

ANNUAL
REPORT
2007



10 YEAR ANNIVERSARY

Foreword by the MEC

As we present the 2006/07 annual report of the Gauteng Gambling Board (GGB) we also take this opportunity to congratulate the Board on reaching ten years of existence on the 31st of March 2007.

This is indeed an important milestone for GGB which has, over the years, done sterling work in regulating the gambling industry, collecting revenue for the Province and promoting responsible gambling.

We applaud the work done by GGB and going forward the challenge is to elevate its successes to higher levels.

Among the many successes GGB has registered in the execution of its mandate is the fact that to date, it has collected more than R3.2 billion on behalf of the Gauteng Provincial Government. For the financial year 2006/2007, GGB exceeded its collection target of R449 million by collecting R513 million.

The Gambling Board is the second biggest contributor of revenue to the Provincial Revenue Fund. This highlights the critical role the Board plays in the collection of revenue needed for the Provincial Government to improve service delivery.

The licensing of gambling activities has thus far created 10 000 direct new job opportunities with a further 25 000 indirect job opportunities.

In June 2006 we amended the Provincial Gambling Act. This we did in order to position GGB on a proper footing to allow it to contribute more directly towards the achievement of provincial priorities; key among them is faster economic growth and job creation.

Furthermore, the amendment was intended to strengthen and define more clearly the relationship between GGB and the Department of Economic Development as well as to assist in the creation of an enabling environment for good corporate governance within GGB.

We are confident that by amending the Gambling Act, we have equipped GGB with the necessary legislative framework to allow it to make new and decisive advances in the execution of its mandate.

The Gambling Board will continue to encourage responsible gambling and in the 2006/2007 financial year spent more than R2 million on various campaigns to promote responsible gambling.

GGB will also pay attention to monitoring the implementation of Broad Based Black Economic Empowerment within the gambling industry in Gauteng.

Furthermore, we will continue to rely on the Gambling Board to strengthen efforts to increase provincial revenue and to promote responsible gambling.

The Gambling Board will also ensure that other forms of gambling which promote the entry of small, medium and micro enterprises in the gambling industry such as limited payout machines are introduced within a proper regulatory framework.

We wish to express our sincere gratitude and appreciation to Mr Prince Mafojane, the former administrator of the Board for overseeing the affairs of GGB in the absence of a fully constituted Board. We applaud him for a job well done and a mission accomplished.

We wish the new Board and Management of GGB success in executing their important mandate.



Paul Mashatile
MEC for Finance and Economic Affairs





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 2007

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Chairperson's Statement

This is the Board's 10th Annual Report and highlights a decade of outstanding performance. The establishment of the Board in 1998 was a catalyst for the development of a well regulated gambling industry both provincially and nationally. The industry evolved against a background of an entrenched illegal gambling industry in every town and city in the country. During 1995, it was estimated that there were about 150 000 illegal slot machines in South Africa, paying no tax, employing few people and providing a platform for associated criminal behaviour such as narcotics trade. A significant amount of these machines were in Gauteng. Moreover, this vast illegal industry offered players no protection against fraud, was accessible to minors and ignored problems associated with compulsive gambling. The Board has replaced this with a rigorously and effectively regulated legal industry in Gauteng.

Some of the Board's achievements over the decade include:

- **Revenue Collection**

The Board has as at 31 March 2007 collected and distributed an amount of R3,246 billion on behalf of the Provincial Government.

- **Attainment of Gauteng Provincial Government's Growth and Development Strategy**

The Board has through its innovative regulatory approach established a successful and world class gambling industry which has resulted in:

- **Job Creation**

There are currently approximately 25 000 (direct and indirect) jobs created in the Province.

- **Thuthuka Project**

The programme was designed to provide educational support to learners, educators, school management and parents in the East Rand and Vaal triangle regions. The Board has, through the exercise of its regulatory discretion, required Peermont Global East Rand (Pty) Ltd to pay an amount of R50 million towards this targeted supplementary educational programme. This programme has addressed government priorities in the education sector, specifically the need to support:

- Educators in the areas of Mathematics and Science.
- Schools in poor areas.
- Creation and distribution of contextually relevant material to support the implementation of the new curriculum at foundation, intermediate and FET level.
- The implementation of the White Paper on e-education through the rollout of technology infrastructure and digital content to schools.
- English second language learners, specifically in cognitive demanding subjects such as Mathematics and Science.
- Access to higher education.
- Career guidance and development of lifelong learning practices.
- The distribution of age appropriate HIV/Aids content.
- Transformation of identified occupational fields.

- **Contribution towards NEPAD initiatives**

In the spirit of the New Partnership for African Development, the Board has assisted other gambling regulators on the African continent with training for their staff and Board members. These training sessions benefited amongst others representatives from Tanzania, Malawi, Zimbabwe, Swaziland, Lesotho, Namibia, Cameroon and Botswana.



RL Mogotsi
Chairperson



- **Assistance to other South African Regulators**
The Board has in the past regulated betting activities on behalf of other provinces such as Mpumalanga, Limpopo and Free State.
- **SMME development, the creation of trust funds and the development of communities by:**
 - Developing sports projects.
 - Donating money, food and clothes to street children, orphans, abandoned children and disabled children with AIDS.
 - Creating jobs and new business opportunities.
 - Making money available for the development of schools and supplying schools with facilities.
 - Sponsorships and bursaries.
 - Supporting the elderly (old age homes).
 - Donating money to the poor.
 - Developing water projects and building houses.
 - Helping people who are living with HIV/AIDS.
 - Assisting the handicapped and disabled.
 - Supporting women's activities.
 - Donating money to Boys Town.
 - Environmental development (road and park development and upgrading of roads).
 - Building of recreation parks and facilities.
- **Contribution towards tourism development**
Through licensing the Board has ensured that the province has world class facilities which substantially contribute towards the promotion of both business and leisure tourism in the Province. These include world class convention centres, world class hotels and other hotel tourism attractions such as theme parks and theatres.

Looking ahead, the Board's strategic focus for next year will be the following:

- Implementation of the Codes of Good Practice promulgated in terms of the Broad Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003).
- Provide input in the finalisation of the legislation on Interactive Gambling.
- Implementation of the revised tax structure on bets with bookmakers to remove the punter based tax.
- Finalisation of the policy on limited payout machines.
- Commission a follow up study on the socio economic impact of gambling in the Province.

As incoming Chairperson, I would like to convey my sincere appreciation for the sterling work undertaken by:

- MEC for Economic Development, Mr P Mashatile for providing leadership and support of the Board's activities.
- The Administrator, Mr Prince Mafojane, for ensuring the continued operation of the Board during his tenure.
- My fellow Board members for making available their time and expertise to discharge the mandate of the Board on behalf of the Provincial Government.
- The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and staff for their dedication and commitment to the Board's activities and the personal sacrifices this has required of them.

RL Mogotsi
Chairperson

Administrative Information

Board Members

| | | | |
|----------|-------------|--------------------|----------------------------------|
| Messrs | FJ Nalane | Chairperson | (Resigned : 19 June 2006) |
| | SA Tati | Deputy Chairperson | (Resigned : 19 June 2006) |
| | MGK Maher | | (Resigned : 19 June 2006) |
| | J Maluleka | | (Board dissolved : 29 June 2006) |
| | L Mohapeloa | | (Resigned : 19 June 2006) |
| | W Segal | | (Resigned : 19 June 2006) |
| | IT Sibeko | | (Resigned : 11 June 2006) |
| Mesdames | Z Mamba | | (Resigned : 9 June 2006) |
| | R Morojele | | (Board dissolved : 29 June 2006) |

Audit Committee

| | | | |
|----------|------------------|-------------|---------------------------|
| Messrs | MGK Maher CA(SA) | Chairperson | (Resigned : 19 June 2006) |
| | M Nkhabu CA(SA) | | |
| | SP Mafojane | | |
| Mesdames | S Machaba CA(SA) | | |

Chief Executive Officer

| | |
|-------------------------|--|
| Mr J Booyesen CA(SA) | (Resigned 30 September 2006; Acting Chief Executive Officer for the period 1 October 2006 to 31 December 2006) |
| Mr JJ Oberholzer | (Acting Chief Executive Officer for the period 1 January 2007 to 28 February 2007) |
| Advocate MBB Lekalakala | (Appointed 1 March 2007) |

Chief Financial Officer

Ms DLT Dondur CA(SA)



Administrative Information (continued)

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Advocate MBB Lekalakala
Chief Executive Officer



Mr EBS Lalumbe
Chief Operating Officer

Boardmember's Inauguration April 2007



Mr L Mogotsi
Chairperson



Mr P Mashatile
Honourable MEC for
Economic Development



Ms T Gasela
Deputy Chairperson



Mr S Mahlelela



Mr T Molai



Dr P Ndaba



Mr S Majambozi



Ms M Stofile



Mr P Mafojane



Ms Z Ntlangula



Mr P Masegare



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 to assist 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 Audit Committee 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 Audit Committee of the Board.

As part of providing assurance to 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 per annum. The committee ensures effective communication between the Board, internal audit and the Auditor-General. The Auditor-General and internal audit have free access to the Audit Committee.

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

Annual Financial Statements

The annual financial statements are prepared in accordance with Statements of Generally Recognised 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 represent, in all material respects, the financial position of the Board as at 31 March 2007 and the results of its operations and cash flows for the year then ended.

The Annual Report for the year ended 31 March 2007 set out on pages 2 to 22 and 25 to 43 were approved by the Chairperson of the Board, on 26 July 2007.

Advocate MBB Lekalakala
Chief Executive Officer

Report of the Audit Committee

For The Year Ended 31 March 2007

We are pleased to present our report for the financial year ended 31 March 2007.

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 six meetings were held.

| | NAME OF MEMBER | NUMBER OF MEETINGS ATTENDED |
|--------|--------------------------------|------------------------------------|
| Messrs | MGK Maher (Chairperson) | 1 |
| | M Nkhabu | 6 |
| | SP Mafojane | 3 |
| Ms | S Machaba (Acting Chairperson) | 5 |

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

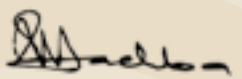
The Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Board during the year under review.

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.

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.



S Machaba
Acting Chairperson of the Audit Committee
25 July 2007



Mission Statement

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.



Management



Section Heads

Report of the Board

For The Year Ended 31 March 2007

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2007.

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.

Board Members

The names of Board Members appear on page 4.

Board Member Emoluments

Board Member emoluments are reflected in note 9 to the Annual Financial Statements.

Senior Management Remuneration

Senior Management remuneration is reflected in note 10 to the Annual Financial Statements.

Performance Against Objectives

The performance against objectives for the year under review is dealt with in the Performance Report set out on pages 20 to 22.



Report of the Board (continued)

For The Year Ended 31 March 2007

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's expenditure for this campaign for 2007 amounted to R2,1 million for the 2007 financial year and to R6,9 million since 2004.

Since 2004 the Gauteng Gambling Board and the Gauteng Provincial Government's Department of Economic Development have co-operated productively with the internationally acknowledged National Responsible Gambling Programme (NRGP) to create and fund public awareness of problem gambling and present an educational prevention campaign aimed at high school learners, community structures, such as trade unions, and the general public, including senior citizens and recipients of social grants.

During the year under review the project for schools in the province reached some 11 265 learners during 128 sessions at 21 schools. This brings the tally since the inception of this innovative project in 2004 to 672 sessions at 105 schools, reaching a substantial 57 959 learners.

NRGP trained facilitators also distributed leaflets debunking gambling myths and presenting the facts about problem gambling to an estimated 57 220 beneficiaries of old age pensions and social welfare grants at 136 larger AllPay paystations in the greater Johannesburg Metropole between November 2006 and February 2007.

Public awareness levels about problem gambling and the NRGP's problem gambling counselling line were raised by the participation of an NRGP trained team of facilitators in various well attended public events in the Province. These included the two week Rand Show around the Easter holiday for the third consecutive year, the eleven day Pretoria Show in October for the second time running, the three day business oriented Soweto Festival in September, and the three day Expo 50 Plus coinciding with the International Day for Seniors in October 2006.

On the training front, the NRGP's Problem Gambling and the Workplace programme resumed. Some 160 delegates, representing HR and EAP practitioners and trainers from 12 companies in Gauteng were trained during the period under review. This brought the tally since the inception of this train-the-trainer initiative during 2005 to 416 delegates at 54 companies or institutions.

A group of 40 social workers completed the NRGP Healthcare Worker Programme at the Gauteng Substance Abuse Forum in November 2006. Incorporating the use of a video and PowerPoint™ presentation format this course promotes greater knowledge and understanding of addiction and the dependency process with a specific focus on gambling addiction.

Another innovative and worthwhile collaboration that started during 2006 was the development of Money Sense – a personalised, integrated financial management education programme, featuring the realities of gambling problems, which included a section on debt management. Communication in the form of a leaflet and poster was printed and distributed and copies supplied for the electronic newsletter and website. In this way it is estimated that 24 823 public and private sector employees in Gauteng were reached.

Broad Based Black Economic Empowerment (BBBEE) in the industry

The Codes of Good Practice were gazetted and came into effect on 9 February 2007, thus making them law. In respect of the public sector, there is a legal onus on organs of state and public entities such as the Board, to apply the Codes of Good Practice as far as is reasonably possible.



Compliance: Monitoring

Report of the Board (continued)

For The Year Ended 31 March 2007

The Board is currently establishing the facts with regard to the industry's compliance status in terms of the codes with a view to imposing appropriate licence conditions in this regard.

Legislative Amendments

On 6 July 2006, the amendments to the Gauteng Gambling Act, 1995, (Act No 4 of 1995) were promulgated. These amendments related to the following:

- Definition of a strategic plan
- Provincial Policy
- Board's objectives, outcomes, performance and indicators
- Term of office of Board Members
- Appointment and conditions attached to the appointment of a Chief Executive Officer
- Instructions by the responsible member to the Board
- Appointment of the Administrator

Casinos

West Rand Casino Licence

After the granting of the casino licence for the West Rand area, Silverstar brought an application to the Board to amend certain features of the development and deliverables of the casino licence. The Board, on 6 May 2006, granted certain of these amendments.

Operating Profile

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

| CASINO NAME | NO OF GAMING MACHINES | NO OF GAMING TABLES |
|--|------------------------------|----------------------------|
| Carnival City | 1 750 | 60 |
| Emerald Safari Resort | 660 | 23 |
| Emperors Palace | 1 640 | 67 |
| Gold Reef City | 1 600 | 50 |
| Montecasino | 1 700 | 70 |
| Morula Sun | 510 | 12 |
| Silverstar Casino Resort (Not yet operational) | 700 | 30 |
| TOTAL | 8 560 | 312 |

Financial Performance

Casino gaming revenues increased by 19,5%, to R5,03 billion for the year.

Gaming tax collections from the casinos amounted to R452,5 million, compared to R378,7 million in the previous year.



Report of the Board (continued)

For The Year Ended 31 March 2007

Horse-racing and betting

Pool betting

Totalizator turnover increased by 6,7% during the current year to a total of R1,68 billion (2006 : R1,57 billion).

Totalizator taxation amounted to R27,44 million (2006 : R25,93 million).

Fixed odds betting

Taxes collected from Gauteng bookmakers amounted to R33,97 million during the year under review, compared to R26,95 million in the previous year.

Bingo operations

Bingo revenues improved by 196,2% during the current year to a total of R63,01 million (2006 : R21,28 million), resulting in tax collections of R7,56 million (2006 : R2,55 million).

In the previous year, electronic bingo terminals were introduced during the second half of the year. This year reflects the first full year of operation.

Limited Payout Machines

The decision on the regulatory approach to the Limited Payout Machine was suspended pending the outcome of the Socio-economic Impact Study of Gambling in Gauteng. The study has since been completed and considered by the Board. It is anticipated that the Board will in the foreseeable future provide clarity and certainty regarding the regulatory approach to the Limited Payout Machines.

Viva Bingo (Kolonnade) (Pty) Ltd Litigation

The High Court action by Viva Bingo (Pty) Ltd against the Board for damages of R23 million allegedly suffered as a result of the Board's failure to invite licences for limited payout machines has been settled on the basis that Viva Bingo (Pty) Ltd withdraws its action and each party pays its costs.

Current Litigation

The Board is currently involved in two actions emanating from technological development in the delivery of games:

- Akani Egoli (Pty) Ltd and Others vs Gauteng Gambling Board and Others**
 The action relates to the Board's approval of Electronic Bingo Terminals for use by bingo licensees. The applicants contend *inter alia*, that the "look and feel" of these terminals make them slot machines and should not have been approved by the Board. The Board is defending this action.



Compliance: Betting Audit



Legal Department

Report of the Board (continued)

For The Year Ended 31 March 2007

- **Casino Enterprises Swaziland (Pty) Ltd versus Minister of Trade and Industry and Others**

The applicant operates an Internet casino (Piggs Peak) in Swaziland. They advertise in South Africa and accept bets from residents in South Africa. They contend that the players located in South Africa are deemed to have travelled outside the country utilising technology and that as a result gambling takes place outside the country and not subject to the laws of the country. They requested the court to order that their actions were not in breach of the National Gambling Act and the Gauteng Gambling Act.

The court ruled against Piggs Peak and they have since lodged an appeal against this ruling to the Supreme Court of Appeal.

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, 331 illegal gaming machines were confiscated and 63 people were convicted of gambling-related offences.

Sports Development Fund

The income of the Sports Development Fund amounted to R2,69 million during the year under review (2006: R1,90 million).

The balance of the Fund at 31 March 2007 amounted to R287 185.

The Board has, after consultation with the Department of Sports, Recreation, Arts and Culture, approved grants totaling R3,49 million from the Sports Development Fund for upgrading sports facilities in the Province. These grants were in respect of the following projects:

- City of Johannesburg - Bill Jardine Stadium
R2 000 000
- Tshwane - West End Facility for the Disabled
R490 000
- Sedibeng - Bophelong Sport Facility
R1 000 000

The Board has since 1997 approved grants totaling R12,26 million from the Sports Development Fund.

Human Resources

- **HIV/Aids – Health Awareness**

The Board has a policy on HIV/AIDS and other life threatening illnesses. It is communicated to all staff to ensure that they understand the rights and benefits which the policy confers and to highlight the nature of assistance and support the Board is committed to providing. The policy guarantees:



Law Enforcement



Human Resources and Logistical Staff



Report of the Board (continued)

For The Year Ended 31 March 2007

Human Resources (continued)

- Non-discrimination on the basis of health status.
- Testing for HIV only on a voluntary and legally compliant basis.
- The right of employees to privacy.

The Board engaged the services of an external professional to conduct counselling and training on the HIV/AIDS pandemic. This initiative was well received and supported by the staff.

- **Employees according to race and gender**

| RACE | FEMALE | MALE | TOTAL | PERCENTAGE |
|--------------|-----------|-----------|-----------|------------|
| African | 22 | 24 | 46 | 69,7 |
| Coloured | 3 | 2 | 5 | 7,6 |
| Indian | 2 | 0 | 2 | 3,0 |
| White | 8 | 5 | 13 | 19,7 |
| TOTAL | 35 | 31 | 66 | |
| Disabled | | | 1 | 1,5 |

- **Educational Assistance and Bursaries**

The Board provides educational assistance to staff members for their studies, and has a bursary policy which extends financial assistance in respect of tertiary studies.

- **Performance Management**

Significant improvements in the management of performance have been realised through the sustained institutionalisation and support of the Board's performance management system. Training of both management and staff was undertaken with a view to continuously improve the system.

Corporate Governance Report

The Board is committed to business integrity, transparency and accountability in all its activities. In support of this commitment, the Board subscribes to the highest standards of corporate governance in all aspects of the business and the ongoing development of best practices.

Board Members

In terms of the Act, the Board consists of between eight and twelve Board Members. Nine new Board Members have been appointed during April 2007. All Board Members are non-executive and are independent according to the King II report on corporate governance for the South Africa definition.

As required in terms of the Act, Board Members come from diverse professional backgrounds. Their collective qualifications and experience enable them to provide sound, independent and objective judgement in the decision-making process. They contribute to the Board's strategy formulation



Compliance: Gaming Audit

Report of the Board (continued)

For The Year Ended 31 March 2007

in addition to monitoring and measuring the Board's performance and its executive management against key performance indicators.

The roles of the Chairperson and the Chief Executive Officer are separate, with a clear division of responsibilities.

Board Meetings

The Board typically meets at least quarterly and further meetings are scheduled should circumstances dictate.

The Board and its sub-committees are timeously supplied with comprehensive information to enable them to effectively discharge their duties. All Board Members have access to the Board's secretary and all the Board's records, as well as to independent professional advice at the Board's expense in appropriate circumstances.

Board Committees

The Board has delegated specific responsibilities to sub-committees, each with their own mandate. The sub-committees meet independently and report back and table the minutes of their meetings before the Board.

Currently the Board has the following sub-committees:

- Executive Committee
- Casino Sub-committee
- Horse-racing Sub-committee
- Finance Sub-committee
- Audit Committee
- Disciplinary Committee
- Risk Committee
- Responsible Gambling Sub-committee
- Manufacturers, Bingo and Machines Sub-committee

Code of Conduct

The Board has adopted a Code of Conduct aimed at creating a culture of the highest standards of ethics and uncompromising honesty amongst all Board Members and staff. The Code of Conduct is founded on the principles of integrity, good faith, impartiality, openness and accountability.



Personal Assistants



IT Department



Report of the Board (continued)

For The Year Ended 31 March 2007

The Code of Conduct forms an integral part of the induction programme and all new Board Members and staff members agree to subscribe to the Code of Conduct.

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.



Finance Department

| | 2007 R'000 | % | 2007 R'000 | % |
|--|---------------|---------------|---------------|---------------|
| REVENUE | | | | |
| Collection commission | 25,656 | 50,39 | 21,842 | 49,38 |
| Government: | | | | |
| - Responsible gambling awareness programme | - | - | 83 | 0,19 |
| Cost recovery : On-site casino inspectors | 2,008 | 3,94 | 1,896 | 4,29 |
| Licence fees | 14,774 | 29,02 | 13,438 | 30,38 |
| Sports betting levies | 4,352 | 8,55 | 2,836 | 6,41 |
| Interest received | 1,869 | 3,67 | 1,731 | 3,91 |
| Application fees | 1,759 | 3,45 | 1,830 | 4,14 |
| Other | 496 | 0,98 | 575 | 1,30 |
| | <u>50,914</u> | <u>100,00</u> | <u>44,231</u> | <u>100,00</u> |
| EXPENDITURE | | | | |
| Staff costs | 24,458 | 64,59 | 18,911 | 60,22 |
| Board members' fees | 676 | 1,79 | 657 | 2,10 |
| Depreciation | 952 | 2,51 | 773 | 2,46 |
| Professional and consulting fees | 883 | 2,33 | 48 | 0,15 |
| Other operating expenditure | 10,896 | 28,78 | 11,013 | 35,07 |
| | <u>37,865</u> | <u>100,00</u> | <u>31,402</u> | <u>100,00</u> |
| SURPLUS FOR THE YEAR | 13,049 | | 12,829 | |
| Total collections on behalf of beneficiaries | 556,464 | | 467,785 | |
| Expenditure as a percentage of total collections | 6,80% | | 6,71% | |

Report of the Board (continued)

For The Year Ended 31 March 2007

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, 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.



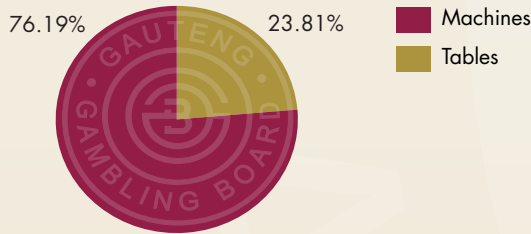
Licensing and Registration



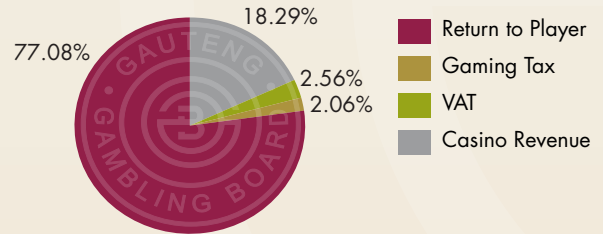
Compliance: Gaming Control



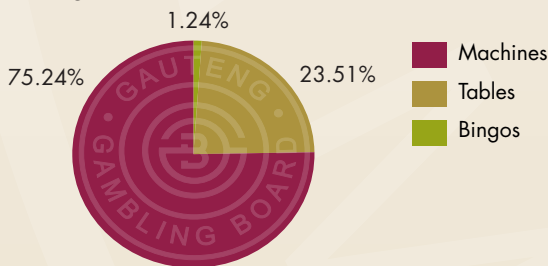
Casino Revenue Mix - R5,002 Billion



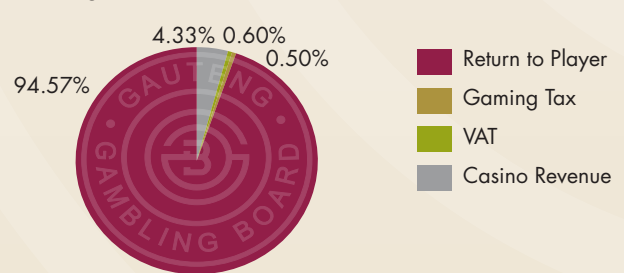
Gaming Table Distribution - R5,197 Billion



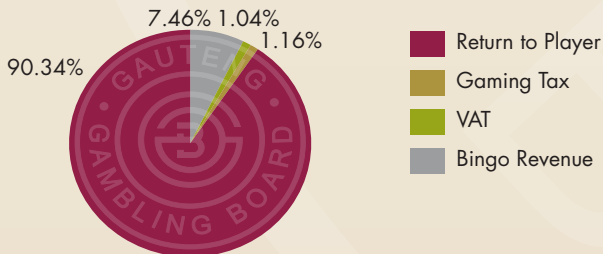
Gaming Revenue Mix - R5,065 Billion



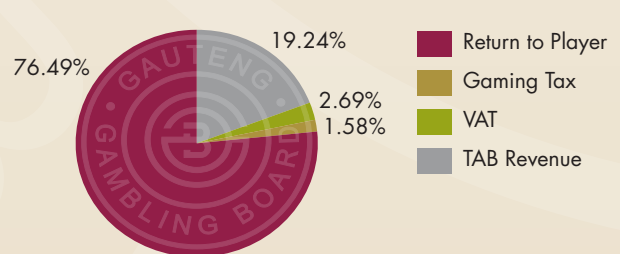
Gaming Machine Distribution - Handle R70,192 Billion



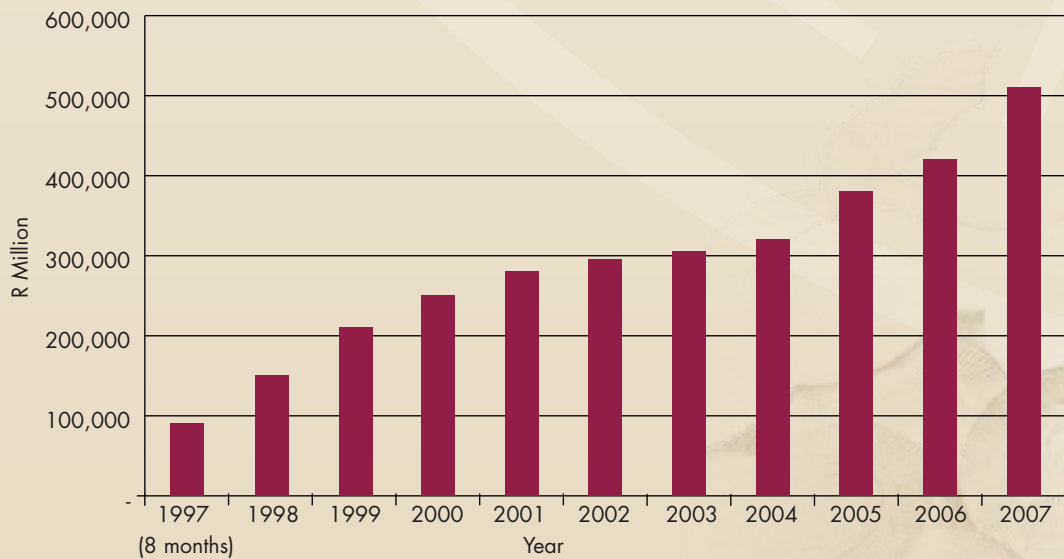
Bingo Stakes Distribution - R652,245 Million



Phumelela TAB Gauteng Turnover Distribution - R1,680 Billion



Tax Collections on behalf of the Gauteng Provincial Government



Performance Report

For The Year Ended 31 March 2007

| 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 99% 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"> 100% of all monies due was collected, totalling R556,46 million. All monies were distributed to beneficiaries on due date A total of 38 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 Testing of gaming devices | <ul style="list-style-type: none"> 480 requests for gambling equipment approvals were received and processed All games are conducted in accordance with approved game rules. 1 request for casino game rule approval was received and processed in accordance with laid down procedures 52 disputes were lodged with the Board and of these 50 were evaluated and decided upon, the remainder being under investigation at year end. 7 063 gaming devices were tested and approved |
| <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 incidents of non-compliance | <ul style="list-style-type: none"> All incidences of illegal gambling uncovered were acted upon. This resulted in 90 raids, 331 gaming machines being confiscated and 63 convictions for illegal gambling Compliance audits were carried out in accordance with plans and corrective action was taken in cases of non-compliance |



Performance Report (continued)

For The Year Ended 31 March 2007

| 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 audits of licensees Provision of rules governing the conduct and operation of gambling activities Approvals of licensees' systems of internal control | <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"> - Amusement 19 - Manufacturer/Supplier 13 - Casinos 7 - Bingos 6 - Betting 53 - Monitoring 24 Rules in place and reviewed for continued relevance Approved systems in place and compliance thereto monitored through compliance audits |
| <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"> - 3 amendments of licence - 3 transfers of licence - 1 129 employee registrations - 21 consents to hold financial interest |
| <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"> 330 people have joined the Board's self-exclusion programme during the year under review, bringing the total to 1 786 persons who have utilised the Board's self-exclusion programme since inception. 54 people requested that their self-exclusions be uplifted Continuation of the responsible gambling awareness and education campaign at a cost of R2,1 million Licensees are in compliance with their bid deliverables and this is monitored on a continuous basis |

Performance Report (continued)

For The Year Ended 31 March 2007

| <i>OBJECTIVE</i> | <i>KEY PERFORMANCE AREA</i> | <i>ACHIEVEMENT</i> |
|--|---|---|
| <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 Staying abreast of international developments and best practice Participation in national and international gambling fora | <ul style="list-style-type: none"> Provincial legislation was amended with the annual increase in fees which was passed in February 2007 Attendance and participation in the Asian Racing Conference, Law Enforcement Intelligence Unit Conference, International Association of Gaming Regulators Conference and International Conference on Gambling Risk Taking The Board attended and actively participated in all relevant fora |
| <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 Development and retention of qualified staff Compliance with all relevant legislation Deployment of resources in a manner that supports the attainment of the Board's objectives | <ul style="list-style-type: none"> The Board has achieved a surplus of R13,049 million for the current year The total expenditure for the year was within budget 2 656 man-hours were spent on the development and training of staff at a cost of R446,869 Staff turnover for the year amounted to 5% No instances of non-compliance with relevant legislation were identified during the year under review All budgeting and reporting system requirements and deadlines were adhered to |



Report of the Auditor-General

For The Year Ended 31 March 2007

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF GAUTENG GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of Gauteng Gambling Board which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 41.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Report of the Auditor-General (continued)

For The Year Ended 31 March 2007

Basis of Accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out on page 28 of the financial statements.

Opinion

9. In my opinion, the financial statements present fairly, in all material respects, the financial position of Gauteng Gambling Board as at 31 March 2007 and its financial performance and cash flows for the year then ended, have been prepared, in all material respects, in accordance with the basis of accounting as described on page 28, and in the manner required by the PFMA.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

10. I have audited the performance information as set out on pages 20 to 22.

Responsibility of the accounting authority

11. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

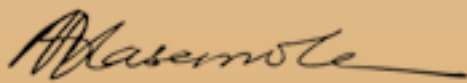
12. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.
13. In terms of the foregoing, my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

14. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

15. No audit findings.

Appreciation

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



Ms. M.A. Masemola for Auditor-General
Johannesburg
23 July 2007





Statement of Financial Position

as at 31 March 2007

| | NOTES | 2007 R'000 | 2006 R'000 |
|---------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | 10,642 | 10,589 |
| Property, plant and equipment | 1 | 10,518 | 10,442 |
| Intangible assets | 1 | 124 | 147 |
| Current assets | | 114,872 | 113,473 |
| Trade and other receivables | 2 | 3,134 | 6,715 |
| Prepayments and advances | | 15 | 15 |
| Cash and cash equivalents | 13.2 | 111,723 | 106,743 |
| TOTAL ASSETS | | 125,514 | 124,062 |
| LIABILITIES | | | |
| Current liabilities | | 110,493 | 109,041 |
| Trade and other payables | 6 | 62,370 | 69,180 |
| Collections for distribution | 5.1 | 47,424 | 39,431 |
| Provisions | 7 | 699 | 430 |
| TOTAL LIABILITIES | | 110,493 | 109,041 |
| RESERVES | | | |
| Non-distributable Reserve | 4 | 3,007 | 3,007 |
| Retained surplus | 3 | 12,014 | 12,014 |
| TOTAL RESERVES AND LIABILITIES | | 125,514 | 124,062 |

Statement of Financial Performance

as at 31 March 2007

| | NOTES | 2007 R'000 ACTUAL | 2007 R'000 BUDGET | 2006 R'000 ACTUAL | 2006 R'000 BUDGET |
|--------------------------------|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| Gross Revenue | 8 | 49,045 | 42,090 | 42,500 | 39,455 |
| Total operating expenses | | 37,865 | 37,137 | 31,402 | 34,533 |
| Board members' fees | 9 | 676 | 918 | 657 | 877 |
| Depreciation | 1 | 952 | 847 | 773 | 807 |
| Other operating expenses | 11 | 11,779 | 12,032 | 11,061 | 12,033 |
| Staff costs | 12 | 24,458 | 23,340 | 18,911 | 20,816 |
| Operating surplus for the year | | 11,180 | 4,953 | 11,098 | 4,922 |
| Interest received | | 1,869 | 1,567 | 1,731 | 1,440 |
| Net surplus for the year | | 13,049 | 6,520 | 12,829 | 6,362 |

Statement of Changes in Net Assets

for the year ended 31 March 2007

| | RETAINED SURPLUS R'000 | REVALUATION RESERVE R'000 | TOTAL R'000 |
|---------------------------------------|------------------------------|---------------------------------|----------------|
| Balance at 31 March 2005 | 12,014 | 3,007 | 15,021 |
| Net surplus for the period | 12,829 | | 12,829 |
| Surplus to be paid over to Provincial | | | |
| Revenue Fund | (12,829) | | (12,829) |
| Balance at 31 March 2006 | 12,014 | 3,007 | 15,021 |
| Net surplus for the period | 13,049 | | 13,049 |
| Surplus to be paid over to Provincial | | | |
| Revenue Fund | (13,049) | | (13,049) |
| Balance at 31 March 2007 | 12,014 | 3,007 | 15,021 |



Cash Flow Statement

for the year ended 31 March 2007

| | NOTES | 2007 R'000 | 2006 R'000 |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash receipts | | 48,222 | 42,961 |
| Cash paid to suppliers and employees | | (35,128) | (31,165) |
| Cash generated from operations | 13.1 | 13,094 | 11,796 |
| Interest received | | 1,869 | 1,731 |
| Cash paid to Provincial Revenue Fund | | (12,828) | (11,471) |
| Release of monies held in trust | | (8,546) | (11,039) |
| Net cash (outflow) from operating activities | | (6,411) | (8,983) |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | 1 | (1,023) | (974) |
| Proceeds from sale of property, plant and equipment | | 59 | 24 |
| Net cash outflow from investing activities | | (964) | (950) |
| Cash flows from collection and distribution activities | | | |
| Increase/(decrease) in collections for distribution | | 7,993 | (3,983) |
| Decrease/(increase) in trust debtors | | 4,362 | (3,415) |
| Net cash inflow/(outflow) from collection and distribution activities | | 12,355 | (7,398) |
| Net increase/(decrease) in cash and cash equivalents | | 4,980 | (17,331) |
| Cash and cash equivalents at beginning of year | | 106,743 | 124,074 |
| Cash and cash equivalents at end of year | 13.2 | <u>111,723</u> | <u>106,743</u> |

Summary of Accounting Policies

for the year ended 31 March 2007

Basis of Preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement as follows:

| <i>STANDARD OF GRAP</i> | <i>REPLACED STATEMENT OF GAAP</i> |
|---|---|
| GRAP 1: Presentation of financial statements | AC101: Presentation of financial statements |
| GRAP 2: Cash flow statements | AC 118: Cash flow statements |
| GRAP 3: Accounting policies, changes in accounting estimates and errors | AC 103: Accounting policies, changes in accounting estimates and errors |

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material difference in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements.

1. Terminology differences:

| <i>STANDARD OF GRAP</i> | <i>REPLACED STATEMENT OF GAAP</i> |
|------------------------------------|-----------------------------------|
| Statement of financial performance | Income statement |
| Statement of financial position | Balance sheet |
| Statement of changes in net assets | Statement of changes in equity |
| Net assets | Equity |
| Surplus/deficit for the period | Profit/loss for the period |
| Accumulated surplus/deficit | Retained earnings |
| Contributions from owners | Share capital |
| Distributions to owners | Dividends |
| Reporting date | Balance sheet date |

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
 - (b) taxes and transfers payable;
 - (c) trade and other payables from non-exchange transactions;
- must be presented separately on the statement of financial position.

4. The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraphs 11 – 15 of GRAP 1 have not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.



Summary of Accounting Policies (continued)

for the year ended 31 March 2007

Going Concern

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

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.

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. Other assets are assessed for fair value on an annual basis. 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 | 6 years |
| Motor vehicles | 5 years |
| Information technology equipment | 3 years |
| Intangible assets | 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. Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged 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.

Currency

These financial statements are presented in South African Rand since that is the currency in which the Board's transactions are denominated.

Summary of Accounting Policies (continued)

for the year ended 31 March 2007

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.



Notes to the Financial Statements

for the year ended 31 March 2007

1. Property, Plant And Equipment

| | LAND AND BUILDING R'000 | FIXTURES AND FITTINGS R'000 | MOTOR VEHICLES R'000 | IT HARDWARE R'000 | IT INTANGIBLE R'000 | FURNITURE AND EQUIPMENT R'000 | TOTAL R'000 |
|-----------------------------|----------------------------------|--------------------------------------|----------------------------|-------------------------|---------------------------|--|----------------|
| 31 March 2007 | | | | | | | |
| Opening net carrying amount | 8,943 | 295 | 169 | 443 | 147 | 592 | 10,589 |
| Gross carrying amount | 9,331 | 648 | 358 | 2,059 | 1,036 | 1,651 | 15,083 |
| Accumulated depreciation | (388) | (353) | (189) | (1,616) | (889) | (1,059) | (4,494) |
| Additions | - | - | 147 | 185 | 144 | 547 | 1,023* |
| Disposals | - | - | (11) | - | - | (7) | (18) |
| - Cost | - | - | (68) | (9) | - | (43) | (120) |
| - Accumulated depreciation | - | - | 57 | 9 | - | 36 | 102 |
| Depreciation charge | (195) | (65) | (87) | (244) | (167) | (194) | (952) |
| Revaluation | - | - | - | - | - | - | - |
| Closing net carrying amount | 8,748 | 230 | 218 | 384 | 124 | 938 | 10,642 |
| Gross carrying amount | 9,331 | 648 | 437 | 2,235 | 1,180 | 2,156 | 15,987 |
| Accumulated depreciation | (583) | (418) | (219) | (1,851) | (1,056) | (1,218) | (5,345) |
| 31 March 2006 | | | | | | | |
| Opening net carrying amount | 9,125 | 383 | 240 | 318 | 135 | 209 | 10,410 |
| Gross carrying amount | 9,319 | 701 | 358 | 3,090 | 902 | 1,446 | 15,816 |
| Accumulated depreciation | (194) | (318) | (118) | (2,772) | (767) | (1,237) | (5,406) |
| Additions | 12 | - | - | 341 | 134 | 487 | 974 |
| Disposals | - | (18) | - | - | - | (27) | (45) |
| - Cost | - | (53) | - | (1,372) | - | (295) | (1,720) |
| - Accumulated depreciation | - | 35 | - | 1,372 | - | 268 | 1,675 |
| Depreciation charge | (194) | (70) | (71) | (216) | (122) | (100) | (773) |
| Revaluation | - | - | - | - | - | 23 | 23 |
| Closing net carrying amount | 8,943 | 295 | 169 | 443 | 147 | 592 | 10,589 |
| Gross carrying amount | 9,331 | 648 | 358 | 2,059 | 1,036 | 1,651 | 15,083 |
| Accumulated depreciation | (388) | (353) | (189) | (1,616) | (889) | (1,059) | (4,494) |

Notes to the Financial Statements (continued)

for the year ended 31 March 2007

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 Centurion 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.

* The budgeted figure for Property, Plant and Equipment was R3 068 783 (2006 : R1 019 700)

2. Trade and Other Receivables

| | NOTES | 2007 R'000 | 2006 R'000 |
|---|-------|---------------|---------------|
| Trust debtors | | 307 | 4,669 |
| Gauteng Provincial Government – collection commission | | 2,053 | 1,476 |
| Sundry debtors | | 774 | 570 |
| | | <u>3,134</u> | <u>6,715</u> |

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

| | | |
|-----------|--------------|--------------|
| Building | 2,984 | 2,984 |
| Paintings | 23 | 23 |
| | <u>3,007</u> | <u>3,007</u> |



Notes to the Financial Statements (continued)

for the year ended 31 March 2007

5 Taxes And Levies

| | 2007 R'000 | 2006 R'000 |
|---|----------------|----------------|
| 5.1 Taxes and levies for distribution to beneficiaries at year-end | | |
| Gauteng Provincial Administration | 44,981 | 36,386 |
| Mpumalanga Provincial Administration | - | 272 |
| Phumelela Gaming & Leisure Limited | 2,156 | 1,691 |
| Sports Development Fund | 287 | 1,082 |
| | 47,424 | 39,431 |
| 5.2 Reconciliation of taxes and levies collected for the year | | |
| 5.2.1 Provincial taxes | | |
| <i>5.2.1.1 Gauteng Provincial Government</i> | | |
| Betting tax | 61,416 | 52,882 |
| Totalizator | | |
| - horse-racing | 26,440 | 25,287 |
| - other sport | 1,002 | 644 |
| On-course bookmakers | | |
| - horse-racing | 3,123 | 1,582 |
| - other sport | 202 | 115 |
| Off-course bookmakers | | |
| - horse-racing | 25,193 | 21,770 |
| - other sport | 5,456 | 3,484 |
| Gaming Tax | 460,107 | 381,271 |
| Casinos | | |
| - machines | 345,394 | 291,035 |
| - tables | 107,152 | 87,683 |
| Bingo | 7,561 | 2,553 |
| Taxes collected for Gauteng Provincial Government | 521,523 | 434,153 |
| Balance carried forward | 521,523 | 434,153 |

Notes to the Financial Statements (continued)

for the year ended 31 March 2007

| | | 2007 R'000 | 2006 R'000 |
|--|----------------|----------------|----------------|
| Balance brought forward | | 521,523 | 434,153 |
| 5.2.1.2 Mpumalanga Provincial Government | | | |
| Betting Tax | | - | 3,526 |
| Totalizator | - horse-racing | - | 2,648 |
| | - other sport | - | 84 |
| Off-course bookmakers | - horse-racing | - | 776 |
| | - other sport | - | 18 |
| Total taxes collected | | <u>521,523</u> | <u>437,679</u> |
| 5.2.2 Levies Collected | | | |
| Sports Development Fund Levies | | 2,694 | 1,898 |
| Levies | | 2,537 | 1,672 |
| Interest earned | | 157 | 226 |
| Phumelela Gaming & Leisure Limited | | | |
| Off-course bookmakers | | 28,308 | 25,695 |
| Total levies collected | | <u>31,002</u> | <u>27,593</u> |
| Interest earned and penalties received | | <u>3,939</u> | <u>2,513</u> |
| Total collections for distribution | | <u>556,464</u> | <u>467,785</u> |
| Taxes and levies for distribution to beneficiaries at year-end | 5.1 | (47,424) | (39,431) |
| | | <u>509,040</u> | <u>428,354</u> |



Notes to the Financial Statements (continued)

for the year ended 31 March 2007

| | 2007 R'000 | 2006 R'000 |
|--|----------------|----------------|
| 5.3 Taxes and levies distributed during the year | | |
| Gauteng Provincial Administration | 516,869 | 439,347 |
| Mpumalanga Provincial Administration | 272 | 3,533 |
| Phumelela Gaming & Leisure Limited | 27,840 | 24,738 |
| Sports Development Fund | 3,490 | 4,150 |
| | 548,471 | 471,768 |
| Less: Prior year-end collections distributed during the year | (39,431) | (43,414) |
| | 509,040 | 428,354 |

6. Trade And Other Payables

| | | |
|--|---------------|---------------|
| Amounts held in trust | 32,050 | 40,584 |
| - Gambling dispute | 188 | 176 |
| - Peermont: Social Advancement | 31,862 | 40,408 |
| Licence fees received in advance | 16,234 | 14,166 |
| Creditors and accruals | 418 | 1,429 |
| Investigation deposits | 619 | 172 |
| Provincial Revenue Fund – current year surplus | 13,049 | 12,829 |
| | 62,370 | 69,180 |

The Board considers the carrying amount of trade and other payables approximate to their fair value.

7. Provisions

| | | |
|---|-------|-------|
| Provisions - Leave pay | 699 | 430 |
| - Opening balance | 430 | 272 |
| - Utilisation of provisions during the year | (388) | (423) |
| - Provisions made during the year | 657 | 581 |

Notes to the Financial Statements (continued)

for the year ended 31 March 2007

8. Gross Revenue

| | 2007 R'000 | 2006 R'000 |
|--|---------------|---------------|
| Revenue consists of: | | |
| Administration fees | 72 | 72 |
| Application fees | 1,759 | 1,830 |
| Collection commission | 25,656 | 21,842 |
| Contribution by Gauteng Provincial Government: | | |
| - Responsible Gambling Awareness Programme | - | 83 |
| Cost recovery – On-site casino inspectors | 2,008 | 1,896 |
| Licence fees received | 14,774 | 13,438 |
| Penalties collected | - | 1 |
| (Loss)/Profit on sale of assets | 42 | (21) |
| Sports betting levies | 4,352 | 2,836 |
| Sundry income | 223 | 396 |
| Recoveries of investigation expenses | 159 | 127 |
| | 49,045 | 42,500 |

9. Board Members' Fees

Board Member emoluments for non-executive Board Member services rendered during the year:

| | | | |
|-------------------------------------|--------------|------------|------------|
| Messrs | FJ Nalane | 29 | 72 |
| | SA Tati | 8 | 38 |
| | MGK Maher | 10 | 55 |
| | S Mahlalela | - | 8 |
| | SL Majombozi | - | 12 |
| | J Maluleka | 21 | 73 |
| | L Mohapelo | 19 | 64 |
| | W Segal | 15 | 71 |
| | LT Sibeko | 19 | 68 |
| Mesdames | Z Mamba | 24 | 67 |
| | R Mokoena | - | 35 |
| | R Morojele | 14 | 73 |
| TOTAL PAID TO BOARD MEMBERS | | 159 | 636 |
| ADMINISTRATOR REMUNERATION | | 502 | - |
| AUDIT COMMITTEE REMUNERATION | | 15 | 21 |
| TOTAL | | 676 | 657 |



Notes to the Financial Statements (continued)

for the year ended 31 March 2007

10. Senior Management Remuneration

Senior Management remuneration for the year is as follows:

| | 2007 R | 2006 R |
|---|----------------|------------------|
| Advocate MBB Lekalakala : Chief Executive Officer* | 110,425 | - |
| Basic Salary | 66,476 | - |
| Allowances | 28,489 | - |
| Bonus | - | - |
| Performance Bonus | - | - |
| Employer Contributions | 15,460 | - |
| *For the period 01/03/2007 to 31/03/2007 | | |
| J Booysen : Chief Executive Officer | 712,343 | 1,374,338 |
| Basic Salary | 447,810 | 862,815 |
| Allowances | 60,000 | 120,000 |
| Bonus | - | 80,990 |
| Performance Bonus | 84,635 | 80,990 |
| Employer Contributions | 119,898 | 229,543 |
| For the period 01/04/2006 to 30/09/2006 | | |
| E Lalumbe : Manager Legal Services | 895,215 | 821,553 |
| Basic Salary | 589,979 | 532,467 |
| Allowances | 60,000 | 60,000 |
| Bonus | 51,059 | 48,810 |
| Performance Bonus | 51,059 | 48,810 |
| Employer Contributions | 143,118 | 131,466 |
| L Kobue : Manager Compliance ** | 702,876 | 241,123** |
| Basic Salary | 470,295 | 143,047 |
| Allowances | 42,000 | 21,000 |
| Bonus | 40,755 | 32,000 |
| Performance Bonus | 40,755 | - |
| Employer Contributions | 109,071 | 45,076 |
| **For the period 01/10/2005 to 31/03/2006 | | |
| B Kgomo : Manager Compliance *** | - | 407,050 |
| Basic Salary | - | 270,240 |
| Allowances | - | 30,000 |
| Bonus | - | - |
| Performance Bonus | - | 50,040 |
| Employer Contributions | - | 56,770 |
| *** For the period 01/04/2005 to 30/09/2005 | | |

Notes to the Financial Statements (continued)

for the year ended 31 March 2007

| | 2007 R | 2006 R |
|--|----------------|----------------|
| JJ Oberholzer : Manager : Licensing and Betting | 914,444 | 820,767 |
| Basic Salary | 595,759 | 516,171 |
| Allowances | 60,000 | 60,000 |
| Bonus | 49,617 | 47,480 |
| Performance Bonus | 49,617 | 47,480 |
| Employer Contributions | 159,451 | 149,636 |
| K Jacobs : Manager MIS | 827,692 | 641,315 |
| Basic Salary | 527,580 | 420,708 |
| Allowances | 60,000 | 60,000 |
| Bonus | 46,821 | 37,805 |
| Performance Bonus | 46,821 | - |
| Employer Contributions | 146,470 | 122,802 |
| O Hadebe : Manager : Human Resources | 720,423 | 580,374 |
| Basic Salary | 485,865 | 392,844 |
| Allowances | 58,500 | 48,000 |
| Bonus | 43,388 | 34,520 |
| Performance Bonus | 43,388 | 34,520 |
| Employer Contributions | 89,282 | 70,490 |
| D Dondur : Chief Financial Officer | 872,768 | 767,068 |
| Basic Salary | 497,688 | 463,899 |
| Allowances | 147,090 | 144,120 |
| Bonus | 52,553 | 45,870 |
| Performance Bonus | 52,553 | - |
| Employer Contributions | 122,884 | 113,179 |
| L Lukhwareni : Manager : Law Enforcement | 654,214 | - |
| Basic Salary | 454,722 | - |
| Allowances | 55,200 | - |
| Bonus | 30,420 | - |
| Performance Bonus | - | - |
| Employer Contributions | 113,872 | - |



Notes to the Financial Statements (continued)

for the year ended 31 March 2007

11. Other Operating Expenses

| | 2007 R'000 | 2006 R'000 |
|--|---------------|---------------|
| Advertisements | 74 | 87 |
| Audit fees: | 608 | 576 |
| External audit | 310 | 295 |
| Internal Audit | 298 | 281 |
| Bank charges | 36 | 33 |
| Conference costs | 125 | 70 |
| Information technology | 417 | 450 |
| Insurance | 221 | 218 |
| Investigation and enforcement costs | 174 | 107 |
| Legal expenses | 741 | 1,651 |
| Office accommodation and storage rentals | 813 | 747 |
| Office consumables, maintenance and refreshments | 248 | 233 |
| Postage, printing and stationery | 343 | 243 |
| Professional and consulting fees | 883 | 48 |
| Public relations and hospitality | 536 | 239 |
| Regional Services Council levies | 19 | 64 |
| Responsible Gambling Awareness Programme | 2,128 | 2,100 |
| Security expenses | 8 | 9 |
| Social Responsibility | 21 | 27 |
| Skills Development Levy | 206 | 157 |
| Staff recruitment | 44 | 122 |
| Staff training and development | 824 | 609 |
| Subscriptions and books | 171 | 129 |
| Telephone and communications | 932 | 871 |
| Transcription costs | 19 | 10 |
| Travelling and subsistence: | | |
| Local | 1,253 | 1,128 |
| Overseas | 935 | 1,132 |
| Uniforms and protective clothing | - | 1 |
| | <u>11,779</u> | <u>11,061</u> |

Notes to the Financial Statements (continued)

for the year ended 31 March 2007

12. Staff Costs

| | NOTES | 2007 R'000 | 2006 R'000 |
|--------------------------------------|-------|---------------|---------------|
| Included in the staff costs are: | | 24,458 | 18,911 |
| - Salaries, bonuses and allowances | | 20,639 | 15,365 |
| - Defined contribution plan expenses | 14 | 2,157 | 1,926 |
| - Medical aid contributions | | 1,298 | 1,270 |
| - Group life contributions | | 225 | 223 |
| - Other employer contributions | | 139 | 127 |

13. Notes To The Cash Flow Statement

13.1 Reconciliation of the net surplus to cash generated from operations

| | | | |
|--|--|---------------|---------------|
| Net surplus | | 13,049 | 12,829 |
| Adjustments for: | | | |
| Depreciation | | 952 | 773 |
| Investment income | | (1,869) | (1,731) |
| Provision for leave pay | | 269 | 158 |
| Loss/(Profit) on sale of property, plant and equipment | | (42) | 21 |
| Operating surplus before working capital changes | | 12,359 | 12,050 |
| Increase/(Decrease) in trade and other payables | | 1,516 | (684) |
| (Increase)/Decrease in trade and other receivables | | (781) | 430 |
| Cash generated from operations | | 13,094 | 11,796 |

13.2 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 | | 111,722 | 106,742 |
| Petty cash | | 1 | 1 |
| | | 111,723 | 106,743 |

14. 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 | | 2,157 | 1,926 |
|---|--|--------------|--------------|



Notes to the Financial Statements (continued)

for the year ended 31 March 2007

15. Non-capital Commitments

Operating leases

The future minimum lease payments under non-cancelable operating leases for the Board's photocopiers and telecommunications systems are as follows:

| | 2007 R'000 | 2006 R'000 |
|-----------------|---------------|---------------|
| - Within 1 year | 222 | 124 |
| - 1 to 5 years | 244 | 378 |
| | <u>466</u> | <u>502</u> |

16. VAT Deregistration

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

GAUTENG

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 significant partnership, trust, unincorporated joint venture or similar arrangement;</p> <p>(c) acquisition or disposal of a significant shareholding in a company;</p> <p>(d) acquisition or disposal of a significant asset;</p> <p>(e) commencement or cessation of a significant 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 fulfil its mandate, outside of the approved strategic plan and budget</p> |



Materiality and Significance Framework (continued)

in terms of Treasury Regulation 28.1.5

| 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> |



Signs of Problem Gambling

- Spending more time or money on gambling than intended
- Borrowing or stealing money to fund gambling
- Missing work, school, or other commitments to gamble
- Gambling more to recover your losses
- Feeling worried, anxious and moody when you are not gambling
- Family relationships breaking down because of debt and dishonesty
- Hiding your gambling from others but unable to stop gambling
- Gambling with ever bigger amounts to reach desired level of excitement



TOLL-FREE HELPLINE
0800 006 008

Myth

MYTH Luck favours the superstitious.

Fact

FACT Although many gamblers believe that lucky rituals, actions or objects can help tip the odds in their favour all outcomes are random and pure chance. 'Lady Luck' does not exist in gambling and cannot influence results.

Myth

MYTH If you know the rules of a game, you increase your chances of winning.

Fact

FACT Knowing the rules of the game can only help you make decisions while playing. It cannot increase your chances of winning.

