

GAUTENG GAMBLING BOARD

Established in terms of Section 3 of the
Gauteng Gambling Act, 1995 (Act No 4 of 1995), as amended

ANNUAL REPORT 31 March 2005

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CHAIRPERSON'S STATEMENT

The 2005 financial year was once again exciting and eventful as evidenced by the matters highlighted in the Report of the Board. 2006 will represent the 10th anniversary of the Board's establishment. Looking back over the past nine years, it is pleasing to note the substantial achievements of the Board, which include the following:

- Since inception to date the Board has collected a total of R2,37 billion in taxes on behalf of the Gauteng Provincial Government.
- The licensing initiatives of the Board have resulted in the creation of approximately 10 000 direct new job opportunities with a further 25 000 indirect and induced job opportunities.
- The development and training of its human capital with specific emphasis on opportunities made available to previously disadvantaged individuals is evidenced by the fact that at present 80% of the Board's staff consists of previously disadvantaged individuals, while 57% of the Board's staff are women.

It thus behoves me to express my sincere appreciation to my fellow Board Members, the Chief Executive Officer and staff for their sterling efforts in ensuring these achievements.

Since the year end, Messrs Majombozi, Mahlalela and Ms R Mokoena have resigned as Board Members. I wish to thank them for their contribution during their tenure as Board Members and wish them well in their future endeavours.

Lastly, on 25 July 2005 the MEC indicated his intention to review the composition of the Board.

FJ NALANE
CHAIRPERSON

ADMINISTRATIVE INFORMATION

BOARD MEMBERS

Messrs	FJ Nalane SA Tati MGK Maher S Mahlalela SL Majombozi J Maluleka L Mohapeloa W Segal LT Sibeko	Chairperson Deputy Chairperson
Mesdames	Z Mamba R Mokoena R Morojele	

AUDIT COMMITTEE

Messrs	MGK Maher CA(SA)	Chairperson
	M Nkhabu CA(SA)	
Ms	S Machaba CA(SA)	

CHIEF EXECUTIVE OFFICER

Mr J Booysen CA(SA)

CHIEF FINANCIAL OFFICER

Ms D Dondur CA(SA)

POSTAL ADDRESS

Private Bag X125
Centurion 0046
South Africa

TELEPHONE

+27 12 663-8900

E-MAIL

info@ggb.org.za

BANKERS

Standard Bank

PHYSICAL ADDRESS

1256 Heuwel Avenue
Centurion 0157
South Africa

FAX

+27 12 663-8588

WEBSITE

www.ggb.org.za

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 management 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 management 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.

The Audit Committee operates within the framework of a formal terms of reference and has discharged its responsibilities for the year, in compliance with its terms of reference.

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

ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared in accordance with Statements of 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 2005 and the results of its operations and cash flows for the year then ended.

The Annual Report for the year ended 31 March 2005 set out on pages to and to were approved by the members of the Board on and are signed on their behalf by:

FJ Nalane
Chairperson

J Booyesen
Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2005

We are pleased to present our report for the financial year ended 31 March 2005.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets at least four times per annum as per its approved terms of reference. During the year under review five meetings were held.

Name of Member	Number of meetings attended
Messrs MGK Maher (Chairperson)	5
M Nkhabu	5
Ms S Machaba	3

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the Public Finance Management Act ("the Act") and Treasury Regulations 27.1.8 and 27.1.10. The Audit Committee also reports that it has adopted formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control is effective as the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and management letter of the Auditor-General have not reported any significant or material non-compliance with prescribed policies and procedures.

The quality of management and monthly/quarterly reports submitted in terms of the Act

The Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Board during the year under review.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed with the Auditor-General and the Accounting Authority the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's management letter and management response; and
- Reviewed significant adjustments resulting from the audit.

REPORT OF THE AUDIT COMMITTEE (continued)
FOR THE YEAR ENDED 31 MARCH 2005

The Audit Committee concurs with and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

MGK MAHER
Chairperson of the Audit Committee

Date:

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2005

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2005.

INCORPORATION, FUNCTIONS AND POWERS

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

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.
 - Approval and registering of all gambling devices.
 - Collecting prescribed taxes and levies for the Gauteng Province and other specified beneficiaries.
 - Ensuring compliance with gambling legislation.
- 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.

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.

**REPORT OF THE BOARD (continued)
FOR THE YEAR ENDED 31 MARCH 2005**

BOARD MEMBERS

The names of Board Members appear on page 3.

BOARD MEMBER EMOLUMENTS

Board Member emoluments are reflected in note 8 to the Annual Financial Statements.

SENIOR MANAGEMENT REMUNERATION

Name	Position	Basic salary R	Allowances R	Bonus R	Performance bonus R	Employer contributions R	Total remuneration R
J Booysen	Chief Executive Officer	759 180	120 000	70 690	70 690	206 145	1 226 705
E Lalumbe	Manager : Legal Services	511 920	-	40 610	40 610	114 841	707 981
B Kgomo	Manager : Compliance	465 960	67 400	41 760	41 760	98 739	715 619
JJ Oberholzer	Manager : Licensing and Betting	379 170	117 600	39 370	39 370	132 036	707 546
K Jacobs	Manager : MIS	338 700	67 400	30 680	30 680	64 924	532 384
O Hadebe	Manager : Human Resources	245 400	72 000	23 760	23 760	51 663	416 583
D Dondur (1)	Chief Financial Officer	57 337	19 162	-	-	10 007	86 506
A Puoane (2)	Chief Financial Officer	256 444	24 000	-	36 980	57 388	374 812
L Lukhwareni (3)	Manager : Law Enforcement	180 480	33 900	23 220	23 220	43 941	304 761
TOTAL		3 194 591	521 462	270 090	307 070	779 684	5 072 897

- (1) For the period 14/02/2005 to 31/3/2005
(2) For the period 01/04/2004 to 13/11/2004
(3) For the period 01/04/2004 to 31/12/2004

PERFORMANCE AGAINST OBJECTIVES

The performance against objectives for the year under review is dealt with in the Performance Report set out on pages 16 and 17.

GENERAL REVIEW

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

Responsible Gambling

During the year under review, the Board made available a further amount of R1,01 million for the responsible gambling awareness and education campaign in Gauteng.

Major activities conducted during the year included:

- A newspaper advertising campaign on gambling myths and facts, in English and Zulu;
- The continuation of the schools project, with 269 sessions held at 51 schools throughout the Province, and a total number of 23 738 learners attending the sessions;
- 11 Community outreach sessions; and
- Exhibitions at, amongst others, the Rand Easter Show, the 49th International World Conference on Small Business, National Youth Day celebrations and the Pretoria Show.

A further 268 people have joined the Board's self-exclusion programme during the year under review, bringing the total number of people who have made use of the programme to 1 114.

Socio-economic Impact Study

The study on the socio-economic impact of gambling in Gauteng was completed during June 2004.

The Board has submitted the report, together with its recommendations on policy matters based on the findings of the study, to the Provincial Executive Council for its consideration.

It is anticipated that the Gauteng Department of Finance and Economic Affairs will release the impact study report for public consumption within the near future.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2005

Black Economic Empowerment (“BEE”) in the industry

The Board continues to monitor the compliance of licensees with BEE commitments made in terms of their licence applications.

The Board is also compiling a set of minimum BEE criteria to be adhered to by all licensees. This is being done in conjunction with all other South African gambling regulators in order to ensure a uniform approach in this regard.

Assistance to other regulators

During the year under review the Board assisted other gambling regulators on the African continent with training initiatives for their Board members and staff.

The training sessions were attended by representatives from Tanzania, Malawi, Zimbabwe, Swaziland, Lesotho, Namibia, Cameroon and Botswana, and were provided free of charge, in the spirit of the New Partnership for African Development (NEPAD).

The Board has, since inception, regulated betting activities on behalf of other Provinces such as Mpumalanga and Limpopo.

During the year under review the Northern Province (Limpopo) Gambling Board took over the betting regulatory functions in Limpopo Province.

Social Upliftment

During the year, Caesar’s Gauteng acquired a number of gaming positions from Emerald Safari Resort. The approval for this transaction was granted by the Board on condition that Caesar’s Gauteng spend an amount of R50 million on social upliftment projects in the East Rand and Vaal areas.

Caesar’s Gauteng has committed to spend this amount on the improvement of the quality of school education of previously disadvantaged individuals in the East Rand and Vaal areas through investment in supplementary teaching of Mathematics, Accounting and English.

An amount of R50 million has been placed in trust with the Board pending the implementation of the project. This amount earns interest at the same rate as the other bank balances of the Board and accrues in favour of Caesar’s Gauteng and the project. The total amount is reflected in the balance sheet under monies held in trust.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2005

Legislative amendments

The National Gambling Act, No 7 of 2004 was promulgated and came into operation on 1 November 2004 and Regulations made under that Act came into operation on 15 November 2004.

As a result the Gauteng gambling legislation will have to be amended to align it with the new National gambling legislation. The Board is in the final stages of completing its review of the current legislation and will submit its recommendations on the required legislative amendments to the MEC for Finance and Economic Affairs shortly.

Casinos

Financial Performance

Gaming revenues of the five operating casinos increased by 15,55%, to R3,79 billion for the year.

Gaming tax collections from the casinos amounted to R341,17 million, compared to R295,51 million in the previous year.

Operating Profile

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

Casino Name	No of gaming machines	No of gaming tables
Caesars Gauteng	1 640	67
Carnival City	1 750	60
Emerald Safari Resort	660	23
Gold Reef City Casino	1 600	50
Montecasino	1 700	70
TOTAL	7 350	270

Sixth Casino Licence

The Supreme Court of appeal upheld the decision of the High Court directing the Board to issue a casino licence to Silverstar Development Limited and a casino licence was issued to Silverstar, in accordance with the court order, on 29 April 2005.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2005

Horse-racing and betting

Pool betting

Totalizator turnover increased by 16,99% during the current year to a total of R1,46 billion (2004 : R1,25 billion). The increase is partly due to the effects of the equine flu epidemic experienced during the previous financial year.

Totalizator taxation amounted to R24,03 million (2004 : R20,93 million).

Fixed odds betting

Taxes collected from Gauteng bookmakers amounted to R24,60 million during the year under review, compared to R22,25 million in the previous year.

The Board, in conjunction with other South African Regulators, is in the process of completing a memorandum on proposed policy recommendations to counter the negative effect of offshore betting operators which offer tax free betting on sport and South African horse-racing. Upon completion, the memorandum will be submitted to the National Gambling Policy Council for consideration.

Bingo operations

Bingo revenues improved by 11,44% during the current year to a total of R17,05 million (2004 : R15,30 million), resulting in tax collections of R2,05 million (2004 : R1,84 million).

Limited payout machines

The legal proceedings instituted by Viva Bingo (Kolonnade) (Pty) Ltd, reported on in the previous annual report, are still pending.

The Board has submitted its recommendations on the policy issues relating to limited payout machines, based on the findings of the socio-economic impact study referred to above, to the Gauteng Provincial Government and is currently awaiting policy directives from Government.

Illegal gambling

The Board continued its close working relationship with the South African Police Services and the Directorate of Public Prosecutions in order to ensure the effective enforcement of gambling legislation in the Province.

During the year, 337 illegal gaming machines and 3 gaming tables were confiscated and 68 people were convicted of gambling-related offences.

**REPORT OF THE BOARD (continued)
FOR THE YEAR ENDED 31 MARCH 2005**

Sports Development Fund

The income of the Sports Development Fund amounted to R1,47 million during the year under review (2004: R1,29 million).

The balance of the Fund at 31 March 2005 amounted to R3,33 million.

Grants amounting to R2,40 million were made by the Board during the year in respect of the following projects:

- Upgrading of Sebokeng Zone 11 Sport Stadium
- Kagiso Sport Complex
- Dube Sport Complex
- Bursaries for previously disadvantaged apprentice jockeys.

Human Resources

HIV/Aids

The HIV/Aids committee's mandate has been extended to include other terminal diseases and is now called the HIV/AIDS and other Terminal Diseases committee.

The committee has embarked on a number of awareness initiatives, which include a voluntary HIV/Aids testing programme and ongoing HIV/AIDS training. The committee is also involved in a Community Outreach programme involving AIDS orphans.

Employees according to race and gender

Race	Female	Male	Total	Percentage
Black	29	23	52	70,27
Coloured	3	1	4	5,41
Indian	2	1	3	4,05
White	8	7	15	20,27
TOTAL	42	32	74	100
Disabled			1	1,35

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2005

Development and Training

Development and training of employees remain a priority of the Board and various training and development initiatives took place during the year.

All employees of the Board participated in training sessions during the year. The training sessions covered a wide spectrum of topics, including:

- Performance management training
- Information technology audit
- Responsible gambling
- Money laundering
- Fraud detection
- HIV/AIDS counselling and care

The Board also provides a bursary scheme for employees for part-time tertiary studies and there are currently 27 employees participating in the scheme.

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 has previously received approval to retain the accumulated surplus of R12,01 million as at 31 March 2001 and the current year surplus of R11,47 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 2005

FINANCIAL HIGHLIGHTS

	2005	%	2004	%
	R'000		R'000	
REVENUE				
Collection commission	19,006	48,20	17,284	46,92
Contribution by Gauteng Provincial Government:				
- Socio-economic Impact Study	-	-	500	1,36
- Responsible gambling awareness programme	1,008	2,60	908	2,47
Cost recovery – On-site casino inspectors	1,873	4,80	2,023	5,49
Licence fees	12,037	30,50	10,824	29,38
Sports betting levies	2,072	5,30	1,507	4,09
Interest received	1,537	3,90	2,145	5,82
Application fees	1,065	2,70	732	1,99
Other	817	2,00	913	2,48
	-----	-----	-----	-----
	39,415	100,00	36,836	100,00
	-----	-----	-----	-----
EXPENDITURE				
Staff costs	17,287	61,90	15,668	59,68
Board members' fees	745	2,70	335	1,27
Depreciation	711	2,50	834	3,18
Professional and consulting fees	37	0,10	11	0,04
Other operating expenditure	9,164	32,80	9,407	35,83
	-----	-----	-----	-----
	27,944	100,00	26,255	100,00
	-----	-----	-----	-----
SURPLUS FOR THE YEAR	11,471		10,581	
Total collections on behalf of beneficiaries	423,170		373,318	
Expenditure as a percentage of total collections	6,60%		7,03%	

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2005

APPRECIATION

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

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

PERFORMANCE REPORT FOR THE YEAR ENDED 31 MARCH 2005

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 R423,17 million was collected. Amounts due amounting to R3,46 million were written off against provisions previously created. ▪ All monies were distributed to beneficiaries on due date ▪ A total of 36 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"> ▪ 202 requests for gambling equipment approvals were received and processed ▪ 2 requests for casino game rule approvals were received and processed ▪ 88 disputes were lodged with the board and of these 68 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 80 raids, 337 gaming machines and 3 gaming tables being confiscated and 68 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 penalties amounting to R83,672

PERFORMANCE REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2005

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
<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 compliance audit of licensees 	<ul style="list-style-type: none"> ▪ The following compliance audits were carried out in accordance with the year plan: <ul style="list-style-type: none"> - Manufacturer/Supplier 14 - Casinos 7 - Bingos 12 - Betting 38
<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 	<ul style="list-style-type: none"> ▪ All applications received were processed in accordance with the laid down licensing procedures. This resulted in the Board granting the following approvals: <ul style="list-style-type: none"> - 12 conversions to National licences (excluding employees) - 18 amendments of licence - 32 transfers of licence - 942 employee registrations - 6 certificates of suitability - 11 consents to hold financial interest - 121 employee registrations converted to National licences
<ul style="list-style-type: none"> ▪ Maximise benefits derived from gambling and minimise the negative impact thereof 	<ul style="list-style-type: none"> ▪ Responsible gambling practices and rules ▪ Monitoring of licensees' compliance with bid deliverables 	<ul style="list-style-type: none"> ▪ A total of 1 114 persons have utilised the Board's self-exclusion programme ▪ Continuation of the responsible gambling awareness and education campaign at a cost of R1,01 million ▪ 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"> ▪ Legislation to be amended to align provincial legislation with new national legislation
<ul style="list-style-type: none"> ▪ Ensure the 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 R11,47 million for the current year ▪ The total expenditure for the year was within budget

REPORT OF THE AUDITOR-GENERAL TO THE EXECUTIVE AUTHORITY ON THE FINANCIAL STATEMENTS OF THE GAUTENG GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2005

1 AUDIT ASSIGNMENT

The financial statements as set out on pages 20 to 34, for the year ended 31 March 2004, 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

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

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Gauteng Gambling Board at 31 March 2004 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 Public Finance Management Act, 1999 (Act No 1 of 1999) as amended.

4 **APPRECIATION**

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

K SINGH
for AUDITOR-GENERAL
Johannesburg

GAUTENG GAMBLING BOARD

BALANCE SHEET
at 31 March 2005

	Notes	2005 R'000	2004 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	10,410	10,632
Current assets		127,819	64,310
Trade and other receivables	2	3,730	10,396
Prepayments		15	17
Cash and cash equivalents	11.2	124,074	53,897
		-----	-----
Total assets		138,229	74,942
RESERVES AND LIABILITIES			
Reserves		14,998	14,998
Retained surplus	3	12,014	12,014
Non distributable reserve	4	2,984	2,984
Current liabilities		123,231	59,944
Collections for distribution	5.1	43,414	32,089
Trade and other payables	6	79,817	27,855
		-----	-----
Total reserves and liabilities		138,229	74,942

GAUTENG GAMBLING BOARD

INCOME STATEMENT

for the year ended 31 March 2005

	Notes	2005 R'000	2004 R'000
Gross revenue	7	37,878	34,691
Total operating expenses		27,944	26,255
Board members' fees	8	745	335
Depreciation	1	711	834
Other operating expenses	9	9,201	9,418
Staff costs	10	17,287	15,668
Operating surplus for the year		9,334	8,436
Interest received		1,537	2,145
Net surplus for the year		11,471	10,581

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2005

	Retained Surplus R'000	Revaluation reserve R'000	Total R'000
Balance at 31 March 2003	12,014	-	12,014
Net surplus for the period	10,581		10,581
Surplus retained (Note 3)	-		-
Surplus to be paid over to Provincial Revenue Fund	(10,581)		(10,581)
Surplus on revaluation of property	-	2,984	2,984
Balance at 31 March 2004	12,014	2,984	14,998
Net surplus for the period	11,471		11,471
Surplus to be paid over to Provincial Revenue Fund	(11,471)		(11,471)
Balance at 31 March 2005	12,014	2,984	14,998

GAUTENG GAMBLING BOARD**CASH FLOW STATEMENT**

for the year ended 31 March 2005

	Notes	2005 R'000	2004 R'000
Cash flows from operating activities			
Cash receipts		88,840	35,570
Cash paid to suppliers and employees		(27,623)	(23,693)
		<hr/>	<hr/>
Cash generated from operations	11.1	61,217	11,877
Interest received		1,537	2,145
Cash paid to Provincial Revenue Fund		(10,581)	(8,949)
		<hr/>	<hr/>
Net cash inflow from operating activities		52,173	5,073
Cash flows from investing activities			
Additions to property, plant and equipment	1	(509)	(630)
Proceeds from sale of property, plant and equipment		50	112
		<hr/>	<hr/>
Net cash outflow from investing activities		(459)	(518)
Cash flows from collection and distribution activities			
Increase/(decrease) in collections for distribution		7,870	(2,249)
(Increase)/decrease in trust debtors		10,593	(214)
		<hr/>	<hr/>
Net cash inflow/(outflow) from collection and distribution activities		18,463	(2,463)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		70,177	2,092
Cash and cash equivalents at beginning of year		53,897	51,805
		<hr/>	<hr/>
Cash and cash equivalents at end of year	11.2	124,074	53,897
		<hr/> <hr/>	<hr/> <hr/>

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES

for the year ended 31 March 2005

The financial statements are prepared on the historical cost basis, except as modified by the revaluation of land and buildings, and incorporate the following principal accounting policies, which are materially consistent with those adopted in the previous financial year.

STATEMENT OF COMPLIANCE

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

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. Buildings are stated at gross replacement value less accumulated depreciation since the date of the revaluation and are revalued every five years. The revaluation surplus is credited to non-distributable reserves. On disposal, the net revaluation surplus is transferred to retained surplus while profits or losses on disposal, based on current values, are credited or charged to the income statement.

Depreciation is calculated on the straight-line method to write off the cost/valuation 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

Property, plant and equipment are reviewed periodically to assess whether or not the net recoverable amount has declined below the carrying amount. In the event of such impairment, the carrying amount is reduced with the impairment loss and the impairment loss is charged as an expense against income.

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.

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES - continued

for the year ended 31 March 2005

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.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank, all of which are available for use by the Board.

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. These are collected in an agency capacity and are therefore not treated as revenue.

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 to changes in presentation in the current year.

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2005

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 2005						
Opening net carrying amount	9,300	420	311	436	165	10,632
Gross carrying amount		672	358	3,788	1,344	15,462
Accumulated depreciation		(252)	(47)	(3,352)	(1,179)	(4,830)
Additions	19	36		305	148	509
Disposals		(3)		(14)	(2)	(19)
- Cost		(6)		(102)	(46)	(154)
- Accumulated depreciation		3		88	44	135
Depreciation charge	(194)	(70)	(71)	(274)	(102)	(711)
Closing net carrying amount	9,125	383	240	453	209	10,410
Gross carrying amount	9,319	701	358	3,992	1,446	15,816
Accumulated depreciation	(194)	(318)	(118)	(3,539)	(1,237)	(5,406)
31 March 2004						
Opening 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)
Additions	9	58	289	255	19	630
Disposals	-	-	(4)	(3)	(2)	(9)
- Cost	-	-	(125)	(126)	(11)	(262)
- Accumulated depreciation	-	-	121	123	9	253
Depreciation charge	(142)	(64)	(52)	(446)	(130)	(834)
Revaluation	2,984					2,984
Closing net carrying amount	9,300	420	311	436	165	10,632
Gross carrying amount	9,300	672	358	3,788	1,344	15,462
Accumulated depreciation		(252)	(47)	(3,352)	(1,179)	(4,830)

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 land and buildings were revalued by Standard Bank Property Division, an independent valuer, on 31 March 2004, at market value.

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2005

	2005 R'000	2004 R'000
2		
TRADE AND OTHER RECEIVABLES		
Trust debtors	1,254	11,847
Gauteng Provincial Government – collection commission	1,771	1,973
Sundry debtors	705	422
	<hr/>	<hr/>
	3,730	14,242
Less: Provision for doubtful trust debtor	-	(3,455)
Provision for doubtful licence fees and penalties	-	(391)
	<hr/>	<hr/>
	3,730	10,396
	<hr/> <hr/>	<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 of R12,014 million as at 31 March 2001.		
4		
NON-DISTRIBUTABLE RESERVE		
Reserve on re-valuation of property, plant and equipment		
Buildings	2,984	2,984
	<hr/> <hr/>	<hr/> <hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2005

	2005	2004
	R'000	R'000
5 TAXES AND LEVIES		
5.1 Taxes and levies for distribution to beneficiaries at year-end		
Gauteng Provincial Administration	39,067	28,931
Limpopo Provincial Administration	-	247
Mpumalanga Provincial Administration	279	250
Phumelela Gaming & Leisure Limited	734	1,854
Sports Development Fund	3,334	4,262
	<hr/>	<hr/>
	43,414	35,544
Less: Provision for doubtful trust debtor	<hr/>	(3,455)
	43,414	32,089
	<hr/> <hr/>	<hr/> <hr/>
5.2 Reconciliation of taxes and levies collected for the year		
5.2.1 Provincial taxes		
5.2.1.1 Gauteng Provincial Government		
Betting tax	48,636	43,174
Totalizator	23,711	20,861
- horse-racing	322	65
- other sport	1,876	3,759
On-course bookmakers	120	106
- horse-racing	20,155	16,247
- other sport	2,452	2,136
Gaming Tax	343,242	297,349
Casinos	265,672	229,716
- machines	75,524	65,795
- tables	2,046	1,838
Bingo	<hr/>	<hr/>
Taxes collected for Gauteng Provincial Government	391,878	340,523
	<hr/>	<hr/>
Balance carried forward	391,878	340,523

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2005

	2005	2004
	R'000	R'000
Balance brought forward	391,878	340,523

5.2.1.2 ***Mpumalanga Provincial Government***

Betting Tax		3,455	5,083
Totalizator	- horse-racing	2,550	4,306
	- other sport	58	14
Off-course bookmakers	- horse-racing	823	728
	- other sport	24	35

5.2.1.3 ***Limpopo Provincial Government***

Betting Tax		1,624	3,052
Totalizator	- horse-racing	1,475	2,788
	- other sport	22	19
Off-course bookmakers	- horse-racing	127	245
Total taxes collected		396,957	348,658
Balance carried forward		396,957	348,658

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2005

	Notes	2005 R'000	2004 R'000
Balance brought forward		396,957	348,658
5.2.1 Levies Collected			
Sports Development Fund Levies		1,467	1,290
Levies		1,174	931
Interest earned		293	359
Phumelela Gaming & Leisure Limited Off-course bookmakers		22,200	20,072
Total levies collected		23,667	21,362
Interest earned and penalties received		2,546	3,298
Total collections for distribution		423,170	373,318
Write off of amounts previously provided for		(3,455)	-
Taxes and levies for distribution to beneficiaries at year-end	5.1	(43,414)	(35,544)
		376,301	337,774
5.3 Taxes and levies distributed during the year			
Gauteng Provincial Administration		382,559	346,683
Limpopo Provincial Administration		1,871	3,020
Mpumalanga Provincial Administration		3,426	5,544
Phumelela Gaming & Leisure Limited		21,594	20,320
Sports Development Fund		2,395	-
		411,845	375,567
Less: Prior year-end collections distributed during the year		(35,544)	(37,793)
		376,301	337,774

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2005

	Notes	2005 R'000	2004 R'000
6 TRADE AND OTHER PAYABLES			
Cash guarantees held		155	305
Amounts held in trust		51,613	650
- Gambling dispute		166	150
- Peermont : Social Advancement		51,447	-
- Sports Development Fund		-	500
Provisions			
- Leave pay		272	370
Licence fees received in advance		12,598	11,213
Creditors and accruals		1,424	942
Gauteng Provincial Government: Socio Economic Study		-	184
Investigation deposits		117	163
VAT payable		2,167	2,355
Provincial Revenue Fund – current year surplus		11,471	10,581
Responsible gambling awareness programme:			
- Retained surplus 2003		-	1,000
- Unutilised contributions from DFEA		-	92
		79,817	27,855
		79,817	27,855
7 GROSS REVENUE			
Revenue consists of:			
Administration fees		72	72
Application fees		1,065	732
Collection commission		19,006	17,284
Contribution by Gauteng Provincial Government:			
- Socio Economic Impact Study		-	500
- Responsible Gambling Awareness Programme		1,008	908
Cost recovery – On-site casino inspectors		1,873	2,023
Forfeited cash and assets		1	115
Licence fees received		12,037	10,824
Penalties collected		84	123
Profit on sale of assets		31	103
Sales of printed material		-	1
Sports betting levies		2,072	1,507
Sundry income		363	166
Recoveries of investigation expenses		266	333
		37,878	34,691
		37,878	34,691

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2005

		2005	2004
		R'000	R'000
8	BOARD MEMBERS' FEES		
	Board Member emoluments for non-executive Board Member services rendered during the year:		
Messrs	FJ Nalane	88	8
	IV Maleka	-	29
	SA Tati	33	51
	IAM Semanya	-	20
	MGK Maher	57	40
	S Mahlalela	55	6
	SL Majombozi	59	7
	J Maluleka	64	34
	L Mohapeloa	57	10
	W Segal	68	37
	LT Sibeko	62	6
Mesdames	Z Mamba	69	8
	R Mokoena	54	54
	R Morojele	62	7
		<hr/>	<hr/>
	TOTAL PAID TO BOARD MEMBERS	729	317
	AUDIT COMMITTEE REMUNERATION	16	18
		<hr/>	<hr/>
	TOTAL	745	335
		<hr/> <hr/>	<hr/> <hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2005

	2005	2004
	R'000	R'000
9 OTHER OPERATING EXPENSES		
Advertisements	60	85
Audit fees:	256	175
External audit	168	14
- Current year	168	0
- Prior year under provision	0	14
Internal Audit	88	161
Bank charges	28	26
Conference costs	85	97
Information technology	334	319
Insurance	207	190
Investigation and enforcement costs	109	194
Legal expenses	2,004	2,022
Office accommodation and storage rentals	441	475
Office consumables, maintenance and refreshments	136	95
Postage, stationery and subscriptions	193	174
Printing and photo-copying	135	96
Professional and consulting fees	37	11
Provision for doubtful licence fees and penalties	-	391
Public relations and hospitality	257	174
Regional Services Council levies	47	42
Responsible Gambling Awareness Programme	1,008	908
Security expenses	28	13
Skills Development Levy	145	123
Socio Economic Impact Study	-	735
Staff recruitment	27	45
Staff training and development	529	404
Telephone and communications	809	832
Transcription costs	13	8
Travelling and subsistence:		
Local	852	711
Overseas	1,458	1,071
Uniforms and protective clothing	3	2
	9,201	9,418

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2005

	Notes	2005 R'000	2004 R'000
10 STAFF COSTS			
Included in the staff costs are:		17,287	15,668
- Salaries, bonuses and allowances		13,902	12,455
- Defined contribution plan expenses	12	1,808	1,641
- Medical aid contributions		1,226	1,180
- Group life contributions		243	262
- Other employer contributions		108	130
11 NOTES TO THE CASH FLOW STATEMENT			
11.1 Reconciliation of the net surplus to cash generated from operations			
Net surplus		11,471	10,581
Adjustments for:			
Depreciation		711	834
Investment income		(1,537)	(2,145)
Provision for leave pay		(98)	110
Provision for doubtful licence fees and penalties		-	391
Profit on sale of property, plant and equipment		(31)	(103)
		<hr/>	<hr/>
Operating surplus before working capital changes		10,516	9,668
Increase in trade and other payables		51,173	1,227
(Increase)/Decrease in trade and other receivables		(472)	982
		<hr/>	<hr/>
Cash generated from operations		61,217	11,877
		<hr/> <hr/>	<hr/> <hr/>
11.2 Cash and cash equivalents			
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		124,073	53,896
Petty cash		1	1
		<hr/>	<hr/>
		124,074	53,897
		<hr/> <hr/>	<hr/> <hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2005

		2005 R'000	2004 R'000
12	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	<u>1,808</u>	<u>1,641</u>
13	CONTINGENT LIABILITIES		
13.1	The Board is a defendant in a legal action instituted by one of its licensees, Viva Bingo (Pty) Ltd, who is claiming damages of approximately R23 million as a result of the Board not having commenced with the licensing of limited payout machines. In the opinion of the Board, after taking appropriate legal advice, the result of such action will not have any material effect on the Board's financial position.		
13.2	The Supreme Court of Appeal handed down a cost order against the Board in the Silverstar litigation. The costs in this matter are currently being taxed and it is anticipated that this will not have any material effect on the Board's financial position.		
13.3	Negotiations are under way to amend the terms and conditions of employment of the Board's Chief Executive Officer. The financial effect of this cannot, at this stage, be reasonably estimated as this is dependent upon the outcome of the negotiations.		
14	NON-CAPITAL COMMITMENTS		
	Operating leases		
	The future minimum lease payments under non-cancelable operating leases for the Board's photocopiers are as follows:		
	- Within 1 year	105	149
	- 1 to 5 years	338	373
		<u>443</u>	<u>522</u>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2005

15 NON-ADJUSTING SUBSEQUENT EVENT

In terms of Section 24(1) of the VAT Act, the Gauteng Gambling Board will be deregistered for VAT with effect from 1 April 2005. In terms of Section 8(2)(iv) of the VAT Act, the Gauteng Gambling Board qualifies for exemption from paying VAT Output on the value of its assets upon deregistration.

**MATERIALITY AND SIGNIFICANCE FRAMEWORK IN TERMS OF TREASURY
REGULATION 28.1.5**

PUBLIC FINANCE MANAGEMENT ACT SECTION	QUANTITATIVE [AMOUNT]	QUALITATIVE [NATURE]
<p>S50 Fiduciary duties of accounting authorities</p> <p>(1) The accounting authority for a public entity must-</p> <p>(c) on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, <u>all material facts</u>, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority or that legislature; and</p>	<p>Any fact discovered of which the amount exceeds the planning materiality figure used by the external auditors for the year under review.</p>	<p>1 Any item or event of which specific disclosure is required by law</p> <p>2 Any fact discovered of which its omission or misstatement, in the Board's opinion, could influence the decisions or actions of the executive authority or legislature.</p>
<p>S54 Information to be submitted by accounting authorities</p> <p>(2) Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:</p> <p>(b) participation in a <u>significant</u> partnership, trust, unincorporated joint venture or similar arrangement;</p> <p>(c) acquisition or disposal of a <u>significant</u> shareholding in a company;</p> <p>(d) acquisition or disposal of a <u>significant</u> asset;</p> <p>(e) commencement or cessation of a <u>significant</u> business activity</p>	<p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p>	<p>Any participation, outside of the approved strategic plan and budget</p> <p>Any acquisition or disposal</p> <p>Acquisition – Cost in excess of approved budget</p> <p>Disposal of asset/assets constituting in excess of 25% of the Board's assets, measured at cost</p> <p>Any business activity that would impact on the Board's ability to fulfill its mandate, outside of the approved strategic plan and budget</p>

PUBLIC FINANCE MANAGEMENT ACT SECTION	QUANTITATIVE [AMOUNT]	QUALITATIVE [NATURE]
<p>S55 Annual report and financial statements</p> <p>(2) The annual report and financial statements referred to in subsection (1)(d) must-</p> <p>(a) fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;</p> <p>(b) include particulars of-</p> <p>(i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;</p>	<p>1 Losses through criminal conduct – any loss identified.</p> <p>2 Losses through irregular/fruitless/wasteful expenditure – if the combined total exceeds the planning materiality figure used by the external auditors for the year under review</p>	<p>Any identified loss through criminal conduct.</p>