

GAUTENG GAMBLING BOARD

Established on 2 August 1996 in terms of Section 3 of the Gauteng Gambling Act, 1995, as amended

Annual Financial Statements 31 March 2001

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The Report of the Board set out on pages 4 to 12 and the Annual Financial Statements set out on pages 15 to 25 were approved by the Gauteng Gambling Board and signed on its behalf by:

Chief Executive Officer
J Booyesen

Date Approved
25 June 2001

CHAIRPERSON'S STATEMENT

As the current Board nears the end of its term, it can look back with pride over the achievements to date.

I am pleased to report on another successful year of activity of the Board in circumstances which presented the Board with opportunities, challenges and achievements as more fully set out in the report of the Board.

Looking to the future, the following issues will continue to require due attention of the Board.

- The formation of a sound licensing approach to limited payout machines which reconciles the interests of among others society, government and business within an acceptable regulatory framework.
- Proliferation of Internet gambling will continue to pose policy challenges relating to the regulation and control of this activity. The Board keeps abreast with the latest international developments with a view to be able to adopt a sound and informed policy position in line with international best practice.
- Evaluation of measures aimed at promoting responsible gambling practises.
- Creation of technical skills and retention of skilled employees in a highly competitive environment.

I once again wish to reiterate my appreciation to my fellow Board Members for their commitment and diligent efforts.

IV Maleka
Chairperson

GAUTENG GAMBLING BOARD ADMINISTRATIVE INFORMATION

BOARD MEMBERS

Messrs	IV Maleka	Chairperson
	I Semenya	Deputy Chairperson
	MGK Maher	
	S Tati	
	J Maluleke	
	W Segal	Appointed on 28 November 2000
Mesdames	P Matlala	
	R Mokoena	
	MN Xaba	

CHIEF EXECUTIVE OFFICER AND ACCOUNTING OFFICER

Mr J Booysen

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REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2001

MISSION STATEMENT

To create and maintain a viable, fair and respectable gambling industry for all who have an interest in, or are affected by, gambling in Gauteng by licensing and controlling as well as advising government, making use of competent people and appropriate resources.

INCORPORATION, FUNCTIONS AND POWERS

The Gauteng Gambling Board is a statutory body established in terms of section 3 of the Gauteng Gambling Act, No 4 of 1995, as amended (the Act).

The main functions of the Board are to:

- **Oversee and control gambling activities in Gauteng, including:**
 - Licensing of individuals and companies to conduct gambling and related activities.
 - Registering of persons engaged in such activities.
 - Registering of all gambling devices.
 - Collecting appropriate taxes and levies for the Gauteng Province and other specified beneficiaries.
 - Ensuring compliance with all legislation in connection with gambling.

- **Manage and administer the Sports Development Fund.**

- **Advise the Member of the Executive Council of the Gauteng Provincial Government responsible for the administration of the Act on matters relating to gambling.**

GENERAL REVIEW

The following is a brief overview of the activities and achievements of the Board during the year under review.

CASINOS

Gaming revenue of the five operating casinos grew by 20% year on year to R2,4 billion for the year under review resulting in gaming tax collections of R219,8 million.

A further two permanent casino facilities were opened: Caesars Gauteng on 13 September 2000 and Montecasino on 28 November 2000. The permanent facilities of Emerald Casino was officially opened after the end of the financial year on 10 May 2001.

Permanent casino licences were issued to all 5 operating casinos on 10 May 2001.

The operating profile of the casinos can be summarised as follows:

Casino Name	No of gaming machines	No of tables
Caesars Gauteng	1 500	50
Carnival City	1 750	60
Emerald Safari Resort	600	24
Gold Reef City Casino	1 600	50
Montecasino	1 700	70
TOTAL	7 150	254

The total capital investment by the 5 licensees will exceed R5,2 billion. The monitoring program relating to the development phase which was outsourced to a group of specialists is being concluded and the ongoing monitoring of compliance with bid undertakings will be internalised and performed by the Board on an ongoing basis.

On-site casino inspectors were deployed at the various casinos with effect from February 2001 to assist the Board in the performance of its regulatory functions.

Rhino Hotel & Resort (Pty) Ltd withdrew its legal action with regard to its application for a licence in the West Rand and submitted an amended application for consideration by the Board. This application is scheduled to be heard on 28 July 2001.

HORSE-RACING AND BETTING

Pool Betting

Totalizator turnover amounted to R1,309 billion, down by approximately 1,4 % from the previous year, mainly as a result of increased competition from other forms of gambling.

Revenues from Totalizator taxation amounted to R46,4 million compared to R52,9 million for the previous year.

As part of the corporatisation of the horse racing industry, the Totalizator licence was transferred to Phumelela Gaming and Leisure Limited on 7 November 2000.

The issuing of the 3 racing meeting licences to the corporatised entity is in the process of being completed.

Fixed odds betting

The bookmakers continue to operate under difficult circumstances due to increased competition not only from terrestrial gambling but also from Internet betting being offered off shore at favourable tax rates.

Taxes collected from Gauteng Bookmakers amounted to R20,2 million compared to R25,6 million in the previous year.

BINGO OPERATIONS

Although tax revenues from the eight operating bingo centres increased from R0.8 million the previous year to R1,3 million in the current year, in the main the bingo centres continue to under perform in terms of expectations.

ROUTE OPERATOR, ADDITIONAL GAMING MACHINES AND GAMING MACHINE SITE LICENCES

The Minister of Trade and Industry promulgated regulations facilitating the introduction of the limited payout machine industry. In terms of these regulations all limited pay out machines are to be linked to a central monitoring system to which regulators will have access.

Following the issuing of regulations the Board has issued a draft policy on the licensing approach to limited pay out machines and invited all interested persons to comment after which a final policy approach will be formulated.

ILLEGAL GAMBLING

The Board continues vigorously to eradicate illegal gambling in the province with the help of the gambling unit and the law enforcement agencies. During the year a further 807 gaming machines were confiscated resulting in a number of arrests and prosecutions.

AMENDMENTS TO LEGISLATION

Amendments to the regulations and the rules of the Board were promulgated and the proposed amendments to the Gambling Act are currently before the legislature.

The Board will continue to review and update legislation to keep pace with new developments and changes in the environment in order to ensure an effective and efficient regulatory framework.

SPORTS DEVELOPMENT FUND

Currently the Board is evaluating a number of applications for grants from the fund in consultation with the Department of Sports, Recreation, Arts and Culture.

The applications for grants include:

- Phase 2 development of the Dube sports complex
- Tembisa sporting complex
- Diepsloot sporting complex

The income of the Sports Development Fund amounted to R0,851 million for the 2001 financial year and the current balance in the fund amounts to R2,3 million.

HUMAN RESOURCES

The Board remains committed to the development and empowerment of its human resources and to this end various training efforts were undertaken with specific emphasis on leadership and communication skills.

The Board also operates a study assistance scheme aimed at assisting staff to improve their educational qualifications.

The Board is currently implementing a job grading system to formalise different job grades and to ensure a competitive remuneration structure.

The Board submitted its employment equity plan to the Department of Labour on 1 December 2000.

Employees according to Race and Gender

Race	Female	Male	Total	Percentage
Black	26	25	51	76
Coloureds	2	1	3	4,5
Indians	1	0	1	1,5
Whites	7	5	12	18
	—	—	—	—
TOTAL	36	31	67	100
	—	—	—	—
Disabled			1	1,5%

SMOKING LEGISLATION

The adverse effects of passive smoking has become a major issue in South Africa. This has resulted in the promulgation of regulations in terms of Section 2 of the Tobacco Products Control Act, 1993.

One of the prescriptions in terms of these regulations is that gambling outlets may, *inter alia*, designate a portion of their public area as a smoking area, provided that the designated smoking area does not exceed 25% of the total floor area of the public place.

These prescriptions raise the following challenges:

- Recently built gaming outlets were not structurally designed to accommodate this requirement.
- Many gambling patrons expect to be able to smoke while gambling and this restriction on tobacco smoking in gaming outlets has a potential to significantly affect gaming revenue.

The licensees are currently investigating solutions to overcome these challenges.

RESPONSIBLE GAMBLING

In order to promote a culture of responsible gambling the regulators and industry devised various stratagems which included:

- Self-exclusion programs, in terms whereof patrons with adverse gambling patterns are offered an opportunity to be excluded from the gaming outlets.
- A toll free national helpline offering free advice and counselling.
- Appropriate slogans have been adopted and used in printed and other promotional material as well as posters located at the gaming outlets.
- Gaming personnel have been trained to recognise persons with irresponsible gambling patterns.
- The formation of the South African Advisory Council on Responsible Gambling of which the Board is a founding member.

FINANCIAL RESULTS

The financial results of the Board and the taxes and levies collected on behalf of the relevant beneficiaries are reflected in the attached annual financial statements.

The Board received approval to utilise the retained surplus of R10,159 million at the beginning of the year to fund current operating expenditure and its budget allocation for the year was therefore reduced to R6 million.

As from 1 April 2001 the Board will be funded by way of a collection commission charged to the Gauteng Provincial Government on taxes and licence fees collected on their behalf.

Financial highlights

INCOME	2001		2000	
	R'000	%	R'000	%
Budget allocation				
- Gauteng Provincial Government	6 000	57,56	8 166	59,39
Interest received	1 348	12,93	2 201	16,00
Application fees	961	9,22	1 503	10,93
Sports betting levies	1 489	14,28	1 419	10,32
Investigation expense recovery	117	1,12	324	2,36
Other	509	4,89	137	1,00
	<hr/>	<hr/>	<hr/>	<hr/>
	10 424	100,00	13 750	100,00
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURE				
Staff costs	11 651	66,58	9 888	64,00
Board members' fees	397	2,27	540	3,50
Depreciation	1 448	8,27	716	4,63
Other	3 959	22,62	4 211	27,27
Professional fees	45	0,26	93	0,60
	<hr/>	<hr/>	<hr/>	<hr/>
	17 500	100,00	15 448	100,00
	<hr/>	<hr/>	<hr/>	<hr/>
DEFICIT FOR THE YEAR	(7 076)		(1 698)	
Total collections on behalf of beneficiaries	329 957		313 636	
Expenditure as a percentage of total collections	5,30%		4,93%	

APPRECIATION

The Board wishes to express its appreciation to all parties who participated or assisted it in its activities during the year under review, and specifically the following:

- The Gauteng Provincial Government, and in particular the Executive Council, MEC Jabu Moleketi and the Department of Finance and Economic Affairs;
- All applicants for licences and licensees;
- The staff of the Board, past and present for their dedication and commitment;
- The Directors of Public Prosecutions and the South African Police Services;
- The South African Bureau of Standards;
- Other gambling regulatory authorities, both local and international;
- Professional bodies who rendered services to the Board;
- The public in general; and
- The media fraternity.

BOARD MEMBERS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Board Members are responsible for monitoring the preparation and the integrity of the financial statements and related information included in the annual report.

Internal and accounting controls

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a risk policy and an effective and efficient system of internal control.

The system of internal control is designed to provide reasonable assurance as to the integrity and reliability of the financial records of the Board and to safeguard and maintain accountability of the Board's assets.

Management and the Finance Sub-committee of the Board regularly review the risk policy and system of internal control and these are modified and improved as operating conditions change.

The system of internal control includes a comprehensive budgeting and reporting system operating within strict deadlines and monitored by the Finance Sub-committee of the Board.

The Board is satisfied that the system of internal control is adequate so that the financial records may be relied upon for preparing the financial statements and maintaining accountability of assets and liabilities.

Audit Committee

The Audit Committee of the Board consists of five non-executive Board Members. The committee ensures effective communication between the Board and the Auditor-General. The Auditor-General has free access to the Audit Committee.

Annual financial statements

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice.

The financial statements are prepared in accordance with appropriate accounting policies as set out in the notes to these financial statements and which are supported by reasonable and prudent judgements and estimates.

The Board believes that the annual financial statements fairly present, in all material respects, the financial position of the Board as at 31 March 2001 and the results of its operations and cash flows for the year then ended.

The Auditor-General is responsible for independently auditing and reporting on these financial statements and his report is contained on page 13.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE GAUTENG GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2001

1 AUDIT ASSIGNMENT

The financial statements as set out on pages 15 to 25, for the year ended 31 March 2001, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No 12 of 1995) and section 18(4) of the Gauteng Gambling Act, 1995 (Act No 4 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the Gauteng Gambling Board. My responsibility is to express an opinion on these financial statements and the compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

2 REGULARITY AUDIT

2.1 Nature and scope

2.1.1 *Financial audit*

The audit was conducted in accordance with generally accepted government auditing standards which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

2.1.2 *Compliance audit*

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters. I believe that the audit provides a reasonable basis for my opinion.

2.2 **Audit opinion**

2.2.1 **Financial audit**

In my opinion, the financial statements fairly present, in all material respects, the financial position of the board at 31 March 2001 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Gauteng Gambling Act, 1995 and the Public Finance Management Act, 1999 (Act No 1 of 1999).

2.2.2 **Compliance audit**

Based on the audit work performed, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulations, applicable to financial matters, has occurred.

3 **INTERNAL AUDIT**

Without qualifying the audit opinion expressed above, attention is drawn to section 51(1)(a)(ii) of the Public Finance Management Act, 1999 (Act No 1 of 1999), which states that the accounting authority must ensure that an entity has and maintains a system of internal audit under the control and direction of an audit committee, complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77 of the said Act. However, during the year under review the board did not have an internal audit function. The board indicated that it had been unable to implement an internal audit function for the 2000-01 financial year, as the regulations in terms of section 76 of the said Act were only promulgated on 9 April 2001. The board has subsequently appointed an audit firm to perform the internal audit function for the 2001-02 financial year.

4 **APPRECIATION**

The assistance rendered by the staff of the board during the audit is sincerely appreciated.

Signed by LA Van Vuuren
For Auditor-General
Pretoria
29/06/2001

GAUTENG GAMBLING BOARD

BALANCE SHEET

at 31 March 2001

	Notes	2001 R'000	2000 R'000
Assets			
Non-current assets			
Property, plant and equipment	1	8,514	8,931
Current assets		37,032	41,889
Trade and other receivables	2	3,229	893
Prepayments		17	17
Cash and cash equivalents	9.3	33,786	40,979
Total assets		<u>45,546</u>	<u>50,820</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Surplus	3	12,014	19,090
Current liabilities		33,532	31,730
Collections for distribution	4.1	28,952	29,318
Trade and other payables	5	4,580	2,412
Total reserves and liabilities		<u>45,546</u>	<u>50,820</u>

GAUTENG GAMBLING BOARD

INCOME STATEMENT

for the year ended 31 March 2001

	Notes	2001 R'000	2000 R'000
Gross revenue	6	10,424	13,750
Total expenses		17,500	15,448
Board members' fees		397	540
Depreciation	1	1,448	716
Other operating expenses	7	4,004	4,304
Staff costs	8	11,651	9,888
Operating (deficit) for the year		<u>(7,076)</u>	<u>(1,698)</u>

STATEMENT OF CHANGES IN EQUITY

Retained surplus at the beginning of the year		19,090	13,000
Prior year adjustments	12	-	7,788
Deficit for the year		<u>(7,076)</u>	<u>(1,698)</u>
Retained surplus at the end of the year	3	<u>12,014</u>	<u>19,090</u>

GAUTENG GAMBLING BOARD

CASH FLOW STATEMENT

for the year ended 31 March 2001

	Notes	2001 R'000	2000 R'000
Cash flows from operating activities			
Cash receipts		6,740	13,180
Cash paid to suppliers and employees		(13,884)	(14,997)
Cash utilised in operations	9.1	(7,144)	(1,817)
Interest received		1,348	2,201
Net cash (outflow)/inflow from operating activities		(5,796)	384
Cash flows from investing activities			
Purchase of operating assets	9.2	(1,033)	(1,859)
Proceeds from sale of equipment		2	-
Net cash outflow from investing activities		(1,031)	(1,859)
Net cash outflow from collection and distribution activities			
		(366)	(4,529)
Decrease in collections for distribution	4.1	(366)	(4,529)
Net decrease in cash and cash equivalents			
		(7,193)	(6,004)
Cash and cash equivalents at beginning of year			
		40,979	46,983
Cash and cash equivalents at end of year			
	9.3	33,786	40,979

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES

for the year ended 31 March 2001

The financial statements have been prepared in accordance with Generally Accepted Accounting practice on the historical cost basis.

The following are the principal accounting policies of the Board which are consistent in all material respects with those applied in the previous year, except as otherwise indicated.

Property, Plant and Equipment

During the year, the Board changed its accounting policy with respect to the treatment of fixed assets, in order to comply with GAAP. In terms of the new policy the Board no longer writes off assets upon acquisition but depreciates them over their estimated useful lives.

Property, plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life as follows:

Buildings	50 years
Fixtures and fittings	10 years
Information technology equipment	3 years
Furniture and Equipment	6 years
Vehicles	5 years

Taxes and Levies

Taxes and levies received from Phumelela Leisure & Gaming Ltd are accounted for on a cash received basis.

Taxes from bookmakers, casinos and bingo centres are accounted for on an invoice basis.

Investigation costs recoverable from applicants are accounted for on an invoice basis.

Revenue

Revenue arising from application fees comprises the invoiced value in respect of services rendered.

Revenue arising from sports betting levies is recognised on an accrual basis.

Penalty income is accounted for on an accrual basis.

Interest is recognised on a time proportion basis.

Taxation

The Board's income is exempt from taxation in terms of Section 10(1)(cA) of the Income Tax Act.

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2001

1. PROPERTY, PLANT AND EQUIPMENT

	Land and building R'000	Fixtures & Fittings R'000	Motor vehicles R'000	Information Technology R'000	Furniture & Equipment R'000	Total R'000
31 March 2001						
Opening net carrying amount	5,970	516	114	1,579	752	8,931
Gross carrying amount	6,092	552	160	2,104	1,255	10,163
Accumulated depreciation	(122)	(36)	(46)	(525)	(503)	(1,232)
Additions	-	34	-	983	16	1,033
Disposals	-	-	-	-	(2)	(2)
- Cost	-	-	-	(26)	(6)	(32)
- Accumulated depreciation	-	-	-	26	4	30
Depreciation charge	(122)	(59)	(32)	(982)	(253)	(1,448)
Closing net carrying amount	5,848	491	82	1,580	513	8,514
Gross carrying amount	6,092	586	160	3,061	1,265	11,164
Accumulated depreciation	(244)	(95)	(78)	(1,481)	(752)	(2,650)
31 March 2000	R'000	R'000	R'000	R'000	R'000	R'000
Opening net carrying amount	6,092	243	146	372	935	7,788
Gross amount	6,092	252	160	624	1,184	8,312
Accumulated depreciation	-	(9)	(14)	(252)	(249)	(524)
Additions	-	300	-	1,480	79	1,859
Disposals	-	-	-	-	-	-
- Cost	-	-	-	-	(8)	(8)
- Accumulated depreciation	-	-	-	-	8	8
Depreciation charge	(122)	(27)	(32)	(273)	(262)	(716)
Closing net carrying amount	5,970	516	114	1,579	752	8,931
Gross carrying amount	6,092	552	160	2,104	1,255	10,163
Accumulated depreciation	(122)	(36)	(46)	(525)	(503)	(1,232)

The land and building was purchased on 31 March 1999 and consist of an office building held under Title Deed Number T 86131 99. The property is situated at portion 4 of Erf 44 Verwoerdburgstad Registration Division JR Province of Gauteng and measures 2210 square metres in extent.

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2001

	2001	2000
	R'000	R'000
2. TRADE AND OTHER RECEIVABLES		
Trust debtors	3,005	644
Sundry debtors	224	249
	<u>3,229</u>	<u>893</u>

3. RETAINED SURPLUS

In terms of Section 17(6) of the Gauteng Gambling Act, 1995, as amended, surplus Funds at the close of the financial year, excluding such money as has been approved by the responsible member as being necessary for the running expenses of the Board, shall be paid to the Provincial Revenue Fund.

The Board has received approval from the responsible member to retain the surplus as at 31 March 2001.

4. TAXES AND LEVIES

4.1 Taxes and levies for distribution to beneficiaries at year-end

	2001	2000
	R'000	R'000
Gauteng Provincial Administration	24,019	24,966
North West Provincial Administration	2	5
Northern Provincial Administration	591	595
Mpumalanga Provincial Administration	689	755
Phumelela Leisure & Gaming Ltd	1,324	1,472
Sports Development Fund	2,322	1,519
Dissemination levies	5	6
	<u>28,952</u>	<u>29,318</u>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2001

		2001	2000
		R'000	R'000
4.2	Taxes and levies collected for the year		
4.2.1	Provincial taxes		
4.2.1.1	Gauteng Provincial Government		
	Betting Tax	66,674	78,559
	Phumelela Leisure & Gaming Ltd	46,436	52,918
	- horse racing		
	- other sports	2	6
	On-course bookmakers	874	997
	- horse racing		
	- other sports	118	135
	Off-course bookmakers	17,442	22,649
	- horse racing		
	- other sports	1,802	1,854
	Gaming Tax	221,140	183,777
	Casinos	161,286	143,809
	- Machines		
	- Tables	58,525	39,177
	Bingo	1,329	791
	<i>Taxes collected for Gauteng Provincial Government</i>	287,814	262,336
4.2.1.2	Mpumalanga Provincial Government		
	Betting Tax	8,577	8,935
	Totalizator Agency Board (TAB)	8,131	8,587
	Off-course bookmakers	433	331
	- horse racing		
	- other sports	13	17
4.2.1.3	North West Provincial Government		
	Betting Tax		
	Off-course bookmakers	38	72
-			
4.2.1.4	Northern Provincial Government		
	Betting Tax	7,162	7,700
	Totalizator Agency Board (TAB)	7,098	7,622
	- horse racing		
	- other sports	3	-
	Off-course bookmakers	61	78
	- horse racing		
	Total Taxes collected – carried forward	303,591	279,043

GAUTENG GAMBLING BOARD**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

for the year ended 31 March 2001

	2001 R'000	2000 R'000
Total Taxes collected – brought forward	303,591	279,043
4.2.2 Levies collected		
Sports Development Fund Levies	851	847
Totalizator levies	-	2
Bookmakers	680	668
Interest earned	171	177
Phumelela Leisure & Gaming Ltd		
Off –course bookmakers	18,663	23,774
Dissemination Levies		
Bookmakers	83	206
Total levies collected	19,597	24,827
Licence fees	3,089	5,246
Interest earned and penalties received	3,680	4,520
Total collections for distribution	329,957	313,636
Taxes and levies for distribution to beneficiaries at year-end	4.1 (28,952)	(29,318)
	301,005	284,318
4.3 Taxes and levies distributed during the year		
Gauteng Provincial Administration	295,530	276,243
North West Provincial Administration	41	72
Northern Provincial Administration	7,166	7,736
Mpumalanga Provincial Administration	8,643	8,917
Phumelela Leisure & Gaming Ltd	18,811	24,330
Sports Development Fund	48	776
Dissemination levies	84	92
	330,323	318,166
Less: Prior year-end collections distributed during the year	(29,318)	(33,848)
	301,005	284,318
5. TRADE AND OTHER PAYABLES		
Cash guarantees held	55	105
Provisions		
- Audit fees	60	80
- Leave pay	181	338
Creditors and accruals	3,254	528
Investigation deposits	577	579
VAT payable	453	782
	4,580	2,412

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2001

	2001 R'000	2000 R'000
6 GROSS REVENUE		
Revenue consists of:		
Administration fees	72	72
Application fees	961	1,503
Forfeited cash and assets	44	20
Interest received	1,348	2,201
Penalties collected	350	40
Sales of printed material	5	4
Sports betting levies	1,489	1,419
Sundry income	38	1
Recoveries of investigation expenses	117	324
Gross investigation recoveries	117	311
Less : Outsourced investigation expenses	-	(97)
Provision for irrecoverable amounts	-	110
Budget allocations - Gauteng Provincial Government	6,000	8,166
	10,424	13,750

7 OTHER OPERATING EXPENSES

Advertisements	18	12
Audit fees :		
Current year	60	75
prior year - (over provision)	(34)	(9)
Bank charges	18	15
Conference facilities	50	42
Entertainment	8	21
Information technology	175	88
Insurance	106	85
Investigations and enforcement costs	396	270
Legal expenses	201	391
Office accommodation and storage rentals	393	526
Office consumables, maintenance and refreshments	87	67
Printing and photo-copying	85	94
Postage, stationery, and subscriptions	173	170
Professional and consulting fees	45	93
Regional Services Council levies	31	30
Security expenses	15	11
Staff recruitment	32	20
Staff training and development	238	742
Telephone and communications	724	629
Transcription costs	16	17
Travelling and subsistence :		
Local	618	398
Overseas	521	491
Uniforms and protective clothing	28	26
	4,004	4,304

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	2001	2000
	R'000	R'000
8. STAFF COSTS		
Included in the staff costs are:	11,651	9,888
- Salaries, bonuses and allowances	9,361	7,925
- Defined contribution plan expenses	1,208	1,051
- Medical aid contributions	802	630
- Group life contributions	235	246
- Other employer contributions	45	36

9 NOTES TO THE CASH FLOW STATEMENT

9.1 Reconciliation of the net deficit to cash utilised by operations

	2001	2000
	R'000	R'000
Net deficit	(7,076)	(1,698)
Adjustments for :		
Depreciation	1,448	716
Investment income	(1,348)	(2,201)
Provision for irrecoverable amounts	-	(110)
Provision for leave pay	(157)	199
Operating deficit before working capital changes	(7,133)	(3,094)
Working capital changes		
Increase/(Decrease) in trade and other payables	2,325	(464)
(Increase)/Decrease in trade and other receivables	(2,336)	1,741
Cash utilised by operations	(7,144)	(1,817)

9.2 Additions to fixed assets

Fixtures & Fittings	34	300
Information Technology	983	1,480
Furniture and Equipment	16	79
	1,033	1,859

9.3 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Bank	29,079	32,639
Investments	4,706	8,339
Petty cash	1	1
	33,786	40,979

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2001

	2001 R'000	2000 R'000
10. RETIREMENT BENEFITS		
<p>Retirement benefits are provided through a separate provident fund to which the employer contributes. The fund is regulated by the Pension Fund Act. It is a fixed contribution plan and is managed by an independent Board of Trustees. Retirement benefits are determined by the contributions to the fund and contributions are charged against income in the year they become payable. Current year charge for contributions was R1,208 million.</p> <p>The Board contributes at a rate of 14.3% of basic salary.</p>		
11. CAPITAL COMMITMENTS		
<p>Capital commitments in respect of the implementation of the Board's Information Technology solution</p>	<u>-</u>	<u>1 491</u>
12. CHANGES IN ACCOUNTING POLICY		
<p>During the year, the Board changed its accounting policy with respect to the Treatment of fixed assets, in order to comply with GAAP.</p> <p>In terms of the new policy, the Board no longer writes off assets upon acquisition but depreciates them over their estimated useful lives.</p> <p>The change in the accounting policy resulted in an increase in the retained surplus at 31 March 1999 of R7.8 million, which is reflected as a prior year adjustment on the statement of changes in equity. The prior year figures have been restated in accordance with the new accounting policy.</p>		
<p>Additions to fixed assets that would have been previously written off in full</p>	1,033	1,859
<p>Depreciation charge in terms of the new accounting policy</p>	(1,448)	(716)
<p>Effect on the operating deficit for the year</p>	<u>(415)</u>	<u>1,143</u>

