

GAUTENG GAMBLING BOARD

Established in terms of Section 3 of the
Gauteng Gambling Act, 1995, as amended

ANNUAL REPORT 31 March 2002

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CHAIRPERSON'S STATEMENT

The Board's term expired on 1 November 2001, on which date the MEC for Finance and Economic Affairs re-appointed all Board Members for a further term of five years. I wish to take this opportunity to thank my fellow Board Members for making themselves available for a further term.

The achievements of the Board for the year under review are dealt with in the Report of the Board.

The Board operates in a dynamic environment where regulation has to keep pace with developments on different fronts such as the following:

- Public perception and expectation.
- Economic factors.
- Technological advances.
- Globalisation of the gambling industry.

This fast changing environment poses the following challenges:

- Ensuring a regulatory environment that satisfies legitimate public expectations and takes cognisance of the public perceptions of gambling.
- Maximisation of the benefits to be derived from gambling in adverse economic circumstances.
- Staying abreast with technological developments and international regulatory best practice.

The Board will continue to engage its stakeholders in dealing with these challenges.

I would like to express my sincere gratitude to the Chief Executive Officer, staff and to my fellow Board Members for their continued efforts and support.

IV Maleka
Chairperson

ADMINISTRATIVE INFORMATION

BOARD MEMBERS

Messrs	IV Maleka IAM Semanya MGK Maher S Tati J Maluleke W Segal	Chairperson Deputy Chairperson
Mesdames	R Mokoena MN Xaba P Matlala	Resigned 1 December 2001

The term of appointment of the above Board Members expired on 1 November 2001, on which date they were all re-appointed for a further five-year term.

AUDIT COMMITTEE

Messrs	MGK Maher M Nkhabu	Chairperson
Ms	S Machaba	

CHIEF EXECUTIVE OFFICER

Mr J Booysen

CHIEF FINANCIAL OFFICER

Ms A Puoane

POSTAL ADDRESS

Private Bag X125
Centurion 0046
South Africa

PHYSICAL ADDRESS

1256 Heuwel Avenue
Centurion 0157
South Africa

TELEPHONE

+27 12 663-8900

FAX

+27 12 663-8588

E-MAIL

info@ggb.org.za

WEBSITE

www.ggb.org.za

BANKERS

Standard Bank

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

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 and Audit Sub-committees 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.

As part of the system of internal control, the Board's internal audit function, outsourced to a firm of chartered accountants, conducts the internal audit in accordance with the standards set by the Institute of Internal Auditors and co-ordinates audit coverage with the Auditor-General.

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 one non-executive Board member and two non-Board members and meets at least four times a year. The committee ensures effective communication between the Board, internal audit and the Auditor-General. The Auditor-General and internal audit has free access to the Audit Committee.

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD (continued)

ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with Generally Accepted Accounting Practice and the reporting requirements of the Public Finance Management Act.

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 financial statements have been prepared on the going concern basis, as the Board Members have every reason to believe that the Board has adequate resources in place to continue in operation for the year ahead.

The Board believes that the annual financial statements fairly present, in all material respects, the financial position of the Board as at 31 March 2002 and the results of its operations and cash flows for the year then ended.

The Annual Report for the year ended 31 March 2002 set out on pages 3 to 13 and 16 to 28 were approved by the members of the Board on 7 June 2002 and are signed on their behalf by:

Vincent Maleka
Chairperson

Jacques Booysen
Chief Executive Officer

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2002

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2002.

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 entities to conduct gambling and related activities.
 - Registering of persons engaged in such activities.
 - Registering of all gambling devices.
 - Collecting prescribed 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.

BOARD MEMBERS

The names of Board Members appear on page 3.

PERFORMANCE AGAINST OBJECTIVES

The performance against key objectives for the year under review is dealt with in the Performance Report set out on pages 12 and 13.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2002

GENERAL REVIEW

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

Responsible Gambling

The Board is in the process of reviewing its rules to specifically include rules dealing with responsible gambling issues. The draft rule amendments are currently being discussed with the industry.

To date, a total of 413 people have made use of the Board's self-exclusion programme.

Socio-economic impact study

The Gauteng Provincial Government has decided to commission, in conjunction with the Board, a study on the socio-economic impact of gambling in the Province.

The results of this study will facilitate the review and refinement of the gambling regulatory framework.

The draft terms of reference for the study have been published for comment by interested persons, prior to these being finalised.

It is expected that the study will be put out to tender during July/August 2002.

Casinos

Adverse economic conditions and increased competition by the National Lottery in the form of a second weekly prize draw, resulted in a decrease in the rate of growth of gaming revenues of the five operating casinos, growing by 7,2% year on year, to R2,62 billion for the year. This resulted in gaming tax collections of R235,7 million in the current year, compared to R219,8 million in the previous year. The operating profile of the casinos can be summarised as follows:

Casino name	No of gaming machines	No of tables
Caesar's Gauteng	1 500	50
Carnival City	1 750	60
Emerald Safari Resort	616	24
Gold Reef City Casino	1 600	50
Montecasino	1 700	70
TOTAL	7 166	254

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2002

The sixth casino licence was issued to Rhino Resort Limited on 21 November 2001 for a casino development in Krugersdorp.

Subsequent to the issuing of the licence Tsogo Sun Holdings (Pty) Ltd brought a review application in the High Court to set aside the decision of the Board to grant the licence, as well as the decision of the Executive Council to concur with the Board's decision to grant the licence. The Board is defending the review application.

Horse-racing and Betting

Pool betting

Totalizator turnover continued its downward trend and amounted to R1,176 billion for the year, a reduction of 10,16% on the previous year. This is mainly due to adverse economic conditions and increased competition from other forms of gambling.

Revenues from totalizator taxation amounted to R42,69 million, compared to R46,4 million for the previous year.

The rate of totalizator taxation was reduced to 6,5% on take-out, with effect from 1 April 2002. The previous tax rate was 3,5% of gross takings, which equated to approximately 15% on take-out.

This latest reduction in the tax rate paves the way for the listing of Phumelela Gaming and Leisure Ltd on the JSE Securities Exchange during June 2002, the final step in the corporatisation of the horse-racing industry, as contemplated in the Memorandum of Understanding entered into between the industry and the Gauteng Provincial Government.

Fixed odds betting

A number of bookmakers have applied to the Board for, and been granted, approval to relocate their businesses to new premises. This is aimed at achieving a better geographical spread of availability of betting outlets and enhanced facilities for patrons.

Taxes collected from Gauteng bookmakers amounted to R21,07 million, compared to R20,2 million in the previous year.

Bingo Operations

Bingo revenues improved by 17,5% during the current year to a total of R13 million (2001 : R11,08 million), resulting in tax revenues of R1,562 million (2001 : R1,329 million).

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2002

Limited payout machines

The introduction of the limited payout machine industry has once again been delayed, firstly by the Constitutional Court case between the National Gambling Board and the Premier of Kwazulu-Natal, and secondly by the withdrawal of IBM as the technology provider of Zonke Monitoring Systems, the appointed national Central Electronic Monitoring System operator.

The Board will complete its policy on the licensing approach to limited payout machines once the current uncertainties have been resolved and upon receipt of the socio-economic impact study referred to earlier in this report.

Illegal gambling

The Board continues to have a close working relationship with the South African Police Services and the Directorate of Public Prosecutions, which has been a major factor in the successes achieved in eradicating illegal gambling within the Province.

During the year a further 194 gaming machines were confiscated and 43 people were convicted of gambling-related offences.

Amendments to legislation

Amendments to the Gauteng Gambling Act recommended by the Board were passed by the legislature and promulgated during the year under review.

The Board continues to keep abreast of developments, both locally and internationally, in order to ensure that the regulatory framework remains relevant in a fast-changing environment.

Sports Development Fund

The income of the Sports Development Fund amounted to R954 000 during the current year (2001 : R851 000).

Grant applications in the amount of R1,4 million in respect of the Tembisa and Diepsloot sporting complex developments were approved by the Board, and the said grants were disbursed subsequent to the year end.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2002

Human Resources

Development and training of employees remain a priority of the Board and to this end various training and development initiatives were embarked upon during the year.

Employees according to Race and Gender

Race	Female	Male	Total	Percentage
Black	29	27	56	75,7
Coloured	2	1	3	4,1
Indian	1	0	1	1,3
White	7	7	14	18,9
	—	—	—	—
TOTAL	39	35	74	100
	—	—	—	—
Disabled			1	1,3

FINANCIAL RESULTS

The financial results of the Board and the taxes and levies collected and distributed are reflected in the attached annual financial statements.

The Board received approval to retain the accumulated surplus of R12,014 million at the beginning of the year and the current year surplus of R10,061 million will be paid into the Provincial Revenue Fund, as required in terms of the provisions of the Gauteng Gambling Act and the Public Finance Management Act.

REPORT OF THE BOARD (continued)
FOR THE YEAR ENDED 31 MARCH 2002

FINANCIAL HIGHLIGHTS

	2002	%	2001	%
	R'000		R'000	
REVENUE				
Collection commission	23 927	82,63	-	-
Budget allocation				
- Gauteng Provincial Government	-	-	6 000	57,56
Cost recovery – On-site casino inspectors	1 596	5,51	-	-
Sports betting levies	1 295	4,47	1 489	14,28
Interest received	898	3,10	1 348	12,93
Application fees	615	2,13	961	9,22
Other	625	2,16	626	6,01
	<hr/>	<hr/>	<hr/>	<hr/>
	28 956	100,0	10 424	100,0
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURE				
Staff costs	12 425	65,76	11 651	66,58
Board members' fees	343	1,82	397	2,27
Depreciation	1 428	7,56	1 448	8,27
Professional and consulting fees	94	0,49	45	0,26
Other operating expenditure	4 605	24,37	3 959	22,62
	<hr/>	<hr/>	<hr/>	<hr/>
	18 895	100,00	17 500	100,00
	<hr/>	<hr/>	<hr/>	<hr/>
SURPLUS/(DEFICIT) FOR THE YEAR	10 061		(7 076)	
Total collections on behalf of beneficiaries	342 022		329 957	
Expenditure as a percentage of total collections	5,52%		5,30%	

**PERFORMANCE REPORT
FOR THE YEAR ENDED 31 MARCH 2002**

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
<ul style="list-style-type: none"> ▪ Ensure that all monies due are properly accounted for and distributed as prescribed 	<ul style="list-style-type: none"> ▪ Collection of 98% of all monies due ▪ Distribution to beneficiaries on due date ▪ Adherence to planned revenue audits of licensees ▪ Reporting of monies collected and distributed 	<ul style="list-style-type: none"> ▪ A total of R342,024 million was collected and no amounts due were written off during the year under review ▪ All monies were distributed to beneficiaries on due date ▪ A total of 31 revenue audits were conducted, in accordance with the year plan. ▪ Reporting of all monies collected and distributed was done to stakeholders on due date, the details of which are contained in the financial statements
<ul style="list-style-type: none"> ▪ Ensure fairness to punters 	<ul style="list-style-type: none"> ▪ Adherence to approval and registration procedures ▪ Game rule approvals ▪ Processing of all gambling disputes lodged with the Board 	<ul style="list-style-type: none"> ▪ 299 requests for gambling equipment approvals were received and processed ▪ 10 requests for casino game rule approvals were received and processed ▪ 7 requests for totalizator rule amendments were received and processed ▪ 35 disputes were lodged with the board and of these 30 were evaluated and decided upon, the remainder being under investigation at year end
<ul style="list-style-type: none"> ▪ Ensure that gambling activities are conducted in accordance with legislative requirements 	<ul style="list-style-type: none"> ▪ Adherence to planned inspections relating to unlicensed gambling activities and follow up of all reported illegal gambling activities ▪ Adherence to planned compliance inspections and audits and follow up on incidences of non-compliance 	<ul style="list-style-type: none"> ▪ All incidences of illegal gambling uncovered were acted upon. This resulted in 36 raids, 194 gaming machines being confiscated and 43 convictions for illegal gambling ▪ Compliance audits were carried out in accordance with plans and corrective action was taken in cases of non-compliance. This included the imposition of fines amounting to R307,000.

PERFORMANCE REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2002

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
<ul style="list-style-type: none"> ▪ Ensure suitability of participants in and premises used for gambling 	<ul style="list-style-type: none"> ▪ Adherence to licensing procedures 	<p>All applications received were processed in accordance with the laid down licensing procedures. This resulted in the Board granting the following approvals:</p> <ul style="list-style-type: none"> ▪ 3 licences ▪ 26 amendments of licence ▪ 27 transfers of licence ▪ 943 employee registrations
<ul style="list-style-type: none"> ▪ Maximise benefits derived from gambling and minimise the negative impact thereof 	<ul style="list-style-type: none"> ▪ Review and improvement of responsible gambling practices and rules ▪ Monitoring of licensees' compliance with bid deliverables 	<ul style="list-style-type: none"> ▪ Revised responsible gambling rules issued for comment ▪ A total of 413 persons have utilised the Board's self-exclusion program ▪ Licensees are substantially in compliance with their bid deliverables and this is monitored on a continuous basis
<ul style="list-style-type: none"> ▪ Assist in the development of gambling policy and legislation 	<ul style="list-style-type: none"> ▪ Annual review of regulatory environment 	<ul style="list-style-type: none"> ▪ Proposed legislative amendments were submitted to the MEC and were subsequently promulgated ▪ Rules of the Board were revised and promulgated
<ul style="list-style-type: none"> ▪ Ensure an effective and efficient operation of the Board 	<ul style="list-style-type: none"> ▪ Maintain self-funding of the Board's operations 	<ul style="list-style-type: none"> ▪ The Board has achieved a surplus of R10,06 million for the current year ▪ The total expenditure for the year was within budget

REPORT OF THE AUDITOR-GENERAL TO THE MEMBERS OF THE GAUTENG PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF THE GAUTENG GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2002

1 AUDIT ASSIGNMENT

The financial statements as set out on pages 16 to 28, for the year ended 31 March 2002, 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, as amended). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2 NATURE AND SCOPE

2.1 Audit of financial statements

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit 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.

Furthermore, and 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.

3 AUDIT OPINION

3.1 Audit of financial statements

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Gauteng Gambling Board at 31 March 2002 and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice.

4 **APPRECIATION**

The assistance rendered by the staff of the Gauteng Gambling Board during the audit is sincerely appreciated.

DORIS LT DONDUR
for AUDITOR-GENERAL
Johannesburg
9 July 2002

GAUTENG GAMBLING BOARD

BALANCE SHEET

at 31 March 2002

	Notes	2002 R'000	2001 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	8,188	8,514
Current assets		64,684	37,032
Trade and other receivables	2	14,147	3,229
Prepayments		29	17
Cash and cash equivalents	9.2	50,508	33,786
Total assets		<u>72,872</u>	<u>45,546</u>
RESERVES AND LIABILITIES			
Reserves			
Retained surplus	3	12,014	12,014
Current liabilities		60,858	33,532
Collections for distribution	4.1	36,429	28,952
Trade and other payables	5	24,429	4,580
Total reserves and liabilities		<u>72,872</u>	<u>45,546</u>

GAUTENG GAMBLING BOARD

INCOME STATEMENT

for the year ended 31 March 2002

	Notes	2002 R'000	2001 R'000
Gross revenue	6	28,058	9,076
Total operating expenses		18,895	17,500
Board members' fees		343	397
Depreciation	1	1,428	1,448
Other operating expenses	7	4,699	4,004
Staff costs	8	12,425	11,651
Operating surplus/(deficit) for the year		9,163	(8,424)
Interest received		898	1,348
Net surplus/(deficit) for the year		10,061	(7,076)

STATEMENT OF CHANGES IN EQUITY

Retained surplus at the beginning of the year		12,014	19,090
Net surplus/(Deficit) for the year		10,061	(7,076)
Less: Amount to be paid to Provincial Revenue Fund		(10,061)	-
Retained surplus at the end of the year	3	12,014	12,014

GAUTENG GAMBLING BOARD

CASH FLOW STATEMENT

for the year ended 31 March 2002

	Notes	2002 R'000	2001 R'000
Cash flows from operating activities			
Cash receipts		31,563	9,101
Cash paid to suppliers and employees		(16,560)	(13,884)
Cash generated from/(utilised in) operations	9.1	15,003	(4,783)
Interest received		898	1,348
Net cash inflow/(outflow) from operating activities		15,901	(3,435)
Cash flows from investing activities			
Additions to property, plant and equipment	1	(1,108)	(1,033)
Proceeds from sale of property, plant and equipment		19	2
Net cash outflow from investing activities		(1,089)	(1,031)
Cash flows from collection and distribution activities			
Increase/(decrease) in collections for distribution		7,477	(366)
Increase in trust debtors		(5,567)	(2,361)
Net cash inflow/(outflow) from collection and distribution activities		1,910	(2,727)
Net increase/(decrease) in cash and cash equivalents		16,722	(7,193)
Cash and cash equivalents at beginning of year		33,786	40,979
Cash and cash equivalents at end of year	9.2	50,508	33,786

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES

for the year ended 31 March 2002

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies, which are materially consistent with those adopted in the previous financial year, except as otherwise indicated.

STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act.

REVENUE

This includes revenue derived from collection commission, application fees, licence fees, sports betting levies and other income. Revenue is recognised on the accrual basis, excluding VAT.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated 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
Furniture and equipment	3 to 6 years
Motor vehicles	5 years
Information technology equipment	2 to 3 years

LEASES

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

EMPLOYEE BENEFITS

Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service. The provision for employee entitlement to annual leave represents the amount which the Board has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provision has been calculated at undiscounted amounts based on current salary rates.

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES - continued

for the year ended 31 March 2002

Long term employee benefits

The Board does not incur a liability for post employment medical aid benefits.

Retirement benefits

The Board contributes to a defined contribution plan. Contributions to the defined contribution fund are charged to the income statement in the year to which they relate.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and bank balances, receivables and trade and other payables. These instruments are carried at their estimated fair value.

PROVISIONS

Provisions are recognised when the Board has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

TAXES AND LEVIES

Taxes and levies are accounted for on an invoice basis.

TAXATION

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

COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

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 2002						
Opening 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)
Additions	845	16	-	216	31	1,108
Disposals	-	-	-	(0)	(6)	(6)
- Cost	-	-	-	(19)	(49)	(68)
- Accumulated depreciation	-	-	-	19	43	62
Depreciation charge	(131)	(32)	(32)	(1,012)	(221)	(1,428)
Closing net carrying amount	6,562	475	50	784	317	8,188
Gross carrying amount	6,937	602	160	3,258	1,247	12,204
Accumulated depreciation	(375)	(127)	(110)	(2,474)	(930)	(4,016)
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)

The land and building was purchased on 31 March 1999 and consists of an office building held under Title Deed Number T86131 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 2002

	2002	2001
	R'000	R'000
2		
TRADE AND OTHER RECEIVABLES		
Trust debtors	8,572	3,005
Gauteng Provincial Government – collection commission	5,234	-
Sundry debtors	341	224
	<hr/>	<hr/>
	14,147	3,229
	<hr/>	<hr/>
3		
RETAINED SURPLUS		
In terms of Section 17(6) of the Gauteng Gambling Act, 1995, as amended, and Section (53)3 of the Public Finance Management Act, surplus funds at the close of the financial year, shall be paid to the Provincial Revenue Fund, unless Treasury approval has been obtained to retain such funds.		
The Board has received approval to retain the surplus as at 31 March 2001.		
4		
TAXES AND LEVIES		
Taxes and levies for distribution to beneficiaries at year end		
Gauteng Provincial Administration	30,505	24,019
North West Provincial Administration	3	2
Limpopo Provincial Administration	192	591
Mpumalanga Provincial Administration	646	689
Phumelela Leisure & Gaming Limited	1,840	1,324
Sports Development Fund	3,233	2,322
Dissemination levies	10	5
	<hr/>	<hr/>
	36,429	28,952
	<hr/>	<hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

		2002	2001
		R'000	R'000
4.2	Taxes and levies collected for the year		
4.2.1	Provincial taxes		
4.2.1.1	<i>Gauteng Provincial Government</i>		
	Betting tax	63,762	66,674
		<hr/>	<hr/>
	Phumelela Leisure & Gaming Limited	42,689	46,436
	- horse-racing	-	2
	- other sports	-	-
	On-course bookmakers	1,714	874
	- horse-racing	-	-
	- other sports	338	118
	Off-course bookmakers	17,271	17,442
	- horse-racing	-	-
	- other sports	1,750	1,802
		<hr/>	<hr/>
	Gaming Tax	237,267	221,140
		<hr/>	<hr/>
	Casinos	176,578	161,286
	- machines	-	-
	- tables	59,127	58,525
	Bingo	1,562	1,329
		<hr/>	<hr/>
		<hr/>	<hr/>
	<i>Taxes collected for Gauteng Provincial Government</i>	301,029	287,814
		<hr/>	<hr/>
4.2.1.2	<i>Mpumalanga Provincial Government</i>		
	Betting Tax	8,364	8,577
		<hr/>	<hr/>
	Totalizator Agency Board (TAB)	7,748	8,131
	Off-course bookmakers	595	433
	- horse-racing	-	-
	- other sports	21	13
		<hr/>	<hr/>
4.2.1.3	<i>North West Provincial Government</i>		
	Betting Tax		
	Off-course bookmakers	35	38
	- horse-racing	<hr/>	<hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

		2002	2001
		R'000	R'000
4.2.1.4	<i>Limpopo Provincial Government</i>		
	Betting Tax	5,089	7,162
		<hr/>	<hr/>
	Totalizator Agency Board (TAB)	4,843	7,098
	- horse-racing		3
	- other sports	-	
	Off-course bookmakers	246	61
		<hr/>	<hr/>
	Total taxes collected	314,517	303,591
		<hr/>	<hr/>
4.2.2	Levies Collected		
	Sports Development Fund Levies	952	851
		<hr/>	<hr/>
	Bookmakers	703	680
	Interest earned	251	171
		<hr/>	<hr/>
	Phumelela Leisure & Gaming Limited		
	Off-course bookmakers	19,194	18,663
	Dissemination Levies		
	Bookmakers	78	83
		<hr/>	<hr/>
	Total levies collected	20,226	19,597
		<hr/>	<hr/>
	Licence fees	4,146	3,089
	Interest earned and penalties received	3,135	3,680
		<hr/>	<hr/>
	Total collections for distribution	342,022	329,957
	Taxes and levies for distribution to beneficiaries		
	at year-end	4.1 (36,429)	(28,952)
		<hr/>	<hr/>
		305,593	301,005
		<hr/>	<hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	2002 R'000	2001 R'000
4.3 Taxes and levies distributed during the year		
Gauteng Provincial Administration	301,824	295,530
North West Provincial Administration	34	41
Limpopo Provincial Administration	5,488	7,166
Mpumalanga Provincial Administration	8,407	8,643
Phumelela Leisure & Gaming Limited	18,678	18,811
Sports Development Fund	41	48
Dissemination levies	73	84
	<hr/>	<hr/>
	334,545	330,323
Less: Prior year-end collections distributed during the year	(28,952)	(29,318)
	<hr/>	<hr/>
	305,593	301,005
	<hr/>	<hr/>
5 TRADE AND OTHER PAYABLES		
Cash guarantees held	230	55
Provisions		
- Audit fees	123	60
- Leave pay	311	181
Licence fees received in advance	8,908	-
Creditors and accruals	1,200	3,254
Investigation deposits	484	577
VAT payable	3,112	453
Provincial Revenue Fund – current year surplus	10,061	-
	<hr/>	<hr/>
	24,429	4,580
	<hr/>	<hr/>
6 GROSS REVENUE		
Revenue consists of:		
Administration fees	72	72
Application fees	615	961
Collection commission	23,927	-
Cost recovery – On-site casino inspectors	1,596	-
Forfeited cash and assets	2	44
Licence fees received	100	-
Penalties collected	165	350
Sales of printed material	3	5
Sports betting levies	1,295	1,489
Sundry income	149	38
Recoveries of investigation expenses	134	117
Budget allocations – Gauteng Provincial Government	-	6,000
	<hr/>	<hr/>
	28,058	9,076
	<hr/>	<hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2002

	2002	2001
	R'000	R'000
7 OTHER OPERATING EXPENSES		
Advertisements	21	18
Audit fees:	245	26
External audit	129	26
- Current year	123	60
- Prior year (over provision)	6	(34)
Internal Audit	116	-
Bank charges	19	18
Conference facilities	58	50
Entertainment	2	8
Information technology	131	175
Insurance	135	106
Investigation and enforcement costs	208	396
Legal expenses	152	201
Office accommodation and storage rentals	460	393
Office consumables, maintenance and refreshments	68	87
Printing and photo-copying	71	85
Postage, stationery and subscriptions	176	173
Professional and consulting fees	94	45
Regional Services Council levies	45	31
Security expenses	17	15
Skills Development Levy	94	-
Staff recruitment	74	32
Staff training and development	621	238
Telephone and communications	769	724
Transcription costs	8	16
Travelling and subsistence:		
Local	520	618
Overseas	697	521
Uniforms and protective clothing	14	28
	4,699	4,004

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	2002	2001
	R'000	R'000
8 STAFF COSTS		
Included in the staff costs are:	12,425	11,651
- Salaries, bonuses and allowances	9,804	9,361
- Defined contribution plan expenses	1,256	1,208
- Medical aid contributions	950	802
- Group life contributions	361	235
- Other employer contributions	54	45

9 NOTES TO THE CASH FLOW STATEMENT

9.1 Reconciliation of the net surplus to cash generated from operations

Net surplus/(deficit)	10,061	(7,076)
Adjustments for:		
Depreciation	1,428	1,448
Investment income	(898)	(1,348)
Provision for leave pay	131	(157)
Profit on sale of property, plant and equipment	(13)	-
Operating surplus/(deficit) before working capital changes	10,709	(7,133)
Increase/(Decrease) in trade and other payables	9,657	2,325
(Increase)/Decrease in trade and other receivables	(5,363)	25
Cash generated from/(utilised by) operations	15,003	(4,783)

9.2 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	50,507	29,079
Investments	-	4,706
Petty cash	1	1
	50,508	33,786

Included in bank is an amount of R458 702 in respect of accrued interest received on 2 April 2002.

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2002

	2002	2001
	R'000	R'000
10 RETIREMENT BENEFITS		
The Board provides retirement benefits for all its permanent employees, through a defined contribution provident fund, which is subject to the Pension Fund Act, 1956 as amended.		
The total amount expensed during the year was	1,256	1,208
	<hr/>	<hr/>
11 CAPITAL COMMITMENTS		
Capital commitments in respect of building alterations	97	-
	<hr/>	<hr/>