

GAUTENG GAMBLING BOARD

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

ANNUAL REPORT 31 March 2004

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CHAIRPERSON'S STATEMENT

I am particularly pleased to report that the 2004 financial year represented another year of outstanding performance by the Board. The achievements of the Board for the year under review are dealt with in the performance report and the report of the Board.

BOARD COMPOSITION

The erstwhile MEC for Finance and Economic Affairs in Gauteng, Mr Jabu Moleketi had, on the 01 December 2003, being the date when the term of office of both the previous Chairperson, Adv. Maleka SC and Deputy Chairperson Adv. I Semanya SC came to an end, appointed seven new Board members including myself to the Board to join the remaining five Board members bringing the total complement of Board members to twelve. The fusion of new and existing Board members has ensured a smooth transition and resulted in the introduction of fresh and new ideas to the Board without compromising continuity of the Board's operations.

PRIORITIES FOR 2005

The Board's strategic focus for next year will include the following:

- Amendment of provincial legislation to align it with the new National Gambling Act.
- Finalisation of policy on Limited Payout Machines.
- Promotion of responsible gambling.
- Review of measures aimed at preserving and enhancing black economic empowerment initiatives in the gambling industry
- Finalisation of the sixth casino licence issue.
- Review of punter based tax on bets with bookmakers.

As incoming chairperson, I wish to express my sincere appreciation for the excellent work discharged diligently by my fellow Board members, CEO, staff and in particular the role played by the former Chairperson and Deputy Chairperson.

Lastly, I wish to thank the outgoing MEC for Finance and Economic Affairs Mr Jabu Moleketi for his leadership and support of the activities of the Board and also congratulate MEC Paul Mashatile on his appointment as MEC for Finance and Economic Affairs in Gauteng and look forward to a long and constructive relationship between him and the Board.

JF NALANE
CHAIRPERSON

ADMINISTRATIVE INFORMATION

BOARD MEMBERS

Messrs	JF Nalane	Chairperson	Appointed 1 December 2003
	IV Maleka	Chairperson	Term expired 1 December 2003
	SA Tati	Deputy Chairperson	With effect from 1 December 2003
	IAM Semanya	Deputy Chairperson	Term expired 1 December 2003
	MGK Maher		
	S Mahlalela		Appointed 1 December 2003
	SL Majombozi		Appointed 1 December 2003
	J Maluleka		
	L Mohapeloa		Appointed 1 December 2003
	W Segal		
	TL Sibeko		Appointed 1 December 2003
Mesdames	Z Mamba		Appointed 1 December 2003
	R Mokoena		
	R Morojele		Appointed 1 December 2003

AUDIT COMMITTEE

Messrs	MGK Maher	Chairperson
	M Nkhabu	
Ms	S Machaba	

CHIEF EXECUTIVE OFFICER

Mr J Booysen

CHIEF FINANCIAL OFFICER

Ms A Puoane

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BANKERS

Standard Bank

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

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

INTERNAL AND ACCOUNTING CONTROLS

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a risk management policy and an effective and efficient system of internal control.

The system of internal control is designed to provide reasonable assurance as to the integrity and reliability of the financial records of the Board and to safeguard and maintain accountability of the Board's assets.

Management and the Finance and Audit Sub-committees of the Board regularly review the risk management policy and system of internal control and these are modified and improved as operating conditions change.

The system of internal control includes a comprehensive budgeting and reporting system operating within strict deadlines and monitored by the Finance Sub-committee of the Board.

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

The Board is satisfied that the system of internal control is adequate so that the financial records may be relied upon for preparing the financial statements and maintaining accountability of assets and liabilities.

AUDIT COMMITTEE

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

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

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

ANNUAL FINANCIAL STATEMENTS

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

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

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

The Board believes that the annual financial statements fairly present, in all material respects, the financial position of the Board as at 31 March 2004 and the results of its operations and cash flows for the year then ended.

The Annual Report for the year ended 31 March 2004 set out on pages 3 to 17 and 20 to 36 were approved by the members of the Board on 10 July 2004 and are signed on their behalf by:

J Nalane
Chairperson

Jacques Booysen
Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2004

We are pleased to present our report for the financial year ended 31 March 2004.

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)	6
M Nkhabu	6
Ms S Machaba	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 Regulation 27.1.10. The Audit Committee also reports that it has adopted formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

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

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

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

Evaluation of Financial Statements

The Audit Committee has:

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

REPORT OF THE AUDIT COMMITTEE (continued)
FOR THE YEAR ENDED 31 MARCH 2004

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

MGK MAHER
Chairperson of the Audit Committee

Date:

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2004

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2004.

INCORPORATION, FUNCTIONS AND POWERS

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

The main functions of the Board are to:

- Oversee and control gambling activities in Gauteng, including:
 - Licensing of individuals and entities to conduct gambling and related activities.
 - Registering of persons engaged in such activities.
 - Approval and registering of all gambling devices.
 - Collecting prescribed taxes and levies for the Gauteng Province and other specified beneficiaries.
 - Ensuring compliance with gambling legislation.
- Manage and administer the Sports Development Fund.
- Advise the Member of the Executive Council of the Gauteng Provincial Government responsible for the administration of the Act on matters relating to gambling.

MISSION STATEMENT

To create and maintain a viable, fair and respectable gambling industry for all who have an interest in, or are affected by, gambling in Gauteng by licensing and controlling as well as advising government, making use of competent people and appropriate resources.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2004

BOARD MEMBERS

The names of Board Members appear on page 3.

BOARD MEMBER EMOLUMENTS

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

PERFORMANCE AGAINST OBJECTIVES

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

GENERAL REVIEW

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

Responsible Gambling

The Board has appointed the South African Responsible Gambling Foundation to conduct a responsible gambling awareness and education campaign in Gauteng.

The campaign is aimed at educating the public about the incidence and dangers of problem gambling and the assistance available to those who experience gambling problems.

The campaign will include a schools programme, community group presentations and a media campaign and is estimated to cost between R1,5 million and R2 million.

A further 235 people have joined the Board's self-exclusion programme during the year under review, bringing the total number of people who have made use of the programme to 833.

Socio-economic Impact Study

The socio-economic impact study referred to in the previous annual report is nearing completion and the Board expects to receive the final report during June 2004.

The findings of the study will assist the Board and the Provincial Government in reviewing and refining the gambling policy, licensing and regulatory framework.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2004

Black Economic Empowerment (“BEE”) in the industry

The National Gambling Board of South Africa appointed a BEE Audit Committee under the Chairmanship of Professor N Barney Pityana to examine the extent of Black participation in the gambling industry.

The Board has received the Committee’s final report and is currently considering the findings and recommendations contained therein.

Casinos

Financial Performance

The five operating casinos recorded gaming revenues of R3,28 billion for the year under review, representing an increase of 11,56% over the previous financial year.

Gaming tax collections from Gauteng Casinos amounted to R295,5 million, compared to R264,6 million in the previous year.

Operating Profile

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

Casino Name	No of gaming machines	No of gaming tables
Caesars Gauteng	1 500	50
Carnival City	1 750	60
Emerald Safari Resort	643	26
Gold Reef City Casino	1 600	50
Montecasino	1 700	70
TOTAL	7 193	256

Sixth Casino Licence

Silverstar Development Limited succeeded in obtaining an order of the High Court compelling the Board and the Provincial Executive Council to grant a casino licence to it.

The Board subsequently received leave to appeal the High Court decision and the matter is currently before the Supreme Court of Appeal.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2004

Horse-racing and betting

Pool betting

Gauteng Totalizator turnover for the year under review amounted to R1,248 billion, compared to R1,243 billion for the previous year.

Totalizator taxation amounted to R20,93 million (2003 : R22,08 million).

Fixed odds betting

Taxes collected from Gauteng bookmakers amounted to R22,25 million during the year under review, compared to R26,0 million in the previous year.

The Board, in conjunction with the National Gambling Board and other Provincial gambling boards, is currently considering appropriate measures to counter the negative effect of offshore betting operators which offer tax free betting on sport and South African horse-racing.

Bingo operations

Bingo revenues improved by 4,08% during the current year to a total of R15,3 million (2003 : R14,7 million), resulting in tax collections of R1,84 million (2003 : R1,761 million).

Limited payout machines

The legal proceedings instituted by Viva Bingo (Kolonnade) (Pty) Ltd, a holder of a bingo licence, against the Board, claiming damages of approximately R23 million as a result of the Board not having commenced with the licensing of limited payout machines, are still pending. The Board is defending this action.

Upon receipt of the socio-economic impact study referred to earlier in this report, the Board and the Gauteng Provincial Government will formulate an appropriate policy framework with regard to limited payout machines.

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, 223 illegal gaming machines and 3 gaming tables were confiscated and 48 people were convicted of gambling-related offences.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2004

Sports Development Fund

The income of the Sports Development Fund amounted to R1,29 million during the year under review (2003: R1,139 million).

The balance of the Fund at 31 March 2004 amounted to R4,262 million and the Board is currently evaluating a number of applications for grants from the fund in consultation with the Department of Sports, Recreation, Arts and Culture.

Grants amounting to R440 000 were approved by the Board subsequent to the year-end.

Human Resources

HIV/Aids

The Board has established an HIV/Aids committee to address the issue of HIV/Aids in the workplace.

The committee has embarked on a number of awareness initiatives, which include a voluntary HIV/Aids testing programme.

Employees according to race and gender

Race	Female	Male	Total	Percentage
Black	29	25	54	73,00
Coloured	2	1	3	4,05
Indian	2	1	3	4,05
White	7	7	14	18,90
TOTAL	40	34	74	100
Disabled			1	1,35

REPORT OF THE BOARD (continued)
FOR THE YEAR ENDED 31 MARCH 2004

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 R12,014 million as at 31 March 2001 and the current year surplus of R10,581 million will be paid into the Provincial Revenue Fund, as required in terms of the provisions of the Gauteng Gambling Act and the Public Finance Management Act.

REPORT OF THE BOARD (continued)
FOR THE YEAR ENDED 31 MARCH 2004

FINANCIAL HIGHLIGHTS

	2004	%	2003	%
	R'000		R'000	
REVENUE				
Collection commission	17,284	46,92	15,904	49,08
Contribution by Gauteng Provincial Government:				
- Socio-economic Impact Study	500	1,36	-	-
- Responsible gambling awareness programme	908	2,47	-	-
Cost recovery – On-site casino inspectors	2,023	5,49	1,886	5,82
Licence fees	10,824	29,38	9,648	29,78
Sports betting levies	1,507	4,09	1,738	5,36
Interest received	2,145	5,82	1,809	5,58
Application fees	732	1,99	712	2,20
Other	913	2,48	705	2,18
	<hr/>	<hr/>	<hr/>	<hr/>
	36,836	100,0	32,402	100,0
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURE				
Staff costs	15,668	59,68	14,721	65,56
Board members' fees	335	1,27	369	1,64
Depreciation	834	3,18	1,032	4,60
Professional and consulting fees	11	0,04	19	0,08
Other operating expenditure	9,407	35,83	6,312	28,12
	<hr/>	<hr/>	<hr/>	<hr/>
	26,255	100,00	22,453	100,00
	<hr/>	<hr/>	<hr/>	<hr/>
SURPLUS FOR THE YEAR	10,581		9,949	
Total collections on behalf of beneficiaries	373,318		354,554	
Expenditure as a percentage of total collections	7,03%		6,33%	

**REPORT OF THE BOARD (continued)
FOR THE YEAR ENDED 31 MARCH 2004**

APPRECIATION

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

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

PERFORMANCE REPORT FOR THE YEAR ENDED 31 MARCH 2004

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
<ul style="list-style-type: none"> ▪ Ensure that all monies due are properly accounted for and distributed as prescribed 	<ul style="list-style-type: none"> ▪ Collection of 98% of all monies due ▪ Distribution to beneficiaries on due date ▪ Adherence to planned revenue audits of licensees ▪ Reporting of monies collected and distributed 	<ul style="list-style-type: none"> ▪ A total of R373,318 million was collected and no amounts due were written off during the year under review ▪ All monies were distributed to beneficiaries on due date ▪ A total of 33 revenue audits were conducted, in accordance with the year plan ▪ Reporting of all monies collected and distributed was done to stakeholders on due date, the details of which are contained in the financial statements
<ul style="list-style-type: none"> ▪ Ensure fairness to punters 	<ul style="list-style-type: none"> ▪ Adherence to approval and registration procedures ▪ Game rule approvals ▪ Processing of all gambling disputes lodged with the Board 	<ul style="list-style-type: none"> ▪ 292 requests for gambling equipment approvals were received and processed ▪ 1 request for casino game rule approvals was received and processed ▪ 64 disputes were lodged with the board and of these 61 were evaluated and decided upon, the remainder being under investigation at year end
<ul style="list-style-type: none"> ▪ Ensure that gambling activities are conducted in accordance with legislative requirements 	<ul style="list-style-type: none"> ▪ Adherence to planned inspections relating to unlicensed gambling activities and follow up of all reported illegal gambling activities ▪ Adherence to planned compliance inspections and audits and follow up on incidences of non-compliance 	<ul style="list-style-type: none"> ▪ All incidences of illegal gambling uncovered were acted upon. This resulted in 41 raids, 223 gaming machines and 3 gaming tables being confiscated and 48 convictions for illegal gambling ▪ Compliance audits were carried out in accordance with plans and corrective action was taken in cases of non-compliance. This included the imposition of penalties amounting to R123 000

PERFORMANCE REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2004

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
<ul style="list-style-type: none"> ▪ Ensure that gambling activities are conducted in accordance with legislative requirements 	<ul style="list-style-type: none"> ▪ Adherence to planned compliance audit of licensees 	<ul style="list-style-type: none"> ▪ The following compliance audits were carried out in accordance with the year plan: <ul style="list-style-type: none"> - Manufacturer/Supplier 17 - Casinos 10 - Bingos 16 - Betting 25
<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 licences - 31 amendments of licence - 15 transfers of licence - 1049 employee registrations - 4 certificates of suitability - 10 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"> ▪ Review and improvement of responsible gambling practices and rules ▪ Monitoring of licensees' compliance with bid deliverables 	<ul style="list-style-type: none"> ▪ Revised responsible gambling rules promulgated ▪ A total of 833 persons have utilized the Board's self-exclusion programme ▪ Responsible gambling awareness and education campaign launched. ▪ Licensees are substantially in compliance with their bid deliverables and this is monitored on a continuous basis
<ul style="list-style-type: none"> ▪ Assist in the development of gambling policy and legislation 	<ul style="list-style-type: none"> ▪ Annual review of regulatory environment 	<ul style="list-style-type: none"> ▪ Legislation to be amended to align provincial legislation with new national legislation
<ul style="list-style-type: none"> ▪ Ensure the effective and efficient operation of the Board 	<ul style="list-style-type: none"> ▪ Maintain self-funding of the Board's operations 	<ul style="list-style-type: none"> ▪ The Board has achieved a surplus of R10,581 million for the current year ▪ The total expenditure for the year was within budget

REPORT OF THE AUDITOR-GENERAL TO THE EXECUTIVE AUTHORITY ON THE FINANCIAL STATEMENTS OF THE GAUTENG GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2004

1 AUDIT ASSIGNMENT

The financial statements as set out on pages 20 to 34, for the year ended 31 March 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No 12 of 1995) and section 18(4) of the Gauteng Gambling Act, 1995 (Act No 4 of 1995), as amended. These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2 NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, and audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3 AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Gauteng Gambling Board at 31 March 2004 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999) as amended.

4 **APPRECIATION**

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

K SINGH
for AUDITOR-GENERAL
Johannesburg

GAUTENG GAMBLING BOARD

BALANCE SHEET

at 31 March 2004

	Notes	2004 R'000	2003 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	10,632	7,861
Current assets		64,310	63,560
Trade and other receivables	2	10,396	11,738
Prepayments		17	17
Cash and cash equivalents	11.2	53,897	51,805
Total assets		<u>74,942</u>	<u>71,421</u>
RESERVES AND LIABILITIES			
Reserves		14,998	12,014
Retained surplus	3	12,014	12,014
Non distributable reserve	4	2,984	-
Current liabilities		59,944	59,407
Collections for distribution	5.1	32,089	34,521
Trade and other payables	6	27,855	24,886
Total reserves and liabilities		<u>74,942</u>	<u>71,421</u>

GAUTENG GAMBLING BOARD

INCOME STATEMENT

for the year ended 31 March 2004

	Notes	2004 R'000	2003 R'000
Gross revenue	7	34,691	30 593
Total operating expenses		26,255	22 453
Board members' fees	8	335	369
Depreciation	1	834	1,032
Other operating expenses	9	9,418	6,331
Staff costs	10	15,668	14,721
Operating surplus for the year		8,436	8,140
Interest received		2,145	1,809
Net surplus for the year		10,581	9,949

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2004

	Retained Surplus R'000	Revaluation reserve R'000	Total R'000
Balance at 31 March 2002	12,014	-	12,014
Net surplus for the period	9,949		9,949
Surplus retained (Note 3)	(1,000)		(1000)
Surplus to be paid over to Provincial Revenue Fund	(8,949)		(8,949)
Balance at 31 March 2003	12,014	-	12,014
Net surplus for the period	10,581		10,581
Surplus to be paid over to Provincial Revenue Fund	(10,581)		(10,581)
Surplus on revaluation of property	-	2,984	2,984
Balance at 31 March 2004	12,014	2,984	14,998

GAUTENG GAMBLING BOARD**CASH FLOW STATEMENT**

for the year ended 31 March 2004

	Notes	2004 R'000	2003 R'000
Cash flows from operating activities			
Cash receipts		35,570	33,755
Cash paid to suppliers and employees		(23,693)	(21,852)
Cash generated from operations	11.1	11,877	11,903
Interest received		2,145	1,809
Cash paid to Provincial Revenue Fund		(8,949)	(10,061)
Net cash inflow from operating activities		5,073	3,651
Cash flows from investing activities			
Additions to property, plant and equipment	1	(630)	(715)
Proceeds from sale of property, plant and equipment		112	58
Net cash outflow from investing activities		(518)	(657)
Cash flows from collection and distribution activities			
Increase/(decrease) in collections for distribution		(2,249)	1,364
(Increase)/decrease in trust debtors		(214)	(3,061)
Net cash inflow/(outflow) from collection and distribution activities		(2,463)	(1,697)
Net increase in cash and cash equivalents		2,092	1,297
Cash and cash equivalents at beginning of year		51,805	50,508
Cash and cash equivalents at end of year	11.2	53,897	51,805

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES

for the year ended 31 March 2004

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

STATEMENT OF COMPLIANCE

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

REVENUE

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

PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is calculated on the straight-line method to write off the cost/valuation of each asset over its estimated useful life as follows:

Buildings	50 years
Fixtures and fittings	10 years
Furniture and equipment	3 to 6 years
Motor vehicles	5 years
Information technology equipment	2 to 3 years

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

LEASES

Operating leases

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

EMPLOYEE BENEFITS

Short term employee benefits

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

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES - continued

for the year ended 31 March 2004

Long term employee benefits

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

Retirement benefits

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

FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

PROVISIONS

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

TAXES AND LEVIES

Taxes and levies are accounted for on an invoice basis. These are collected in an agency capacity and are therefore not treated as revenue.

TAXATION

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

COMPARATIVE FIGURES

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

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2004

1 PROPERTY, PLANT AND EQUIPMENT

	Land and building R'000	Fixtures & fittings R'000	Motor vehicles R'000	Information technology R'000	Furniture & equipment R'000	Total R'000
31 March 2004						
Opening net carrying amount	6 449	426	78	630	278	7 861
Gross carrying amount	6,963	614	194	3,659	1,336	12,766
Accumulated depreciation	(514)	(188)	(116)	(3,029)	(1,058)	(4,905)
Additions	9	58	289	255	19	630
Disposals			(4)	(3)	(2)	(9)
- Cost			(125)	(126)	(11)	(262)
- Accumulated depreciation			121	123	9	253
Depreciation charge	(142)	(64)	(52)	(446)	(130)	(834)
Revaluation	2,984					2,984
Closing net carrying amount	9,300	420	311	436	165	10,632
Gross carrying amount	9,300	672	358	3,788	1,344	15,462
Accumulated depreciation	-	(252)	(47)	(3,352)	(1,179)	(4,830)
31 March 2003						
Opening net carrying amount	6,562	475	50	785	317	8,189
Gross carrying amount	6,937	602	160	3,258	1,247	12,204
Accumulated depreciation	(375)	(127)	(110)	(2,473)	(930)	(4,015)
Additions	26	12	69	502	106	715
Disposals	-	-	(2)	(4)	(5)	(11)
- Cost	-	-	(35)	(101)	(17)	(153)
- Accumulated depreciation	-	-	33	97	12	142
Depreciation charge	(139)	(61)	(39)	(653)	(140)	(1,032)
Closing net carrying amount	6,449	426	78	630	278	7,861
Gross carrying amount	6,963	614	194	3,659	1,336	12,766
Accumulated depreciation	(514)	(188)	(116)	(3,029)	(1,058)	(4,905)

The land and building was purchased on 31 March 1999 and consists of an office building held under Title Deed Number T86131 99. The property is situated at portion 4 of Erf 44 Verwoerdburgstad Registration Division JR Province of Gauteng and measures 2210 square metres in extent.

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

If the land and buildings were carried at cost less accumulated depreciation, the carrying amount would have amounted to R6 316 206.

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2004

	2004 R'000	2003 R'000
2		
TRADE AND OTHER RECEIVABLES		
Trust debtors	11,847	11,633
Gauteng Provincial Government – collection commission	1,973	2,506
Sundry debtors	422	871
	<hr/>	<hr/>
	14,242	15,010
Less: Provision for doubtful trust debtor	(3,455)	(3,272)
Provision for doubtful licence fees and penalties	(391)	-
	<hr/>	<hr/>
	10,396	11,738
	<hr/>	<hr/>
3		
RETAINED SURPLUS		
In terms of Section 17(6) of the Gauteng Gambling Act, 1995, as amended, and Section (53)3 of the Public Finance Management Act, surplus funds at the close of the financial year, shall be paid to the Provincial Revenue Fund, unless Treasury approval has been obtained to retain such funds.		
The Board has received approval to retain the surplus of R12,014 million as at 31 March 2001.		
A further approval was received by the Board to retain R1 million of the 2003 financial year surplus to fund a provincial responsible gambling initiative. This amount is reflected under trade and other payables.		
4		
NON-DISTRIBUTABLE RESERVE		
Reserve on re-valuation of property, plant and equipment during the year		
- Buildings	2,984	-
	<hr/>	<hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2004

	2004	2003
	R'000	R'000
5 TAXES AND LEVIES		
5.1 Taxes and levies for distribution to beneficiaries at year-end		
Gauteng Provincial Administration	28,931	31,792
Limpopo Provincial Administration	247	216
Mpumalanga Provincial Administration	250	711
Phumelela Gaming & Leisure Limited	1,854	2,102
Sports Development Fund	4,262	2,972
Dissemination Levies	-	-
	<hr/>	<hr/>
	35,544	37,793
Less: Provision for doubtful trust debtor	(3,455)	(3,272)
	<hr/>	<hr/>
	32,089	34,521
	<hr/> <hr/>	<hr/> <hr/>
5.2 Taxes and levies collected for the year		
5.2.1 Provincial taxes		
5.2.1.1 Gauteng Provincial Government		
Betting tax	43,174	48,080
	<hr/>	<hr/>
Totalizator	20,861	22,078
- horse-racing	20,861	22,078
- other sport	65	-
On-course bookmakers	3,759	2,766
- horse-racing	3,759	2,766
- other sports	106	389
Off-course bookmakers	16,247	20,451
- horse-racing	16,247	20,451
- other sports	2,136	2,396
	<hr/>	<hr/>
Gaming Tax	297,349	266,377
	<hr/>	<hr/>
Casinos	229,716	200,413
- machines	229,716	200,413
- tables	65,795	64,203
Bingo	1,838	1,761
	<hr/>	<hr/>
Taxes collected for Gauteng Provincial Government	340,523	314,457
	<hr/> <hr/>	<hr/> <hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2004

		2004	2003
		R'000	R'000
Balance carried forward		340,523	314,457
5.2.1.2 Mpumalanga Provincial Government			
Betting Tax		5,083	8,201
Totalizator	- horse-racing	4,306	7,368
	- other sport	14	-
Off-course bookmakers	- horse-racing	728	818
	- other sports	35	15
5.2.1.3 North West Provincial Government			
Betting Tax			
Off-course bookmakers	- horse-racing	-	55
5.2.1.4 Limpopo Provincial Government			
Betting Tax		3,052	3,085
Totalizator	- horse-racing	2,788	2,795
	- other sport	19	-
Off-course bookmakers	- horse-racing	245	290
Total taxes collected		348,658	325,798

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2004

	Notes	2004 R'000	2003 R'000
Balance carried forward		348,658	325,798
5.2.1 Levies Collected			
Sports Development Fund Levies		1,290	1,139
Levies		931	931
Interest earned		359	208
Phumelela Gaming & Leisure Limited Off-course bookmakers		20,072	23,419
Dissemination Levies Bookmakers		-	96
Total levies collected		21,362	24,654
Licence fees		-	(417)
Interest earned and penalties received		3,298	4,519
Total collections for distribution		373,318	354,554
Taxes and levies for distribution to beneficiaries at year-end	5.1	(35,544)	(37,793)
		337,774	316,761
5.3 Taxes and levies distributed during the year			
Gauteng Provincial Administration		346,683	317,272
North West Provincial Administration		-	58
Limpopo Provincial Administration		3,020	3,061
Mpumalanga Provincial Administration		5,544	8,136
Phumelela Gaming & Leisure Limited		20,320	23,157
Sports Development Fund		-	1,400
Dissemination levies		-	106
		375,567	353,190
Less: Prior year-end collections distributed during the year		(37,793)	(36,429)
		337,774	316,761

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2004

	NotesR'000	2004 R'000	2003
6 TRADE AND OTHER PAYABLES			
Cash guarantees held		305	5
Amounts held in trust		650	-
- Gambling dispute		150	-
- Sports Development Fund		500	-
Provisions			
- Audit fees		-	129
- Leave pay		370	260
Licence fees received in advance		11,213	10,300
Creditors and accruals		942	1,094
Gauteng Provincial Government: Socio Economic Study		184	570
Investigation deposits		163	326
VAT payable		2,355	2,253
Provincial Revenue Fund – current year surplus		10,581	9,949
Responsible gambling awareness programme:			
- Retained surplus 2003	3	1,000	-
- Unutilised contributions from DFEA		92	-
		27,855	24,886
7 GROSS REVENUE			
Revenue consists of:			
Administration fees		72	72
Application fees		732	712
Collection commission		17,284	15,904
Contribution by Gauteng Provincial Government:			
- Socio Economic Impact Study		500	-
- Responsible Gambling Awareness Programme		908	-
Cost recovery – On-site casino inspectors		2,023	1,886
Forfeited cash and assets		115	-
Licence fees received		10,824	9,648
Penalties collected		123	220
Profit on sale of assets		103	47
Sales of printed material		1	1
Sports betting levies		1,507	1,738
Sundry income		166	109
Recoveries of investigation expenses		333	256
		34,691	30,593

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2004

		2004 R'000	2003 R'000
8	BOARD MEMBERS' FEES		
	Board Member emoluments for non-executive Board Member services rendered during the year:		
Messrs	JF Nalane	8	-
	IV Maleka	29	41
	SA Tati	51	37
	IAM Semanya	20	38
	MGK Maher	40	48
	S Mahlalela	6	-
	SL Majombozi	7	-
	J Maluleka	34	55
	L Mohapeloa	10	-
	W Segal	37	55
	T Sibeko	6	-
Mesdames	Z Mamba	8	-
	R Mokoena	54	44
	MN Xaba (Backpay of rate increase)	7	39
	TOTAL PAID TO BOARD MEMBERS	317	357
	AUDIT COMMITTEE REMUNERATION	18	12
	TOTAL	335	369

Terms of the following Board Members expired on 1 December 2003:

IV Maleka
IAM Semanya

The following Board Members were appointed on 1 December 2003:

JF Nalane
S Mahlalela
SL Majombozi
L Mohapeloa
T Sibeko
Z Mamba
R Morojele

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2004

	2004	2003
	R'000	R'000
9 OTHER OPERATING EXPENSES		
Advertisements	85	91
Audit fees:	175	329
External audit	14	133
- Current year	0	129
- Prior year under provision	14	4
Internal Audit	161	196
Bank charges	26	22
Conference costs	97	117
Information technology	319	301
Insurance	190	146
Investigation and enforcement costs	194	148
Legal expenses	2,022	612
Office accommodation and storage rentals	475	506
Office consumables, maintenance and refreshments	95	85
Postage, stationery and subscriptions	174	157
Printing and photo-copying	96	75
Professional and consulting fees	11	19
Provision for doubtful licence fees and penalties	391	-
Public relations and hospitality	174	200
Regional Services Council levies	42	43
Responsible Gambling Awareness Programme	908	-
Security expenses	13	8
Skills Development Levy	123	119
Socio Economic Impact Study	735	-
Staff recruitment	45	11
Staff training and development	404	606
Telephone and communications	832	766
Transcription costs	8	5
Travelling and subsistence:		
Local	711	783
Overseas	1,071	1,182
Uniforms and protective clothing	2	-
	9,418	6,331

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2004

	Notes	2004 R'000	2003 R'000
10 STAFF COSTS			
Included in the staff costs are:		15,668	14,721
- Salaries, bonuses and allowances		12,455	11,706
- Defined contribution plan expenses	12	1,641	1,574
- Medical aid contributions		1,180	1,119
- Group life contributions		262	229
- Other employer contributions		130	93
11 NOTES TO THE CASH FLOW STATEMENT			
11.1 Reconciliation of the net surplus to cash generated from operations			
Net surplus		10,581	9,949
Adjustments for:			
Depreciation		834	1,032
Investment income		(2,145)	(1,809)
Provision for leave pay		110	(52)
Provision for doubtful licence fees and penalties		391	-
Profit on sale of property, plant and equipment		(103)	(47)
		<hr/>	<hr/>
Operating surplus before working capital changes		9,668	9,073
Increase in trade and other payables		1,227	620
(Increase)/Decrease in trade and other receivables		982	2,210
		<hr/>	<hr/>
Cash generated from operations		11,877	11,903
		<hr/>	<hr/>
11.2 Cash and cash equivalents			
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
Bank		53,896	51,804
Petty cash		1	1
		<hr/>	<hr/>
		53,897	51,805
		<hr/>	<hr/>

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2004

	2004 R'000	2003 R'000
12 RETIREMENT BENEFITS		
The Board provides retirement benefits for all its permanent employees, through a defined contribution provident fund, which is subject to the Pension Fund Act, 1956 as amended.		
The total amount expensed during the year was	<u>1,641</u>	<u>1,574</u>
13 CONTINGENT LIABILITIES		
The Board is a defendant in a legal action instituted by one of its licensees, Viva Bingo (Pty) Ltd. In the opinion of the Board, after taking appropriate legal advice, the result of such action will not have any material effect on the Board's financial position.		
14 NON-CAPITAL COMMITMENTS		
Operating bases		
The future minimum lease payments under non-cancelable operating leases for the Board's photocopiers are as follows:		
- Within 1 year	14,	27,
- 1 to 5 years	37,	8
	<u>52</u>	<u>35</u>

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, 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>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>

PUBLIC FINANCE MANAGEMENT ACT SECTION	QUANTITATIVE [AMOUNT]	QUALITATIVE [NATURE]
<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 Disposal of asset/assets constituting in excess of 25% of the Board’s assets, measured at cost</p> <p>Any business activity that would impact on the Board’s ability to fulfill its mandate, outside of the approved strategic plan and budget</p>

