



# Report

## OF THE AUDITOR GENERAL



AUDITOR-GENERAL

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The 2003 financial year has proved to be yet another exciting and eventful year for the Board, as more fully dealt with in the Report of the Board.

It has now been approximately seven years since the introduction of the new gambling dispensation in Gauteng and the socio-economic impact study into the effects of gambling in the Province to be conducted during the coming financial year will provide the Board with an


invaluable opportunity to reflect on the current status of the industry and to review the gambling licensing and regulatory framework based on the findings of the study.

A number of Board Member vacancies will shortly be filled and we look forward to the new members joining us in our exciting and challenging task.

The gambling regulatory environment continuously presents the Board with new challenges to be met and I wish to express my sincere gratitude to my fellow Board Members, the Chief Executive Officer and staff who have risen to these challenges.

**IV MALEKA**  
CHAIRPERSON

### BOARD MEMBERS

 Messrs	IV Maleka	Chairperson
	IAM Semanya	Deputy Chairperson
	MGK Maher	
	S Tati	
	J Maluleke	
	W Segal	
Mesdames	R Mokoena	
	MN Xaba	Resigned 8 January 2003

### AUDIT COMMITTEE



# Balance Sheet

AT 31 MARCH 2003

	Notes	2003 R'000	2002 R'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	1	7,861	8,188
Current assets			
		63,560	64,684
Trade and other receivables	2	11,738	14,147
Prepayments		17	29
Cash and cash equivalents	9.2	51,805	50,508
Total assets		71,421	72,872
<b>RESERVES AND LIABILITIES</b>			
Reserves			
Retained surplus	3	12,014	12,014
Current liabilities			
		59,407	60,858
Collections for distribution	4.1	34,521	36,429
Trade and other payables	5	24,886	24,429
Total reserves and liabilities		71,421	72,872



# *Income Statement*

FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 R'000	2002 R'000
Gross revenue	6	30,593	28,058
Total operating expenses		22,453	18,895
Board members' fees		369	343
Depreciation	1	1,032	1,428
Other operating expenses	7	6,331	4,699
Staff costs	8	14,721	12,425
Operating surplus for the year		8,140	9,163
Interest received		1,809	898
Net surplus for the year		9,949	10,061

# *Statement of Changes in Equity*

FOR THE YEAR ENDED 31 MARCH 2003

Retained surplus at the beginning of the year	12,014
Net surplus for the period 31 March 2002	10,061
Less:	
Surplus to be paid to Provincial Revenue Fund	(10,061 )
Retained surplus at 31 March 2002	12,014
Net surplus for the period 31 March 2003	9,949
Less:	
Surplus to be paid to Provincial Revenue Fund	(9,949)
Retained surplus at 31 March 2003	12,014



# Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 R'000	2002 R'000
<b>Cash flows from operating activities</b>			
Cash receipts		33,755	31,563
Cash paid to suppliers and employees		(21,852)	(16,560)
Cash generated from operations	9.1	11,903	15,003
Interest received		1,809	898
Cash paid to Provincial Revenue Fund		(10,061)	-
Net cash inflow from operating activities		3,651	15,901
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	1	(715)	(1,108)
Proceeds from sale of property, plant and equipment		58	19
Net cash outflow from investing activities		(657)	(1,089)
<b>Cash flows from collection and distribution activities</b>			
Increase in collections for distribution		1,364	7,477
Increase in trust debtors		(3,061)	(5,567)
Net cash inflow/(outflow) from collection and distribution activities		(1,697)	1,910
Net increase in cash and cash equivalents		1,297	16,722
Cash and cash equivalents at beginning of year		50,508	33,786
<b>Cash and cash equivalents at end of year</b>	9.2	51,805	50,508



# *Summary of Accounting Policies*

FOR THE YEAR ENDED 31 MARCH 2003

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, 1999 (Act No. 1 of 1999) as amended.

## 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.

### 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, 1962 (Act No. 58 of 1962) as amended.

## COMPARATIVE FIGURES

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2003

## 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
<b>31 March 2003</b>						
Opening 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)
Additions	26	12	69	502	106	715
Disposals	-	-	(2)	(4)	(5)	(11)
- Cost	-	-	(35)	(101)	(17)	(153)
- Accumulated depreciation	-	-	33	97	12	142
Depreciation charge	(139)	(61)	(39)	(652)	(140)	(1,032)
Closing net carrying amount	6,449	426	78	630	278	7,861
Gross carrying amount	6,963	614	194	3,659	1,336	12,766
Accumulated depreciation	(514)	(188)	(116)	(3,029)	(1,058)	(4,905)
<b>31 March 2002</b>						
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	-	-	-	-	(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)

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.

The gross carrying amount of land and building is made up as follows:

	R'000
Initial purchase price	6,092
Additions/improvements	845
- 2002	26
- 2003	
	6,963



# *Notes to the Financial Statements*

FOR THE YEAR ENDED 31 MARCH 2003

	2003 R'000	2002 R'000
<b>2 TRADE AND OTHER RECEIVABLES</b>		
Trust debtors	11,633	8,572
Gauteng Provincial Government – collection commission	2,506	5,234
Sundry debtors	871	341
	<hr/>	<hr/>
	15,010	14,147
Less: Provision for doubtful trust debtor	(3,272)	-
	<hr/>	<hr/>
	11,738	14,147
	<hr/>	<hr/>

Included in trust debtors is an amount of R3,272,011 for which repayment terms exceed one year. The Board has obtained securities in respect of this amount. Since it is not possible to reliably estimate the realizable value of the securities, the Board deems it prudent to raise a doubtful debt provision in respect of the full amount outstanding.

## **3 RETAINED SURPLUS**

In terms of Section 17(6) of the Gauteng Gambling Act, 1995 (Act No. 1 of 1995), as amended, and Section 53(3) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended, 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 of R12,014 million as at 31 March 2001.

## **4 TAXES AND LEVIES**

### **4.1 Taxes and levies for distribution to beneficiaries at year end**

Gauteng Provincial Administration	31,792	30,505
North West Provincial Administration	-	3
Limpopo Provincial Administration	216	192
Mpumalanga Provincial Administration	711	646
Phumelela Leisure & Gaming Limited	2,102	1,840
Sports Development Fund	2,972	3,233
Dissemination levies	-	10
	<hr/>	<hr/>
	37,793	36,429
Less: Provision for doubtful trust debtor (refer to Note 2 above)	(3,272)	-
	<hr/>	<hr/>
	34,521	36,429
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# *Notes to the Financial Statements*

FOR THE YEAR ENDED 31 MARCH 2003

		2003 R'000	2002 R'000
<b>4.2 Taxes and levies collected for the year</b>			
<b>4.2.1 Provincial taxes</b>			
<i>4.2.1.1 Gauteng Provincial Government</i>			
Betting tax		48,080	63,762
Phumelela Leisure & Gaming Limited	- horse-racing	22,078	42,689
On-course bookmakers	- horse-racing	2,766	1,714
	- other sports	389	338
Off-course bookmakers	- horse-racing	20,451	17,271
	- other sports	2,396	1,750
Gaming Tax		<b>266,377</b>	<b>237,267</b>
Casinos	- machines	200,413	176,578
	- tables	64,203	59,127
Bingo		1,761	1,562
<b>Taxes collected for Gauteng Provincial Government</b>		<b>314,457</b>	<b>301,029</b>
<i>4.2.1.2 Mpumalanga Provincial Government</i>			
Betting Tax		8,201	8,364
Totalizator Agency Board (TAB)	- horse-racing	7,368	7,748
Off-course bookmakers	- horse-racing	818	595
	- other sports	15	21
<i>4.2.1.3 North West Provincial Government</i>			
Betting Tax			
Off-course bookmakers	- horse-racing	55	35





# *Notes to the Financial Statements*

FOR THE YEAR ENDED 31 MARCH 2003

		2003 R'000	2002 R'000
<b>4.2.1.4 Limpopo Provincial Government</b>			
Betting Tax		3,085	5,089
Totalizator Agency Board (TAB)	- horse-racing	2,795	4,843
Off-course bookmakers	- horse-racing	290	246
<b>Total taxes collected</b>		<b>325,798</b>	<b>314,517</b>
<b>4.2.2 Levies Collected</b>			
Sports Development Fund Levies		1,139	952
Bookmakers		931	701
Interest earned		208	251
Phumelela Leisure & Gaming Limited			
Off-course bookmakers		23,419	19,194
Dissemination Levies			
Bookmakers		96	78
<b>Total levies collected</b>		<b>24,654</b>	<b>20,224</b>
<b>Licence fees</b>		<b>(417)</b>	<b>4,146</b>
<b>Interest earned and penalties received</b>		<b>4,519</b>	<b>3,135</b>
<b>Total collections for distribution</b>		<b>354,554</b>	<b>342,022</b>
Taxes and levies for distribution to beneficiaries at year-end	4.1	(37,793)	(36,429)
		<b>316,761</b>	<b>305,593</b>



# *Notes to the Financial Statements*

FOR THE YEAR ENDED 31 MARCH 2003

	2003 R'000	2002 R'000
<b>4.3 Taxes and levies distributed during the year</b>		
Gauteng Provincial Administration	317,272	301,824
North West Provincial Administration	58	34
Limpopo Provincial Administration	3,061	5,488
Mpumalanga Provincial Administration	8,136	8,407
Phumelela Leisure & Gaming Limited	23,157	18,678
Sports Development Fund	1,400	41
Dissemination levies	106	73
	<b>353,190</b>	<b>334,545</b>
Less: Prior year-end collections distributed during the year	(36,429)	(28,952)
	<b>316,761</b>	<b>305,593</b>
 <b>5 TRADE AND OTHER PAYABLES</b>		
Cash guarantees held	5	230
Provisions		
- Audit fee	129	123
- Leave pay	260	311
Licence fees received in advance	10,300	8,908
Creditors and accruals	1,094	1,200
Gauteng Provincial Government : Gambling study contribution	570	-
Investigation deposits	326	484
VAT payable	2,253	3,112
Provincial Revenue Fund – current year surplus	9,949	10,061
	<b>24,886</b>	<b>24,429</b>
 <b>6 GROSS REVENUE</b>		
Revenue consists of:		
Administration fees	72	72
Application fees	712	615
Collection commission	15,904	23,927
Cost recovery – On-site casino inspectors	1,886	1,596
Forfeited cash and assets	-	2
Licence fees received	9,648	100
Penalties collected	220	165
Profit on sale of assets	47	-
Sales of printed material	1	3
Sports betting levies	1,738	1,295
Sundry income	109	149
Recoveries of investigation expenses	256	134
	<b>30,593</b>	<b>28,058</b>



# *Notes to the Financial Statements*

FOR THE YEAR ENDED 31 MARCH 2003

	2003 R'000	2002 R'000
<b>7 OTHER OPERATING EXPENSES</b>		
Advertisements	91	21
Audit fees:	329	245
External audit	133	129
- Current year	129	123
- Prior year under provision	4	6
Internal Audit	196	116
Bank charges	22	19
Conference costs	117	58
Information technology	301	131
Insurance	146	135
Investigation and enforcement costs	148	208
Legal expenses	612	152
Office accommodation and storage rentals	506	460
Office consumables, maintenance and refreshments	85	68
Printing and photo-copying	75	71
Postage, stationery and subscriptions	157	176
Professional and consulting fees	19	94
Public relations and hospitality	200	97
Regional Services Council levies	43	45
Security expenses	8	17
Skills Development Levy	119	94
Staff recruitment	11	74
Staff training and development	606	621
Telephone and communications	766	674
Transcription costs	5	8
Travelling and subsistence:		
Local	783	520
Overseas	1,182	697
Uniforms and protective clothing	-	14
	<b>6,331</b>	<b>4,699</b>



# *Notes to the Financial Statements*

FOR THE YEAR ENDED 31 MARCH 2003

	2003 R'000	2002 R'000
<b>8 STAFF COSTS</b>		
Included in the staff costs are:	14,721	12,425
- Salaries, bonuses and allowances	11,706	9,804
- Defined contribution plan expenses	1,574	1,256
- Medical aid contributions	1,119	950
- Group life contributions	229	361
- Other employer contributions	93	54
<b>9 NOTES TO THE CASH FLOW STATEMENT</b>		
<b>9.1 Reconciliation of the net surplus to cash generated from operations</b>		
Net surplus	9,949	10,061
Adjustments for:		
Depreciation	1,032	1,428
Investment income	(1,809)	(898)
Provision for leave pay	(52)	131
Profit on sale of property, plant and equipment	(47)	(13)
	-----	-----
Operating surplus before working capital changes	9,073	10,709
Increase in trade and other payables	620	9,657
(Increase)/Decrease in trade and other receivables	2,210	(5,363)
	-----	-----
<b>Cash generated from operations</b>	<b>11,903</b>	<b>15,003</b>
	-----	-----
<b>9.2 Cash and cash equivalents</b>		
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Bank	51,804	50,507
Petty cash	1	1
	-----	-----
	51,805	50,508
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# *Notes to the Financial Statements*

FOR THE YEAR ENDED 31 MARCH 2003

	2003 R'000	2002 R'000
<b>10 RETIREMENT BENEFITS</b>		
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	1,574	1,256
<b>11 CAPITAL COMMITMENTS</b>		
Capital commitments in respect of building alterations	-	97