



# ANNUAL REPORT

2 0 0 8 / 2 0 0 9

GAUTENG GAMBLING BOARD



## FOREWORD BY THE MEC



I am pleased to present the Annual Report of the Gauteng Gambling Board for the financial year 2008/09.

The Board has an excellent track record in carrying out its responsibility to regulate gambling on behalf of the Gauteng Provincial Government. The Board, has since inception in 1996, consistently produced unqualified, "clean" audits demonstrating effective corporative governance, competent administration and sound financial management.

Job creation has been identified in the ruling party's manifesto as a key priority of Government. In this regard the Board has commenced with the process of consultation with the gambling industry, with a view to implement Government's policy of Broad Based Black Economic Empowerment. The successful implementation of this policy will benefit previously disadvantaged individuals by addressing the empowerment challenge comprehensively, which inter alia includes equity, management control, skills development, preferential procurement, enterprise development and socio-economic development.

I wish to express my sincere thanks and gratitude to the Board and staff for the work they continue to do.

A handwritten signature in black ink, appearing to read 'F. Cachalia'. The signature is fluid and cursive, written over a light background.

**F CACHALIA**

*MEC FOR ECONOMIC DEVELOPMENT*



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## 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 2009

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## FOREWORD

### CHAIRPERSON'S STATEMENT



It is with great pleasure that I present the Gauteng Gambling Board's annual report for the financial year ended 31 March 2009. Particular focus this year has been the roll out of the limited payout machines to the gambling industry aimed amongst others, to enhance economic growth and development in the Province through stimulation of small and medium sized business, and introduction of new entertainment and recreational facilities spread throughout the Province. The Gauteng Gambling Board has issued the route operator licences and commenced with the process of issuing the site licences for the limited payout machines to the gambling industry.

Despite the challenges emanating from the international economic conditions, the gambling industry has managed to achieve an annual growth, though it has declined from double digits to a single digit average of 5%.

Implementation of the Broad Based Black Economic Empowerment targets remains a challenge as consultation with the industry took longer than expected; however, it is pleasing that the regulators in the nine Provinces and the National Gambling Board have reached a common approach and implementation plan on this matter.

This year marks the third and final year of the term of office of the Board Members and we look back with pride on having provided the strategic direction in the regulation and control of gambling in the Province.

In the new year the Gauteng Gambling Board will focus on amongst others, the following:

- Continued roll out of the limited payout machines to the gambling industry.
- A new socio-economic impact study following a base line study conducted during 2004.
- Finalisation and implementation of Broad Based Black Economic Empowerment targets for the industry.

Ms Matilda Gasela resigned during the year to take up a position in Government and I would like to take this opportunity to thank her for her contribution to the Board's activities.



RL MOGOTSI  
CHAIRPERSON



## 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.*



## THABO VUYO SCHOOL PROJECT



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COMMUNITY WORK

for the year ended 31 March 2009



Community Work

The Board as a good corporate citizen is committed to the social needs of its surrounding communities. This is manifested in contributions to a raft of community projects.





## COMMUNITY PROJECTS

for the year ended 31 March 2009

Project Details	Allocated amount
Action for Blind and Disabled Children	18,879
Hosanna Community Centre	52,420
Footprints Hospice	55,443
Eastbank High School	100,000
Groundworx	50,000
Ratshepo High School	100,000
Moloantoa Primary School	50,000
Kwa Thema Stimulation Centre	100,000
Balfour Alexandra Development Football Team	50,000
RHREDI Multi-Purpose Co-op	25,000
Entokozweni Early Learning Centre	25,000
Tumi and Karabo Day Centre	45,000
Thabo Vuyo School for Mentally Challenged Children	50,000
Tiiaesto Edu-Care (Botshabelo)	82,967
HA-TSHIVHASA Football Club	1,908
Committed Artists for Cultural Advancement	50,000
Eersterust Secondary School	75,000
Balebogeng Primary School	75,000
Othandweni Children's Home	75,000
Calvary Christian Church	23,092
Thandanani	20,000
Leamogetswe Safety Home	75,000
<b>TOTAL</b>	<b>1,199,708</b>



## ADMINISTRATIVE INFORMATION

for the year ended 31 March 2009

# ADMINISTRATIVE INFORMATION

## BOARD MEMBERS

Messrs	L Mogotsi	Chairperson	Mesdames	M Gasela	(2)
	S Mahlalela	Acting Deputy Chairperson		S Machaba	(3)
	P Masegare	(1)		K Moloto-Stofile	
	T Molai			P Ndaba	
	P Mafojane			Z Ntlangula	

(1) Resigned with effect 17 April 2009

(2) Resigned with effect 31 July 2008

(3) Appointed with effect 21 August 2008, inauguration date 21 November 2008



*Back: Ms S Machaba, Adv M Lekalakala (CEO), Ms Z Ntlangula, Mr E Lalumbe (COO), Mr T Molai*

*Front: Ms K Moloto-Stofile, Mr P Mafojane, Dr P Ndaba, Mr L Mogotsi (Chairperson)*

*Absent: Mr. S Mahlalela*



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## ADMINISTRATIVE INFORMATION - continued

for the year ended 31 March 2009

### AUDIT AND RISK COMMITTEE

Mesdames	S Machaba CA(SA)	Chairperson
	Z Ntlangula	
Messrs	P Masegare	
	P Mafojane	(5)
	T Molai	(5)
	M Nkhabu CA(SA)	
	G Nzalo CA(SA)	(4)
	L Nekhondela CA(SA)	(4)

(4) Appointed with effect 13 March 2009

(5) Stepped down as members with effect 17 February 2009

### CHIEF EXECUTIVE OFFICER

Advocate MBB Lekalakala

### CHIEF OPERATING OFFICER

Mr E Lalumbe

### CHIEF FINANCIAL OFFICER

Ms D Dondur CA(SA)

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## STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

for the year ended 31 March 2009

### BANKERS

Standard Bank

## STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

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

### INTERNAL AND ACCOUNTING CONTROLS

In order for the Board members 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 Gauteng Gambling Board and to safeguard and maintain accountability of the Gauteng Gambling Board's assets.

Management and the Audit and Risk 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 Board Members.

As part of the system of internal control, the Gauteng Gambling Board's internal audit function, outsourced to a firm of chartered accountants, conducts the internal audit 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 AND RISK COMMITTEE

The Audit and Risk Committee of the Board consists of two non-executive Board members and three 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 and Risk Committee.



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The Audit and Risk 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.

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

The annual financial statements have been prepared on the going concern basis, as the Board Members have every reason to believe that the Gauteng Gambling 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 2009 and the results of its operations and cash flow for the year then ended.

The Annual Report for the year ended 31 March 2009 set out on pages 1 to 29 and 36 to 58 was approved by the Board on 31 July 2009 and signed on its behalf by the Chairperson of the Board and the Chief Executive Officer.



**RL MOGOTSI**

*CHAIRPERSON*



**ADVOCATE MBB LEKALAKALA**

*CHIEF EXECUTIVE OFFICER*



## REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2009

# REPORT OF THE AUDIT AND RISK COMMITTEE

## FOR THE YEAR ENDED 31 MARCH 2009

We are pleased to present our report for the financial year ended 31 March 2009.

### Audit and Risk Committee Members and Attendance

The Audit and Risk 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 8 meetings were held.

#### Name of Member

Ms	S Machaba CA(SA)	Chairperson
	Z Ntlangula	
Messrs	P Masegare	
	P Mafojane	
	T Molai	
	M Nkhabu CA(SA)	
	G Nzalo CA(SA)	
	L Nekhondela CA(SA)	

### Audit and Risk Committee Meeting Attendance

Mesdames	S Machaba		6 out of 8
	Z Ntlangula		8 out of 8
Messrs	P Masega		5 out of 8
	P Mafojane	(1)	3 out of 7
	T Molai	(1)	2 out of 7
	M Nkhabu		7 out of 8
	G Nzalo	(2)	1 out of 1
	L Nekhondela	(2)	1 out of 1

(1) Stepped down as members with effect 17 February 2009

(2) Appointed with effect 13 March 2009



## Audit and Risk Committee Responsibility

The Audit and Risk 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 and Risk Committee also reports that it has adopted formal terms of reference as its Audit and Risk committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein. The Audit and Risk committee charter has been reviewed to ensure its relevance as required by Treasury Regulation 3.1.8.

## The effectiveness of internal control

The system of internal control is effective as the various reports of the internal auditors, the external audit report on the annual financial statements and management have not reported any significant or material non-compliance with prescribed policies and procedures.

During the year under review the Board embarked on a process of reviewing, updating and evaluating all financial related policies and other policies with the aim of strengthening the control environment.

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

The Audit and Risk 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 and Risk 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 report and management response thereto; and
- Reviewed and confirmed that there were no significant adjustments resulting from the audit.

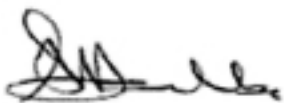


## REPORT OF THE AUDIT AND RISK COMMITTEE - continued

for the year ended 31 March 2009

The Audit and Risk 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.

The auditors have remained independent throughout the financial year.



**S MACHABA**

*Chairperson of the Audit and Risk Committee*

2009







## KWA THEMA STIMULATION CENTRE



## MOLOANTOA PRIMARY SCHOOL



## CALVARY CHRISTIAN CHURCH

## REPORT OF THE BOARD

for the year ended 31 March 2009

# REPORT OF THE BOARD

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2009.

## 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 Gauteng Gambling 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.



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## BOARD MEMBERS

The names of the Board Members appear on page 6.

## BOARD MEMBER REMUNERATION

Board Member remuneration is reflected in note 8 to the Annual Financial Statements.

## SENIOR MANAGEMENT REMUNERATION

Senior Management remuneration is reflected in note 9 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 27 to 29.

## GENERAL REVIEW

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

### Socio-economic impact study

Sound regulatory policy is always premised upon empirical data as opposed to anecdotal information. In keeping with this principle the Board has during the year published an invitation to interested parties to assist it by conducting a socio-economic impact study of gambling in the Province. The results of the study will assist the Board in advising the member of the Executive Committee on the appropriate gambling regulatory framework.

### Responsible Gambling

The productive co-operation dating back to 2004 between the internationally acknowledged National Responsible Gambling Programme (NRGP) and the Gauteng Gambling Board and the Gauteng Provincial Government's Department of Economic Development resumed for the year with new vigour.

This time, provision was also made for a specialist training programme as well as a research component, comprising a specific sample of 1 500 Gauteng residents to augment the 2008-09 National Prevalence Study which will be completed later this year.



## REPORT OF THE BOARD - continued

for the year ended 31 March 2009

The aim is to create and fund public awareness of problem gambling via seasonal advertising in the media, community outreach initiatives, and an educational prevention campaign aimed at high school learners and vulnerable members of the community, including senior citizens and recipients of social grants and pensions via AllPay.

### Specialist training

This comprises the preparation of material for four modules – on the LPM industry, Internet/remote gambling, self-exclusion and problem gambling – and eight half-day workshops for specified target audiences, namely, corporate and community opinion makers.

### Research

The survey, being conducted by Ipsos-Markinor, solicits information on general demographics, patterns of gambling, place of gambling in comparison with other leisure activities, extent of risk for problem or pathological gambling, behavioural impulsivity, and Axis-I emotional disorders. Lay reports and scientific reports are due for publication later this year.

### Schools

Work on the schools project only resumed during the third school term of 2008. However, six out of eight 'blocks' were completed (75% of the target) during only 22 weeks of actual schooling to the end of the first term of 2009.

During the financial year under review 22 162 learners at 28 schools were reached – and the project is well on target for completion of the remaining two blocks during the remaining second term of 2009, which falls outside the timescale parameters of this report.

The current tally since the inception of this innovative project in 2004 is 182 schools involving 107 162 learners.

The project involves a team of actors presenting a lively and educative industrial theatre style performance to groups of high school learners, mainly in Grades 10 to 12. The script is based on the scenarios depicted in a custom-designed comic book which is handed out to learners afterwards, along with attendance certificates for inclusion in their individual portfolios. Bookmarks and bookmark holders are also supplied to the school library.

### AllPay

Similarly, the AllPay project only resumed in September 2008 and by the end of March 2009 facilitators had distributed leaflets debunking gambling myths and presenting the facts about problem gambling to an estimated 48 585 beneficiaries of old age pensions and social welfare grants at 170 AllPay paystations.



Since inception of this project in November 2006 more than 210 511 beneficiaries of old age pensions and social welfare grants have been reached during 629 AllPay paypoint visits.

### Special events

Public awareness levels about problem gambling and the NRGP's problem gambling counselling line were raised by the presence of a team of NRGP-trained facilitators handing out collateral at various public events.

These included participation, for the fourth year running, in the 11-day Pretoria Show from 29 August 2008 to 7 September 2008 and, for the first time, in the Soweto Festival from 24 to 28 September 2008, coinciding with Heritage Day celebrations.

The NRGP also participated in a Men's Health Day held for the Companies and Intellectual Property Registration Office (CIPRO), a subsidiary of the DTI, in Pretoria on 13 March 2009.

### Advertising and collateral

The NRGP's 2008 Christmas holiday seasonal advertising campaign was once again augmented in Gauteng by two additional advertisement placements in the local print media - The Citizen, Pretoria News and Beeld – and radio spots being flighted over two weeks on two commercial radio stations, Radio 702 and the Metro FM.

A Xitsonga version of the Gambling Myths and Facts leaflet – currently available in English, Afrikaans, North and South Sotho, isiZulu and isiXhosa – was printed during the year in response to demand from this ethnic group. Similarly, a more colloquial rendition of the Afrikaans translation of the Myths and Facts leaflet was produced, in response to constructive criticism from the facilitators about the literacy and comprehension levels of the target audience. A new generic pull-up poster was designed and printed featuring visual elements from the comic book and the slogan 'Don't dice with your future'.

### Broad Based Black Economic Empowerment ("BBBEE") in the industry

The minimum target in respect of Broad Based Black Economic Empowerment agreed to between the nine Provincial Regulators and the National Gambling Board were tabled before and endorsed by the National Policy Council, a body consisting of the nine members of the Executive Council of the provinces responsible for gambling and the Minister of Trade and Industry. The Gauteng Gambling Board will finalise the implementation of these targets which will form part of the licence conditions.



## REPORT OF THE BOARD - continued

for the year ended 31 March 2009

### Casinos

#### Operating Profile

The Board took a policy decision on 8 May 2007 to allow the amendment of casino licences to substitute reference to gambling devices on the licence with gambling positions. One slot machine is equal to one gambling position and one table is equal to 14 gambling positions.

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

Casino Name	No of Gaming Machines	No of Gaming Machines/Tables	No of Gaming Machines/Positions
Carnival City	–	–	2 590
Emerald Safari Resort	660	33	–
Emperors Palace	N/A	N/A	2 872
Gold Reef City	1 600	70	N/A
Montecasino	N/A	N/A	2 848
Morula Sun	N/A	N/A	678
Silverstar Casino Resort	N/A	N/A	1 120
	<b>2 260</b>	<b>103</b>	<b>10 108</b>

#### Financial Performance

For the financial year ended 31 March 2009	2009	2008	YEAR ON YEAR INCREASE
<b>CASINO</b>			
Gaming revenues	R5,96 Billion	R5,6 Billion	6,4%
Gaming Tax Collections	R536,6 Million	R502,2 Million	6,8%
<b>HORSE-RACING AND BETTING</b>			
Pool Betting:			
Totalizator Turnover	R1,94 Billion	R1,88 Billion	3,2%
Totalizator Taxation	R30,57 Million	R29,66 Million	3,1%
Fixed Odds Betting:			
Taxes Collected	R34,9 Million	R38,70 Million	-9,8%
<b>Bingo Operations</b>			
Bingo Revenues	R126 Million	R95,5 Million	31,9%
Tax Collections	R15,12 Million	R11,41 Million	32,5%



### Limited Payout Machines (LPM's)

The Gauteng Gambling Board has during the year invited applications for the route operator licences. In response thereto the Board received 10 applications and awarded 5 route operator licences. In terms of the National Gambling framework, Gauteng has been allocated 10 000 limited pay out machines and may only roll out 50% of the total allocation of 5 000. The Gauteng Gambling Board will be required to conduct a socio-economic impact study prior to the further roll out of the limited pay out machines.

Each of the five route operator licensees will be entitled to a maximum of 1 000 LPM's.

The Gauteng Gambling Board has also commenced with the investigation and probity process prior to the licensing of site licences and applications will be lodged in batches on dates prescribed by the Board until the maximum quota of 5 000 is reached.

### Legislative Amendments

During the year the Gauteng Gambling Act was amended to achieve the following:

- Introduce a definition of bingo specifically to take into account technological advances.
- Broaden the definition of a totalisator to include the taking of bets on any lawful event or contingency.
- To extend the prohibition against possession of gambling machines without a licence to include gambling devices.

### Current Litigation

The Gauteng Gambling Board is currently involved in the following litigation:

- **Akani Egoli (Pty) Ltd and Others vs Gauteng Gambling Board and Others**

The action involves a determination as to whether electronic bingo constitutes bingo being within the contemplation of the National Gambling Act 7 of 2004. The matter is currently on appeal.

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

The action involves a determination as to where gambling takes place in respect of interactive transactions (jurisdiction).

The matter has been set down for hearing in the North Gauteng High Court.

All legal costs have been adequately budgeted for.



## REPORT OF THE BOARD - continued

for the year ended 31 March 2009

### Illegal gambling

The Gauteng Gambling 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, 249 (2008 : 86) illegal gaming machines were confiscated and 82 (2008 : 30) people were convicted of gambling-related offences.

### Sports Development Fund

The income of the Sports Development Fund amounted to R2,63 million during the year under review (2008: R3,82 million).

The balance of the Fund at 31 March 2009 amounted to R2,63 million.

The Board has approved grants totalling R1,1 million from the Sports Development Fund to the SA Jockey Club.

The Board has since 1997 approved grants totalling R19,36 million from the Sports Development Fund.

The Sports Development policy was reviewed and updated during the year under review with the further strengthening of controls, particularly relating to service level agreements.

### Human Resources

- Employees according to race and gender

Race	Female	Male	Total	Percentage
African	24	23	47	72,3
Coloured	3	2	5	7,7
Indian	2	0	2	3,1
White	7	4	11	16,9
<b>TOTAL</b>	<b>36</b>	<b>29</b>	<b>65</b>	
Disabled			1	1,5





- **Performance Management**

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

- **Educational Assistance and Bursaries**

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

- **HIV/Aids – Health Awareness**

The Gauteng Gambling Board has a policy on HIV/AIDS and other life threatening illnesses. This policy 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 Gauteng Gambling Board is committed to providing. The policy guarantees:

- 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 Gauteng Gambling 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.

## Corporate Governance Report

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



## REPORT OF THE BOARD - continued

for the year ended 31 March 2009

### Board Members

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 provide strategic direction to the Gauteng Gambling Board in addition to monitoring and measuring the Gauteng Gambling 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 Gauteng Gambling Board's company secretary and all the Gauteng Gambling Board's records, as well as to independent professional advice at the Gauteng Gambling Board's expense in appropriate circumstances.

BOARD MEMBERS	NUMBER OF MEETINGS ATTENDED		
	Board Meetings	Hearings	Strategic Planning Session
Messrs L Mogotsi (Chairperson)	08 out of 11	1 out of 6	1 out of 1
S Mahlalela (Acting Vice Chairperson)	10 out of 11	5 out of 6	1 out of 1
P Masegare (1)	05 out of 11	5 out of 6	1 out of 1
T Molai	06 out of 11	4 out of 6	1 out of 1
P Mafojane	09 out of 11	4 out of 6	1 out of 1
Mesdames M Gasela (2)	05 out of 06	Not applicable	1 out of 1
S Machaba (3)	01 out of 03	1 out of 1	Not applicable
K Moloto-Stofile	11 out of 11	6 out of 6	1 out of 1
P Ndaba	10 out of 11	6 out of 6	1 out of 1
Z Ntlangula	10 out of 11	6 out of 6	1 out of 1

(1) Resigned with effect 17 April 2009. (2) Resigned with effect 31 July 2008.

(3) Appointed with effect 21 August 2008, inaugurated 21 November 2008.



## 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
- Audit and Risk Committee
- Gaming Committee
- Responsible Gambling Committee

## Code of Conduct

The Gauteng Gambling 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.

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 Gauteng Gambling Board and the taxes and levies collected and distributed are reflected in the annual financial statements as reflected on pages 2 to 29 and 36 to 58.

The Gauteng Gambling Board has previously received approval to retain the accumulated surplus of R12,01 million as at 31 March 2001, the R13,05 million as at 31 March 2007 and the R18,70 million as at 31 March 2008.



## REPORT OF THE BOARD - continued

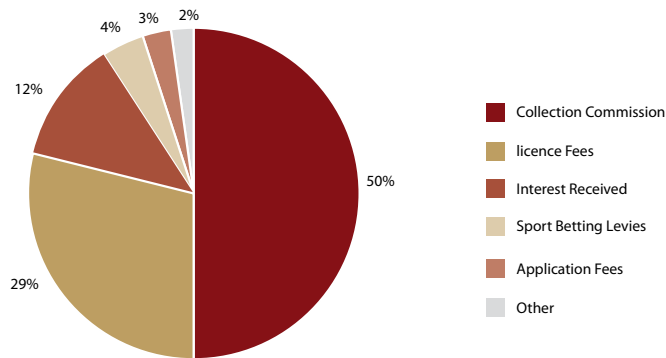
for the year ended 31 March 2009

### FINANCIAL HIGHLIGHTS

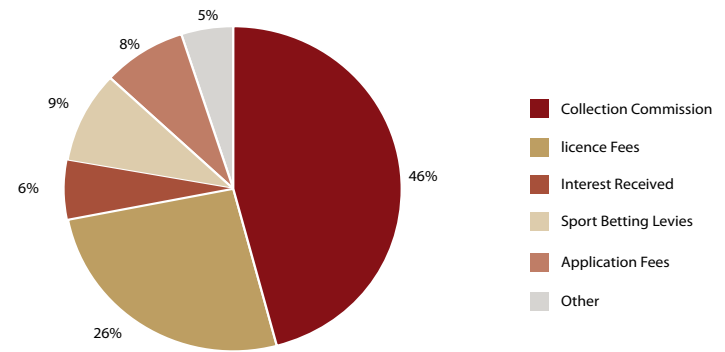
	2009 R'000	%	2008 R'000	%
<b>REVENUE</b>				
Collection commission	40,569	50,7	28,503	45,0
Cost recovery : On-site casino inspectors	985	1,2	1,418	2,2
Licence fees	22,092	27,5	17,255	27,3
Sports betting levies	2,952	3,7	5,958	9,4
Interest received	9,380	11,7	3,940	6,2
Application fees	3,401	4,2	4,983	7,8
Other	852	1,0	1,145	2,1
	80,231	100,0	63,202	100,0
<b>EXPENDITURE</b>				
Staff costs	35,009	62,3	26,361	59,2
Board members' fees	1,477	2,6	1,005	2,3
Depreciation	754	1,3	915	2,1
Other operating expenditure	18,996	33,8	16,217	36,4
	56,236	100,0	44,498	100,0
<b>SURPLUS FOR THE YEAR</b>				
	<b>23,995</b>		<b>18,704</b>	
Total collections on behalf of beneficiaries	660,011		624,003	
<b>Expenditure as a percentage of total collections</b>				
	<b>8,5%</b>		<b>7,1%</b>	



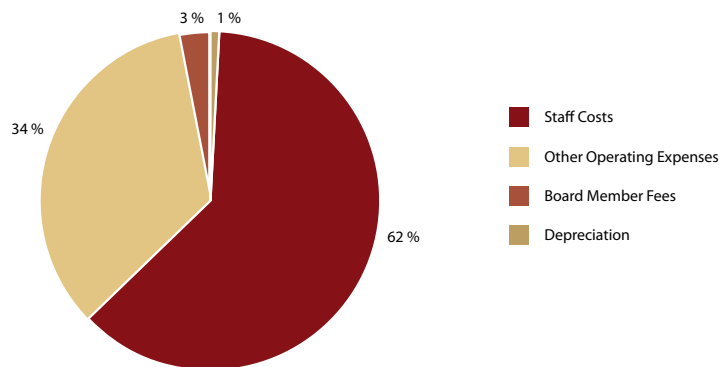
Revenue 2008/2009



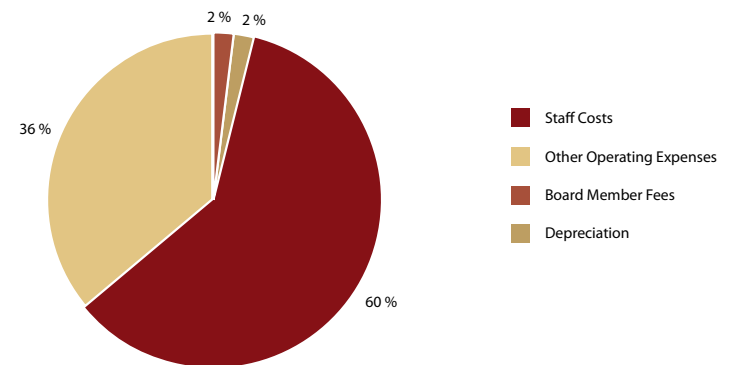
Revenue 2007/2008



Expenditure 2008/2009



Expenditure 2007/2008



## REPORT OF THE BOARD - continued

for the year ended 31 March 2009

# 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, former MEC Paul Mashatile, MEC Mandla Nkomfe, MEC Firoz Cachalia and the Department of Economic Development;
- 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;
- Independent audit committee members;
- The media fraternity; and
- The public in general.



ANNUAL REPORT  
2008 / 2009

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
1. Ensure that all monies due are properly accounted for and distributed as prescribed	<ul style="list-style-type: none"> <li>Collection of 99% of all monies due, accurate distribution and reporting on due date</li> </ul>	<ul style="list-style-type: none"> <li>100% of all monies due was collected, totalling R659,863 million</li> <li>All monies were accurately distributed to beneficiaries on due date</li> <li>Reporting of all monies collected and distributed was done to stakeholders on due date, the details of which are contained in the financial statements</li> </ul>
2. Ensure the effective and efficient operation of the Gauteng Gambling Board	<ul style="list-style-type: none"> <li>Strategic plan and budget approved by the Board and submitted to the Gauteng Department of Economic Development and the Gauteng Member of the Executive Council: Economic Development by 30 September 2008</li> <li>Achievement of an unqualified audit report, detailing objectives, released by 31 August 2008</li> </ul>	<ul style="list-style-type: none"> <li>The strategic plan and budget was approved by the Board during September 2008 and submitted to the Gauteng Department of Economic Development and the Gauteng Member of the Executive Council: Economic Development during September 2008</li> <li>An unqualified audit report was achieved for the financial year ended 31 March 2008. This report was approved and released before 31 August 2008</li> </ul>
3. Assist in the development of gambling policy and legislation	<ul style="list-style-type: none"> <li>To annually review relevant technological developments impacting upon gambling regulation and the industry and submit by 30 November 2008 to the Board the proposed regulatory amendments and by 31 January 2009 to the Gauteng Member of the Executive Council Economic Development for any proposed legislative requirements</li> </ul>	<ul style="list-style-type: none"> <li>The relevant technological developments impacting upon gambling regulation were reviewed and the proposed regulatory amendments were timeously submitted to the Board and the Gauteng Member of the Executive Council: Economic Development</li> </ul>
4. Maximise the benefits derived from gambling and minimise the negative impact thereof	<ul style="list-style-type: none"> <li>To measure the socio-economic impact of gambling on society by commissioning a study every three years</li> </ul>	<ul style="list-style-type: none"> <li>An invitation for a tender to measure the socio-economic impact of gambling was submitted during March 2009. It is anticipated that this study will be completed during 2009</li> </ul>



## PERFORMANCE REPORT - continued

for the year ended 31 March 2009

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
5. Ensure suitability of participants in and premises used for gambling	<ul style="list-style-type: none"> <li>Ongoing effective and efficient monitoring of compliance with BBBEE requirements</li> </ul>	<ul style="list-style-type: none"> <li>Licenses are reviewed and monitored on their state of compliance, on a regular basis</li> </ul>
6. Ensure fairness to punters and ensure that gambling activities are conducted in accordance with legislative requirements	<ul style="list-style-type: none"> <li>Efficient, timely and effective licensing and implementation processes, making use of relevant licensing criteria and an appropriate roll out programme for Limited Payout Machines</li> </ul>	<ul style="list-style-type: none"> <li>Employee Applications                             <ul style="list-style-type: none"> <li><b>Provincial</b> <ul style="list-style-type: none"> <li>Key employees 186 applications</li> <li>Other employees 995 applications</li> </ul> </li> <li><b>National</b> <ul style="list-style-type: none"> <li>165 employee applications</li> </ul> </li> </ul> </li> <li>Company Applications                             <ul style="list-style-type: none"> <li>15 amendments of licence applications</li> <li>3 certificate of suitability applications</li> <li>13 financial interest applications</li> <li>1 amusement licence application</li> <li>2 national manufacturer licence applications</li> </ul> </li> <li>The investigations on the Limited Payout Machines Route Operator licences were outsourced to Gobodo Forensics, who in turn had to transfer skills to the Board's investigators. Public hearings of these applications were held from 25 – 27 November 2008.</li> </ul>





OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
		<p>Applicants were then advised of the outcome of their applications on 12 December 2008 with the following being successful bidders:</p> <ul style="list-style-type: none"> <li>- Bohwa 1 Gaming (Pty) Ltd t/a Hotslots</li> <li>- Egoli Gaming (Pty) Ltd t/a Goldrush Gaming</li> <li>- Playmeter Leisure Services (Pty) Ltd</li> <li>- Vukani Gaming Gauteng (Pty) Ltd t/a V Slots</li> <li>- Zico Gaming</li> </ul> <ul style="list-style-type: none"> <li>• The submission date for the first batch of site licence applications was extended to 17 – 19 March 2009 at the request of the route operators. Only 12 applications from three route operators were accepted by the Board on these dates</li> </ul>







# FINANCIAL STATEMENTS

2008 / 2009

## REPORT OF THE AUDITOR-GENERAL

for the year ended 31 March 2009

### REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE GAUTENG GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2009

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the accompanying financial statements of the Gauteng Gambling Board which comprise the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 58.

### The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), 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 read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the Gauteng Gambling Board as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the PFMA.

### Basis of accounting

8. Without qualifying my opinion, the public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

### Governance framework

9. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below:

### Key governance responsibilities

10. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	✓	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 55 of the PFMA.	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	



## REPORT OF THE AUDITOR-GENERAL - continued

for the year ended 31 March 2009

No.	Matter	Y	N
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	The public entity had an audit committee in operation throughout the financial year.	✓	
	The audit committee operates in accordance with approved, written terms of reference	✓	
	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	✓	
7.	Internal audit		
	The public entity had an internal audit function in operation throughout the financial year.	✓	
	The internal audit function operates in terms of an approved internal audit plan.		✓
	The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.	✓	
12.	Powers and duties are in place, as set out in section 56 of the PFMA.	✓	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.	N/A	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	✓	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Gauteng Gambling Board against its mandate, predetermined objectives, outputs, indicators and targets [Treasury Regulation 29.1/30.1].	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	



## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on performance information

11. I have reviewed the performance information as set out on pages 27 to 29.

### The accounting authority's responsibility for the performance information

12. 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.

### The Auditor-General's responsibility

13. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.

14. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

15. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

## APPRECIATION

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

*Auditor-General*

Pretoria

20 July 2009



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



ANNUAL REPORT  
2008 / 2009

## STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2009

	Notes	2009 R'000	2008 R'000
<b>ASSETS</b>			
Non-current assets		14,899	14,147
Property, plant and equipment	2.1	13,954	14,116
Building project	2.2	708	-
Intangible assets	2.3	237	31
Current assets		211,836	152,000
Trade and other receivables	3	1,728	4,346
New building attorney trust account	2.2	99,042	-
Prepayments and advances		15	15
Cash and cash equivalents	12.2	111,051	147,639
<b>TOTAL ASSETS</b>		<b>226,735</b>	<b>166,147</b>
<b>LIABILITIES</b>			
Current liabilities		105,977	134,056
Trade and other payables	6	83,772	71,710
Collections for distribution		22,205	62,346
<b>TOTAL LIABILITIES</b>		<b>105,977</b>	<b>134,056</b>
<b>RESERVES</b>			
Non-distributable Reserve	5	7,138	7,028
New Building Trust Account	2.2	69,853	-
Retained surplus	4	43,767	25,063
<b>TOTAL RESERVES AND LIABILITIES</b>		<b>226,735</b>	<b>166,147</b>





## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2009

	Notes	2009 R'000 Actual	2009 R'000 Budget	2008 R'000 Actual	2008 R'000 Budget
Gross Revenue	7	70,851	56,928	59,263	49,382
Total operating expenses		56,236	60,280	44,498	50,055
Board members' fees	8	1,477	1,668	1,005	1,292
Depreciation	2.1	754	936	915	851
Other operating expenses	10	18,996	22,897	16,217	17,917
Staff costs	11	35,009	34,779	26,361	29,995
Operating surplus(deficit) for the year		14,615	(3,352)	14,764	(673)
Interest received		9,380	3,500	3,940	1,830
Net surplus for the year		23,995	148	18,704	1,157



## STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2009

	Retained Surplus R'000	Revaluation reserve R'000	Total R'000
Balance at 31 March 2007	12,014	3,007	15,021
Approved retentions	31,753	-	31,753
Increase in the revaluation reserve	-	4,021	4,021
Balance at 31 March 2008	43,767	7,028	50,795
Net surplus for the period	23,995	-	23,995
Surplus to be paid over to Provincial Revenue Fund	(23,995)	-	(23,995)
Increase in the Revaluation Reserve		110	110
Balance at 31 March 2009	43,767	7,138	50,905



## CASH FLOW STATEMENT

for the year ended 31 March 2009

	Notes	2009 R'000	2008 R'000
<b>Cash flows from operating activities</b>			
Cash receipts		73,206	58,579
Cash paid to suppliers and employees		(50,735)	(37,795)
Cash generated from operations	12.1	22,471	20,784
Interest received:			
Bank Account		9,380	3,940
Increase/(Decrease) of monies held in trust		2,023	(2,802)
Net cash inflow/(outflow) from operating activities		33,874	21,922
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	2.1	(721)	(414)
Proceeds from sale of property, plant and equipment		28	7
Building Project		(708)	
Net cash outflow from investing activities		(1,401)	(407)
<b>Cash flows from collection and distribution activities</b>			
Increase/ (decrease) in collections for distribution		(40,141)	14,922
(Increase)/decrease in trust debtors		269	(521)
(Increase)/decrease in Trust account for building		(29,189)	-
Net cash inflow/(outflow) from collection and distribution activities		(69,061)	14,401
Net increase/(Decrease) in cash and cash equivalents		(36,588)	35,916
Cash and cash equivalents at beginning of year		147,639	111,723
<b>Cash and cash equivalents at end of year</b>	12.2	<b>111,051</b>	<b>147,639</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009

### 1.1 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:

STANDARD OF GRAP	REPLACED STATEMENT OF GAAP
GRAP 1: Presentation of financial statements	AC 101: 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

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences 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:

STANDARD OF GRAP	REPLACED STATEMENT OF GAAP
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

- The cash flow statement can only be prepared in accordance with the direct method.
- Specific information has been presented separately on the statement of financial position
  - Receivables from non-exchange transactions, including taxes and transfers



for the year ended 31 March 2009

(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. Amount and nature of any restrictions on cash balances is required to be disclosed.
5. The following GRAP Standards have been approved but are not yet effective:

STANDARD OF GRAP	EFFECTIVE DATE OF STANDARD
GRAP 4 - The Effects of Changes in Foreign Exchange Rates	1 April 2009
GRAP 5 - Borrowing Costs	1 April 2009
GRAP 6 - Consolidated and Separate Financial Statements	1 April 2009
GRAP 7 - Investments in Associate	1 April 2009
GRAP 8 - Interest in Joint Ventures	1 April 2009
GRAP 9 - Revenue from Exchange Transactions	1 April 2009
GRAP 10 - Financial Reporting in Hyperinflationary Economies	1 April 2009
GRAP 11 - Construction Contracts	1 April 2009
GRAP 12 - Inventories	1 April 2009
GRAP 13 - Leases	1 April 2009
GRAP 14 - Events After the Reporting Date	1 April 2009
GRAP 16 - Investment Property	1 April 2009
GRAP 17 - Property Plant and Equipment	1 April 2009
GRAP 18 - Segment Reporting	Unknown
GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets	1 April 2009
GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)	Unknown
GRAP 24 - Presentation of Budget Information in Financial Statements	Unknown
GRAP 100 - Non-current Assets Held for Sale and Discontinued Operations	1 April 2009
GRAP 101 - Agriculture	1 April 2009
GRAP 102 - Intangible Assets	1 April 2009



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2009

### Effect:

The effect of adopting these GRAP Standards when they become effective is not expected to have a significant impact on the financial statements as the principles are similar to those already applied under the equivalent Statements of SA GAAP.

### 1.2 GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that resources will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 1.3 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.

### 1.4 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 statement of financial performance.

Depreciation is calculated on the straight-line method to write off the cost/valuation of each asset, less residual value, 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



for the year ended 31 March 2009

The useful life, depreciation method and residual value of each asset is reviewed annually.

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.

## 1.5 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.

## 1.6 CURRENCY

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

## 1.7 EMPLOYEE BENEFITS

### Short term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as group life), are recognised in the period in which the service is rendered and are not discounted when the effect is not material.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2009

### Long term employee benefits

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

### Retirement benefits

The Gauteng Gambling Board contributes to a defined contribution plan. Contributions to the defined contribution fund are charged to the statement of financial performance in the year to which they relate.

## 1.8 FINANCIAL INSTRUMENTS

Financial instruments carried on the statement of financial position include cash and bank balances, trade and other receivables and trade and other payables.

Trade and other receivables are initially carried at their estimated fair values and subsequently carried at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Trade and other payables are initially carried at their estimated fair values and subsequently carried at amortised cost.

Bank balances are initially carried at their estimated fair value and are subsequently re-measured at fair value.

## 1.9 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at the bank.

## 1.10 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the Gauteng Gambling Board has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.





The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### 1.11 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.

### 1.12 CHANGES IN ACCOUNTING POLICY

There were no changes in accounting policies in the current financial year.

### 1.13 TAXATION

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

### 1.14 COMPARATIVE FIGURES

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



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009

### 2.1 PROPERTY, PLANT AND EQUIPMENT

31 MARCH 2009							
	Land and building R'000	Fixtures & fittings R'000	Motor vehicles R'000	IT Hardware R'000	IT Intangible R'000	Furniture & equipment R'000	Total R'000
Opening net carrying amount	12,600	158	130	362	31	867	14,147
Gross carrying amount	12,600	606	437	2,449	1,180	2,274	19,545
Accumulated depreciation	-	(448)	(307)	(2,087)	(1,149)	(1,407)	(5,398)
Additions	-	-	-	342	297	82	721
Disposals	-	-	-	(4)	(27)	(2)	(33)
- Cost	-	-	-	(323)	(28)	(38)	(389)
- Accumulated depreciation	-	-	-	319	1	36	356
Depreciation charge	(72)	(60)	(68)	(254)	(64)	(236)	(754)
Impairment	-	-	(179)	-	-	-	(179)
Accumulated depreciation reversal	-	-	289	-	-	-	289
Closing net carrying amount	12,528	98	172	446	237	711	14,191
Gross carrying amount	12,600	606	258	2,468	1,449	2,318	19,698
Accumulated Depreciation	(72)	(508)	(86)	(2,022)	(1,212)	(1,607)	(5,507)

31 MARCH 2008							
	Land and building R'000	Fixtures & fittings R'000	Motor vehicles R'000	IT Hardware R'000	IT Intangible R'000	Furniture & equipment R'000	Total R'000
Opening 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)
Additions	26	-	-	214	-	174	414
Disposals	-	(8)	-	-	-	(7)	(15)
- Cost	-	(42)	-	-	-	(56)	(98)
- Accumulated depreciation	-	35	-	-	-	49	84
Depreciation charge	(195)	(65)	(87)	(237)	(93)	(238)	(915)
Revaluation	4,021	-	-	-	-	-	4,021
Closing net carrying amount	12,600	158	130	362	31	867	14,147
Gross carrying amount	12,600	606	437	2,449	1,180	2,274	19,545
Accumulated depreciation	-	(448)	(307)	(2,087)	(1,149)	(1,407)	(5,398)



for the year ended 31 March 2009

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 an independent valuer, on 31 March 2008, at market value.

\* The budgeted figure for Property, Plant and Equipment was R15, 334, 812 (2008: R15, 334, 812)

2.2 A new office building is currently being developed for the Gauteng Gambling Board. This new building is due to be completed in the early part of 2010. The capitalised expenditure as at 31 March 2009 amounted to R707,823.

The full purchase price of the new building (R99,04 million) is held in an interest bearing attorney trust account. R69,9 million of the purchase price was funded through retention with the remainder of the purchase being funded through retain surplus amounts.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2009

### 3. TRADE AND OTHER RECEIVABLES

	2009	2008
	R'000	R'000
Trust debtors	559	828
Gauteng Provincial Government – collection commission	141	2,182
Sundry debtors	1,028	1,336
	<b>1,728</b>	<b>4,346</b>

### 4. 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.

Approval was received to retain the following surplus amounts:

YEAR ENDED	AMOUNT
	R'000
31 March 2001	12,014
31 March 2007	13,049
31 March 2008	18,704
	<b>43,767</b>

### 5. NON-DISTRIBUTABLE RESERVE

Reserve on revaluation of property, plant and equipment

	2009	2008
	R'000	R'000
Building	7,005	7,005
Motor vehicles	110	-
Paintings	23	23
	<b>7,138</b>	<b>7,028</b>



for the year ended 31 March 2009

## 6. TRADE AND OTHER PAYABLES

	2009 R'000	2008 R'000
Amounts held in trust		
- Peermont : Social Advancement	31,083	29,060
Licence fees received in advance	20,337	17,851
Creditors and accruals	7,209	2,004
Investigation deposits	1,148	3,352
Provincial Revenue Fund – current year surplus	23,995	18,704
	<b>83,772</b>	<b>70,971</b>

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

## 7. GROSS REVENUE

	2009 R'000	2008 R'000
Revenue consists of:		
Administration fees	72	72
Application fees	3,401	4,984
Collection commission	40,569	28,503
Cost recovery – On-site casino inspectors	985	1,418
Licence fees received	22,092	17,255
Penalties collected	-	18
(Loss)/Profit on sale of assets	(6)	(8)
Sports betting levies	2,952	5,958
Sundry income	410	832
Recoveries of investigation expenses	376	231
	<b>70,851</b>	<b>59,263</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2009

### 8. BOARD MEMBERS' FEES

	2009 R'000	2008 R'000
Board Member emoluments for non-executive Board Member services rendered during the year:		
Messrs L Mogotsi	188	155
T Molai	138	98
P Masegare	111	88
P Mafojane	147	55
S Mahlalela	127	61
SL Majombozi	-	35
Mesdames M Gasela	56	117
S Machaba	19	-
Z Ntlangula	206	86
P Ndaba	176	119
K Moloto-Stofile	164	64
<b>TOTAL PAID TO BOARD MEMBERS</b>	<b>1,332</b>	<b>878</b>
<b>ADMINISTRATOR REMUNERATION</b>	<b>-</b>	<b>102</b>
<b>AUDIT COMMITTEE REMUNERATION</b>	<b>145</b>	<b>25</b>
<b>TOTAL</b>	<b>1,477</b>	<b>1,005</b>



for the year ended 31 March 2009

9. SENIOR MANAGEMENT REMUNERATION

FOR THE YEAR ENDED 31 MARCH 2009						
	Basic Salary R'000	Allowances R'000	13th Cheque R'000	Total Bonus R'000	Employer Contributions R'000	Total R'000
Advocate MBB Lekalakala Chief Executive Officer	1,143	318	115	532	237	2,345
E Lalumbe Chief Operating Officer	1,152	60	96	458	239	2,006
D Dondur Chief Financial Officer	789	156	74	350	180	1,550
O Hadebe Manager : Human Resources	739	90	66	304	134	1,333
K Jacobs Manager : MIS	721	60	62	304	184	1,331
L Kobue Manager : Compliance	721	42	59	282	153	1,258
L Lukhwareni Manager : Legal Services	704	55	59	283	159	1,261
JJ Oberholzer Manager : Licensing, Registration and Betting	776	60	65	325	211	1,437



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2009

FOR THE YEAR ENDED 31 MARCH 2008						
	Basic Salary R'000	Allowances R'000	13th Cheque R'000	Total Bonus R'000	Employer Contributions R'000	Total R'000
Advocate MBB Lekalakala Chief Executive Officer	859	342	79	110	195	1 486
E Lalumbe Chief Operating Officer	929	60	77	171	200	1 438
D Dondur Chief Financial Officer	593	156	57	126	145	1 067
O Hadebe Manager : Human Resources	570	90	51	111	107	929
K Jacobs Manager : MIS	625	60	56	124	165	1 030
L Kobue Manager : Compliance	573	42	48	107	127	897
L Lukhwareni Manager : Legal Services	557	55	48	107	133	900
JJ Oberholzer Manager : Licensing, Registration and Betting	629	60	55	123	178	1 045





for the year ended 31 March 2009

## 10. OTHER OPERATING EXPENSES

	2009 R'000	2008 R'000
Advertisements	163	130
Audit fees:	695	644
External audit	348	389
Internal Audit	347	255
Bank charges	38	39
Board Members' training	60	-
Conference costs	510	182
Employee Assistance Programme	95	-
Gambling Community Outreach Programme	89	-
Information Technology	565	381
Insurance	260	251
Investigation and enforcement costs	155	120
Legal expenses	757	965
Management Development Program	715	341
Office accommodation and storage rentals	892	723
Office consumables, maintenance and refreshments	327	308
Photocopying	260	346
Postage, printing and stationery	385	338
Professional and consulting fees	214	178
Public relations	487	410
Responsible Gambling Awareness Programme	2,701	2,500
Security expenses	24	17
Social Responsibility	1,201	1,775
Skills Development Levy	312	230
Staff recruitment	43	39
Staff training and development	822	755
Telephone and communications	1,023	895
Balance carried forward	12,793	11,567



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2009

	2009 R'000	2008 R'000
Balance carried forward	12,793	11,567
Transcription costs	25	42
Travelling and subsistence: Local	1,889	1,530
Travelling and subsistence: Overseas	4,289	3,078
	<b>18,996</b>	<b>16,217</b>
BBEE Spend % = 69%		
Amount paid to BBBEE suppliers as a percentage of total expenditure (excluding salaries and Responsible Gambling Awareness Programme)		

### 11. STAFF COSTS

	Notes	2009 R'000	2008 R'000
Included in the staff costs are:		35,009	26,361
- Salaries, bonuses and allowances		30,223	22,164
- Defined contribution plan expense	13	2,970	2,521
- Medical aid contributions		1,371	1,276
- Group life contributions		271	238
- Other employer contributions		174	162



for the year ended 31 March 2009

## 12. NOTES TO THE CASH FLOW STATEMENT

	2009 R'000	2008 R'000
12.1 Reconciliation of the net surplus to cash generated from operations		
Net surplus	23,995	18,704
Adjustments for:		
Depreciation	754	915
Investment income	(9,380)	(3,940)
Provision for leave pay	383	40
Loss/(Profit) on sale of property, plant and equipment	6	8
Operating surplus before working capital changes	15,758	15,727
Increase /(Decrease) in trade and other payables	4,364	5,748
(Increase)/Decrease in trade and other receivables	2,349	(691)
<b>Cash generated from operations</b>	<b>22,471</b>	<b>20,784</b>

Cash is reflected at the carrying value which equals fair value. There is no credit risk attached to the instrument.

### 12.2 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 statement of financial position amounts:

Bank	111,050	147,638
Petty cash	1	1
	<b>111,051</b>	<b>147,639</b>

Cash is reflected at the carrying value which equals fair value. There is no credit risk attached to this instrument.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2009

### 13. RETIREMENT BENEFITS

	2009 R'000	2008 R'000
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	2,970	2,521

### 14. NON-CAPITAL COMMITMENTS

	2009 R'000	2008 R'000
Operating leases		
The future minimum lease payments under non-cancelable operating leases for the Board's photocopiers, telecommunications systems and others are as follows:		
- Within 1 year	113	129
- 1 to 5 years	66	116
	<b>179</b>	<b>245</b>

### 15. TAXES AND LEVIES

	2009 R'000	2008 R'000
15.1 Taxes and levies for distribution to beneficiaries at year-end		
Gauteng Provincial Administration	46,970	58,076
Phumelela Gaming & Leisure Limited	2,457	3,165
Sports Development Fund	2,630	1,105
	<b>52,057</b>	<b>62,346</b>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2009

	Notes	2009 R'000	2008 R'000
15.2 Reconciliation of taxes and levies collected for the year			
15.2.1 Provincial taxes			
15.2.1.1 Gauteng Provincial Government			
Betting tax		66,749	69,579
Totalizator	- horse-racing	29,785	27,049
	- other sport	2,043	3,832
On-course bookmakers	- horse-racing	4,400	3,909
	- other sport	148	216
Off-course bookmakers	- horse-racing	26,615	27,550
	- other sport	3,758	7,023
<b>Gaming Tax</b>		<b>552,200</b>	<b>513,264</b>
Casinos	- machines	411,907	385,759
	- tables	124,743	116,402
Bingo		15,550	11,103
<b>Taxes collected for Gauteng Provincial Government</b>		<b>618,949</b>	<b>582,843</b>
15.2.1.2 Levies Collected			
Sports Development Fund Levies		2,629	3,818
Levies		2,421	3,634
Interest earned		208	184
Phumelela Gaming & Leisure Limited Off-course bookmakers		30,964	31,452
<b>Total levies collected</b>		<b>33,593</b>	<b>35,270</b>
<b>Interest earned and penalties received</b>		<b>7,469</b>	<b>5,890</b>
<b>Total collections for distribution</b>		<b>660,011</b>	<b>624,003</b>
Taxes and levies for distribution to beneficiaries at year-end	15.1	(52,057)	(62,346)
		607,954	561,657



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2009

	2009 R'000	2008 R'000
15.3 Taxes and levies distributed during the year		
Gauteng Provincial Administration	637,524	575,638
Phumelela Gaming & Leisure Limited	31,672	30,443
Sports Development Fund	1,104	3,000
	670,300	609,081
Less: Prior year-end collections distributed during the year	(62,346)	(47,424)
	607,954	561,657

### 16. VAT DEREGISTRATION

	2009 R'000	2008 R'000
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.		





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**EAST BANK HIGH SCHOOL**

## MATERIALITY AND SIGNIFICANCE FRAMEWORK

for the year ended 31 March 2009

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

PUBLIC FINANCE MANAGEMENT ACT SECTION	QUANTITATIVE [AMOUNT]	QUALITATIVE [NATURE]
<p><b>S50</b>  <b>Fiduciary duties of accounting authorities</b></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, all material facts, 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><b>S54</b>  <b>Information to be submitted by accounting authorities</b></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>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>





PUBLIC FINANCE MANAGEMENT ACT SECTION	QUANTITATIVE [AMOUNT]	QUALITATIVE [NATURE]
<p><b>S55</b></p> <p><b>Annual report and financial statements</b></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>



## MYTH

Luck favours the superstitious.

## 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

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

## FACT

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

## 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



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