No adjustment was required.

### Prior accounting policies not in accordance with international application

GRCC has identified prior accounting policies that were not in accordance with international interpretations and applications. Retained income has been adjusted for prior period errors in applying accounting policies relating to:

- Operating leases as per IAS 17: Leases; and
- Deferred income tax liabilities as per IAS 12: Income Taxes.

### CHANGES IN ACCOUNTING POLICIES

The adoption of the new and revised standards and interpretations has resulted in changes to GRCC's accounting policies in the following areas that have affected the amounts reported for the current and prior years:

In accordance with the provisions of IFRS 3:

- GRCC ceased amortisation of goodwill from 1 January 2004;
- accumulated amortisation as at 31 December 2003 has been eliminated with a corresponding decrease in the cost of goodwill;
- all negative goodwill that was present on the transition date was fully recognised in retained earnings; and
- from the year ended 31 December 2003 onwards goodwill is tested annually for impairment, as well as when there are indications of impairment.

GRCC has reassessed the useful lives of its intangible assets in accordance with the provisions in IAS 38: Intangible assets and accounts for any resulting changes in accordance with IAS 8: Accounting policies, change in accounting estimates and errors.

Share options granted to employees of GRCC are subject to service vesting conditions and their fair value is recognised as per IFRS 2. The fair value of the employee services received by the company and/or its subsidiaries in exchange for the grant of the options is recognised as an expense. The fair value of the employee services received by the company's associate in exchange for the grant of the options is recognised as an increase in the investment in associate. The fair value of the employee services received by the company's joint ventures in exchange for the grant of the options is recognised as an expense to the extent that the venture is consolidated - any remaining portion is included in the investment in joint venture. A detailed accounting policy is provided in the group financial statements.

IAS 16: Property, plant and equipment requires that the residual values and useful lives of assets must be reassessed on an annual basis. This was taken into consideration when re-calculating the depreciation charge. The deferred taxation effect of these adjustments has been calculated and adjustments made to the relevant deferred tax asset or liability. The effects of any such reassessment are made prospectively as per the requirements of IAS 8.

IAS 16 also requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be identified and depreciated separately. Further changes have thus been made to the classification of significant assets resulting in a reclassification of assets between property, plant and equipment and leasehold improvements.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by GRCC require retrospective application other than:

- IAS 16 - the exchange of property, plant and equipment is accounted at fair value prospectively;
- IFRS 2 - retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2004; and
- IFRS 3 - prospectively after 31 March 2004.

IAS 39 requires simultaneous adoption with IAS 32.

IFRS 3 requires simultaneous adoption with IAS 36 and IAS 38.

### RECONCILIATION OF EQUITY HOLDERS' INTEREST AT 1 JANUARY 2004

|   |                |
|---|----------------|
|   | R'000          |
| <b>Balance as per SA GAAP</b>   | <b>816 470</b> |
| Adjustments to property, plant and equipment and leasehold improvements <sup>(1)</sup>  | (59 926)       |
| Adjustments to intangible assets due to reassessment of useful lives as per IAS 38  | 1 152          |
| Deferred taxation effect of the above adjustments   | 5 097          |
| Prior period error - change in recognition of deferred taxation on temporary differences as per IAS 12  | (12 775)       |
| Prior period error - effect of straight lining operating leases as per IAS 17   | 688            |
| Effect of above transactions on minority interest   | 10 384         |
| Negative goodwill released to retained income as per IFRS 3   | 7 716          |
| Increase in investment in associate due to application of IFRS 2 and IFRS 1 exemption   | 32             |
| Increase in investment in joint ventures due to application of IFRS 2   | 38             |
| <b>Balance as per IFRS</b>  | <b>768 876</b> |
| (1) Adjustments to the carrying values of property, plant and equipment result from the application of IAS 16 and IFRS 1. Further application of IAS 16 has resulted in the reclassification of items from leasehold improvements to property, plant and equipment. |                |

### RECONCILIATION OF MINORITY INTEREST AT 1 JANUARY 2004

|   |               |
|---|---------------|
|   | R'000         |
| <b>Balance as per SA GAAP</b>                     | <b>69 715</b> |
| Effect of above transactions on minority interest | (10 384)      |
| <b>Balance as per IFRS</b>                        | <b>59 331</b> |

### RECONCILIATION OF PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF GRCC FOR THE YEAR ENDED 31 DECEMBER 2004

|   |                |
|---|----------------|
|   | R'000          |
| <b>Profit as per SA GAAP</b>  | <b>194 753</b> |
| Change in depreciation of property, plant and equipment as per IAS 16         | (8 360)        |
| Change in amortisation of intangibles as per IAS 38                           | 2 685          |
| Deferred taxation effect of the above adjustments                             | 1 421          |
| Prior period error - effect of straight lining operating leases as per IAS 17 | 17             |
| Share-based payment cost as per IFRS 2  | (5 086)        |
| Decrease in minority interest in profit due to the above adjustments          | 1 112          |
| Goodwill no longer amortised as per IFRS 3                                    | 5 784          |
| Decrease in income from associate   | (118)          |
| <b>Profit as per IFRS</b>   | <b>192 208</b> |

### RECONCILIATION OF EQUITY HOLDERS' INTEREST AT 31 DECEMBER 2004

|   |                |
|---|----------------|
|   | R'000          |
| <b>Balance as per SA GAAP</b>   | <b>975 582</b> |
| Adjustments to property, plant and equipment and leasehold improvements <sup>(1)</sup>  | (68 286)       |
| Adjustments to intangible assets due to reassessment of useful lives as per IAS 38  | 3 837          |
| Deferred taxation effect of the above adjustments   | 6 518          |
| Prior period error - change in recognition of deferred taxation on temporary differences as per IAS 12  | (12 775)       |
| Prior period error - effect of straight lining operating leases as per IAS 17   | 705            |
| Effect of above transactions on minority interest   | 11 496         |
| Negative goodwill released to retained income as per IFRS 3   | 7 716          |
| Goodwill no longer amortised as per IFRS 3  | 5 784          |
| Increase in investment in associate due to application of IFRS 2 and IFRS 1 exemption   | 103            |
| Increase in investment in joint ventures due to application of IFRS 2   | 261            |
| <b>Balance as per IFRS</b>  | <b>930 941</b> |
| (1) Adjustments to the carrying values of property, plant and equipment result from the application of IAS 16 and IFRS 1. Further application of IAS 16 has resulted in the reclassification of items from leasehold improvements to property, plant and equipment. |                |

### RECONCILIATION OF MINORITY INTEREST AT 31 DECEMBER 2004

|   |               |
|---|---------------|
|   | R'000         |
| <b>Balance as per SA GAAP</b>                     | <b>85 950</b> |
| Effect of above transactions on minority interest | (11 496)      |
| <b>Balance as per IFRS</b>                        | <b>74 454</b> |