



annual report | 2008

Foreword by the MEC

FOREWORD BY THE MEC

We are delighted to present the 2007/08 annual report of the Gauteng Gambling Board.

Once more the Board has performed outstandingly and attained an unqualified audit report while discharging its mandate to regulate and control gambling in Gauteng.

We also note with appreciation that casino gaming revenues increased by 13,1%, to R6,6 billion during the period under review. Gaming tax collections from the casinos amounted to R502,2 million, compared to R452,5 million. Totalizator turnover increased by 11,9% to a total of R1,8 billion.

The Gambling Board has begun a process of rolling out limited pay-out machines. It is anticipated that this roll out will advance the following key objectives :

- Enhance economic growth and development in the Province through the stimulation of small and medium size businesses;
- Introduce new entertainment and recreational facilities spread throughout the Province;
- Contribute to the eradication of incidents of illegal gambling;
- Collect additional tax revenue for the Province; and
- Promote broad based black economic empowerment within the gambling industry.

With the 2010 FIFA World Cup, to be held in South Africa, on the horizon, the Department of Economic Development has on the advice of the Gambling Board reviewed the tax structure on sports betting by removing the tax burden from the punter to the holder of the license.

This amendment will put Gauteng and South Africa on an equal footing with betting jurisdictions in other parts of the world and halt the leakage of tax revenue from South Africa.

The Board continued its Community Outreach Programme on responsible gambling aimed at minimizing the negative impact of gambling. Since 2004 this programme has reached nearly 85 000 learners and more than 161 000 beneficiaries of old age pensions and social welfare grants at 459 pay points.

We wish to express our sincere thanks and appreciation to the Board and staff for the excellent work they continue to do and we wish them success in the execution of their important mandate.



P MASHATILE
MEC FOR FINANCE AND ECONOMIC AFFAIRS

P Mashatile
Honourable MEC for Finance
and Economic Affairs





Our dedicated staff



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 2008

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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.



Balebogeng Primary School - Mamelodi



Chairperson's Statement

The gambling regulatory environment continues to be dynamic and is characterised by high stakes and competing interests. This report marks the first anniversary of these Board members at the helm of the gambling industry in Gauteng. Shortly after its inauguration, the Board has had to deal with complex and high stake transactions ranging from gambling disputes to take-over transactions involving large sums of money. Further, the Board has amongst others taken the following major decisions which will significantly alter the gambling landscape in Gauteng:

- Modernisation of the gambling tax structure on sports betting by removing the tax burden from the punter and replacing it with a gross profit tax.
- The roll out of the limited payout machine industry which will result in new entertainment and recreational facilities spread throughout the province.
- Commenced with consultation with the industry with a view to implement the ideals of Broad Based Black Economic Empowerment Act.

L Mogotsi - Chairperson

Mr Majombozi has during the year resigned as a Board member and I would like to take this opportunity to thank him for his contribution to the Board during his tenure of office.

Last but not least, I would like to express my sincere gratitude to the MEC for Finance and Economic Development for his leadership and support, my fellow Board members and staff who have contributed immensely towards the Gauteng Gambling Board's achievement of its mandate.

L MOGOTSI
CHAIRPERSON





Community Work

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



Kopanang Day Care
- Olievenhoutbosch

For the year ended 31 March 2008 the Board contributed to the following community projects:

Project Details	Allocated Amount	See on Page
Alex FM Radio - Alexandra	75,000.00	
Alexandra Police Forum	74,667.00	
Balebogeng Primary School - Mamelodi	97,310.00	5
Botshabelo HIV/Aids Home - Diepsloot	75,000.00	12
Charlene's Place of Safety - Ga-Rankuwa	35,000.00	
Doulos Ministries - Roodeport	25,000.00	
Eersterust Football Association - Eersterust	42,650.00	
Jakaranda Primary School - Eersterust	35,000.00	
Kasi Ballet - Alexandra	25,000.00	
Kutwanong Centre for Maths, Science and Technology - Soweto	75,000.00	
Leamogetswe Safety Home - Atteridgeville	75,000.00	17
Letsema Care Centre - Dobsonville	75,000.00	21
Lyndhurst Primary School - Lyndhurst	133,836.00	
Manningi Galore Careers - Alexandra	25,000.00	
Morakoma Primary School - Mamelodi	75,000.00	
Norridge Park Primary School - Eersterust	90,000.00	
ODI Self Help Association for the Disabled - Ga-Rankuwa	40,000.00	
Kopanang Day Care - Olievenhoutbosch	70,000.00	11
OTCC Management Committee - Alexandra	25,800.00	
Phomolong Outreach Programme - Tembisa	75,000.00	37
Real Madrid Football Club - Laudium	54,049.60	
Silver Falcons - Silverton	18,387.10	
Teddybear Clinic - Johannesburg General Hospital	75,000.00	37
Thembisa/Kempton Park Community Development Centre	75,000.00	
Thusong Youth Centre - Alexandra	25,000.00	
Twilight Shelter - Hillbrow	108,300.00	14
Witkoppen Health and Welfare Centre - Diepsloot	75,000.00	37
Women's League - Akasia	75,000.00	
Sundry	24,835.00	
	1,774,835	



Administrative Information

BOARD MEMBERS

Messrs L Mogotsi *Chairperson*

S Mahlalela
P Masegare
T Molai
P Mafojane
S Majombozi (Resigned 28 January 2008)

Mesdames M Gasela *Deputy Chairperson*
K Moloto-Stofile
P Ndaba
Z Ntlangula

AUDIT COMMITTEE

Ms S Machaba CA(SA) *Acting Chairperson*

Messrs P Masegare
P Mafojane
T Molai
M Nkhabu CA(SA)

Ms Z Ntlangula

CHIEF EXECUTIVE OFFICER

Advocate MBB Lekalakala

CHIEF FINANCIAL OFFICER

Ms D Dondur CA(SA)

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BANKERS

Standard Bank



Advocate M Lekalakala
Chief Executive Officer

Mr E Lalumbe
Chief Operating Officer

Board Members 2008



Mr L Mogotsi
Chairperson

Ms T Gasela
Deputy Chairperson

Mr S Mahlalela



Ms Z Ntlangula

Mr T Molai

Dr P Ndaba



Mr P Mafojane

Ms M Stofile

Mr P Masegare

Statement of Responsibility by the Members of the Board

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

INTERNAL AND ACCOUNTING CONTROLS

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

Management and the Audit and Risk 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 Board.

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 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 four non-executive Board members and two non-Board members and meets at least four times per annum. The committee ensures effective communication between the Board, internal audit and the Auditor-General. The Auditor-General and internal audit have free access to the Audit Committee.

The Audit Committee operates within the framework of 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 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 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 Gauteng Gambling Board as at 31 March 2008 and the results of its operations and cash flow for the year then ended.

The Annual Report for the year ended 31 March 2008 set out on pages 4 to 28 and 32 to 52 was approved by the members of the Board on 23 July 2008 and is signed on their behalf by:

L MOGOTSI
CHAIRPERSON



Kopanning Day Care -
Olievenhoutbosch



Botshabelo HIV/AIDS Home
- Diepsloot

Report of the Audit Committee for the year ended 31 March 2008

We are pleased to present our report for the financial year ended 31 March 2008.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

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

	Name of Member	Number of meetings attended
Ms	S Machaba CA(SA) Acting Chairperson	5
Messrs	P Masegare	3
	P Mafojane	1
	T Molai	1
	M Nkhabu CA(SA)	4
Ms	Z Ntlangula	4

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, 1999, as amended ("the Act") and Treasury Regulations 27.1.8 and 27.1.10. The Audit Committee also reports that it has adopted formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

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

THE QUALITY OF MANAGEMENT AND MONTHLY/QUARTERLY REPORTS SUBMITTED IN TERMS OF THE ACT

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

EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

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

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

S MACHABA
ACTING CHAIRPERSON OF THE AUDIT COMMITTEE
23 July 2008





Twilight Shelter
- Hillbrow

Report of the Board for the year ended 31 March 2008

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2008.

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 function of the Board is to:

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

MISSION STATEMENT

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

BOARD MEMBERS

The names of Board Members appear on page 8.

BOARD MEMBER FEES

Board Member fees are 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 26 to 28.

GENERAL REVIEW

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

Internet Gambling

The Board made written and oral representations to both the Portfolio Committee on Trade and Industry in Parliament and the Standing Committee on Economic Affairs, Gauteng Legislature.

Representations were made in order to ensure that the proposed bill provides a sound and appropriate legislative framework for the regulation and control of interactive gambling and these include:

- Appropriate tax structure.
- Fair advertising requirements.
- The regulation and control of interactive gambling should be entrusted to an agency which has both the regulatory experience and capacity to regulate.
- Taking into account the country's international obligations.
- Giving regulation a wider meaning to include not only licensed interactive operators but unlicensed interactive operators.



Report of the Board (continued) for the year ended 31 March 2008

Responsible Gambling

During the year under review the project for schools in the province reached some 27 822 learners at 48 schools. This was double the previous year and achieved despite the public service strike which effectively halted any school visits during June 2007, and led to the rescheduling of all appointments to the third and last terms of the year.

This brought the tally since the inception of this innovative project in 2004 to 154 schools, reaching nearly 85 000 learners.

The project involves visits to high schools where a team of actors present a lively and educative industrial theatre style performance with a script based on the scenarios depicted in a custom-designed comic book. The groups average 90 learners, mainly in Grades 10 to 12.

This year in response to a request from teachers, an attendance certificate for learners was designed for them to include in their individual school portfolios.

During the year under review NRGF trained facilitators also distributed leaflets debunking gambling myths and presenting the facts about problem gambling to an estimated 104 706 beneficiaries of old age pensions and social welfare grants at 323 of the larger AllPay paystations in the greater Johannesburg Metropole.

Since inception of this project in November 2006 more than 161 926 beneficiaries of old age pensions and social welfare grants at 459 AllPay paypoints have been reached.

Public awareness levels about problem gambling and NRGF's problem gambling counselling line were raised by the participation of an NRGF trained team of facilitators in various well-attended public events in the province.

These include the two-week Rand Show and Easter holiday period from 30 March to 15 April for the fourth consecutive year, the 11-day Pretoria Show from 22 August to 2 September for the third time running, and the three-day Expo 50 Plus coinciding with the International Day for Seniors from 1 to 3 October 2007 for the second time.

In response to requests, the NRGF occasionally participates in corporate wellness days, and two NRGF-trained facilitators put on a display for a company called NCP Chlorchem (Pty) Ltd in Kempton Park on 30 November 2007.

A new bookmark based on the comic book characters was printed and distributed along with a colourful bookmark holder via the Gauteng Provincial Library service to libraries, including prison, mobile and community libraries.

Six major Gauteng employers and 40 700 employees were targeted with the NRGF's Money Sense debt and financial management programme. This consolidates this service which was introduced in 2006 and brings the number of companies reached to 35, with up to 65 523 employees.

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

The National Gambling Board through the CEO's Forum with the Provincial Regulators have developed a set of minimum draft requirements for Broad Based Black Economic Empowerment in the industry. The Gauteng Gambling Board has commenced consultations with the industry on the draft minimum requirements.

Casinos

West Rand Casino Licence

Silverstar Casino opened its door to the public on 8 December 2007. The casino features, *inter alia*, the following:

- 700 Slot machines and 30 tables
- Restaurants, spa, 60 room hotel, conference centre and a musical fountain.

Operating Profile

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

Casino Name	No of Gaming Machines	No of Gaming Tables
Carnival City	1 750	60
Emerald Safari Resort	660	23
Emperors Palace	1 640	67
Gold Reef City	1 600	50
Montecasino	1 700	70
Morula Sun	510	12
Silverstar Casino Resort	700	30
	8 560	312



Leamogetswe Safety Home - Atteridgeville

Report of the Board (continued)

for the year ended 31 March 2008

Financial Performance

Casino gaming revenues increased by 13,14%, to R6,6 billion for the year.

Gaming tax collections from the casinos amounted to R502,2 million, compared to R452,5 million in the previous year.

Horse-racing and betting

Review of Bookmaker Tax Structure

With the advent of the Soccer World Cup due to be held in South Africa in 2010, South African Gambling Regulators have resolved to eliminate the punter tax on betting on sport and other events/contingencies in favour of a gross profit tax on bookmakers. The advantages of this move include:

- Removal of the tax burden from the punter to the bookmaker.
- Enable South Africa to compete on an equal footing with foreign jurisdictions.
- Stimulate and grow betting on sporting events.

In the light of the above, the Board recommended to the MEC for Finance and Economic Development, MEC P Mashatile to amend legislation to provide for the removal of the tax burden on the punter. With effect from 1 July 2008, punters in Gauteng will no longer pay gambling tax on sporting events excluding horse-racing.

Pool betting

Totalizator turnover increased by 11,93% during the current year to a total of R1,88 billion (2007 : R1,68 billion).

Totalizator taxation amounted to R29,66 million (2007 : R27,44 million).

Fixed odds betting

Taxes collected from Gauteng bookmakers amounted to R38,70 million during the year under review, compared to R33,97 million in the previous year.

Bingo operations

Bingo revenues improved by 50,87% during the current year to a total of R95,5 million (2007 : R63,01 million), resulting in tax collections of R11,41 million (2007 : R7,56 million).

Limited Payout Machines

The Board has during the year resolved to roll out limited payout machines. The Board intends amongst others, to achieve the following licensing objectives:

- Enhance economic growth and develop in the Province through stimulation of small and medium size businesses;
- Introduce new entertainment and recreational facilities spread throughout the province;
- Collect additional tax revenue for the province; and
- Promote the ideals of Broad Based Black Economic Empowerment.

The process commenced with the publication of a draft Request for Proposal inviting comments from interested parties. The final Request for Proposal was published on 5 November 2007. Twenty interested parties obtained copies of the final Request for Proposal and 10 applicants lodged their applications on 1 February 2008.

Current Litigation

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

- **Akani Egoli (Pty) Ltd and Others vs Gauteng Gambling Board and Others**
The High Court action was argued by the parties and judgement was reserved without date. The action relates to the Board's approval of Electronic Bingo Terminals for use by bingo licensees. The applicants contend *inter alia* that the "look and feel" of these terminals make them slot machines and should not have been approved by the Board.
- **Casino Enterprises Swaziland (Pty) Ltd versus Minister of Trade and Industry and Others**
The appeal by Piggs Peak was granted by the Supreme Court of Appeal and the matter will now go to trial before the High Court in Pretoria. The applicant operates an Internet casino (Piggs Peak) in Swaziland. They advertise in South Africa and accept bets from residents in South Africa. They contend that the players located in South Africa are deemed to have travelled outside the country utilising technology and that as a result gambling takes place outside the country and is not subject to the laws of the country. They requested the court to order that their actions were not in breach of the National Gambling Act and the Gauteng Gambling Act.

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, 86 illegal gaming machines were confiscated and 30 people were convicted of gambling-related offences.



Report of the Board (continued) for the year ended 31 March 2008

Sports Development Fund

The income of the Sports Development Fund amounted to R3,82 million during the year under review (2007: R2,69 million).

The balance of the Fund at 31 March 2008 amounted to R1,10 million.

The Board has, after consultation with the Department of Sports, Recreation, Arts and Culture, approved grants totaling R3m from the Sports Development Fund for upgrading sports facilities in the Province. These grants were in respect of the following projects:

- Ellis Park Swimming Pool R 1m
- Westbury Gym R0,5m
- Siculo Sports Facility R1,5m
- TOTAL R 3m

The Board has since 1997 approved grants totaling R18,26 million from the Sports Development Fund.

Human Resources

- Employees according to race and gender

Race	Female	Male	Total	Percentage
African	23	25	48	70,6
Coloured	3	2	5	7,4
Indian	2	0	2	2,9
White	8	5	13	19,1
TOTAL	36	33	68	100
Disabled	1	1	1	1,4

- **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. It is communicated to all staff to ensure that they understand the rights and benefits which the policy confers and to highlight the nature of assistance and support the 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 Board is committed to business integrity, transparency and accountability in all its activities. In support of this commitment, the Board subscribes to the highest standards of corporate governance in all aspects of the business and the ongoing development of best practices.

Board Members

As required in terms of the Act, Board Members come from diverse professional backgrounds. Their collective qualifications and experience enable them to provide sound, independent and objective judgement in the decision-making process. They contribute to the Board's strategy formulation in addition to monitoring and measuring the Board's performance and its executive management against key performance indicators.

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



Letsema Care Centre - Dobsonville

Report of the Board (continued)

for the year ended 31 March 2008

Board Meetings

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

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

Board Committees

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

Currently the Board has the following sub-committees:

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

Code of Conduct

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

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

FINANCIAL RESULTS

The financial results of the Board and the taxes and levies collected and distributed are reflected in the attached annual financial statements.

The Gauteng Gambling Board has previously received approval to retain the accumulated surplus of R12,01 million as at 31 March 2001 and R13,049 million as at 31 March 2007.

FINANCIAL HIGHLIGHTS

	2008	%	2007	%
	R'000		R'000	
REVENUE				
Collection commission	28,503	45,0	25,656	50,4
Cost recovery : On-site casino inspectors	1,418	2,2	2,008	3,9
Licence fees	17,255	27,3	14,774	29,0
Sports betting levies	5,958	9,4	4,352	8,6
Interest received	3,940	6,2	1,869	3,7
Application fees	4,983	7,8	1,759	3,5
Other	1,145	2,1	496	0,9
	—————	—————	—————	—————
	63,202	100,0	50,914	100,0
	—————	—————	—————	—————
EXPENDITURE				
Staff costs	26,361	59,2	24,458	64,5
Board members' fees	1,005	2,3	676	1,7
Depreciation	915	2,1	952	2,5
Other operating expenditure	16,217	36,4	11,779	31,3
	—————	—————	—————	—————
	44,498	100,0	37,865	100,0
	—————	—————	—————	—————
SURPLUS FOR THE YEAR	18,704		13,049	
Total collections on behalf of beneficiaries	624,002		556,464	
Expenditure as a percentage of total collections	7,1%		6,8%	



Report of the Board (continued) for the year ended 31 March 2008

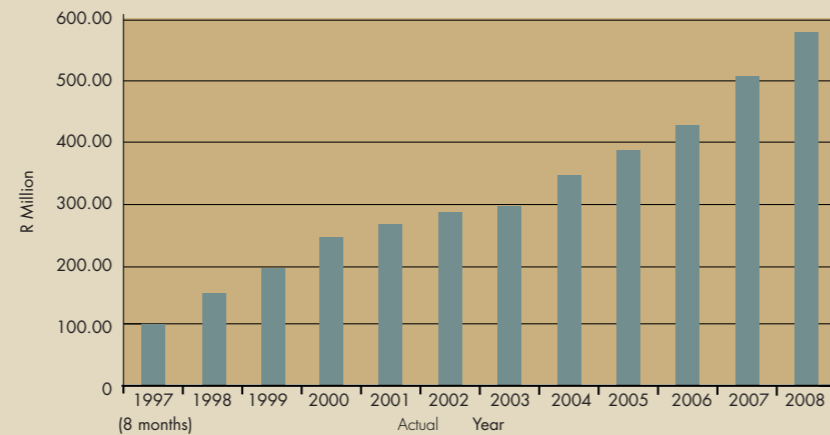
APPRECIATION

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

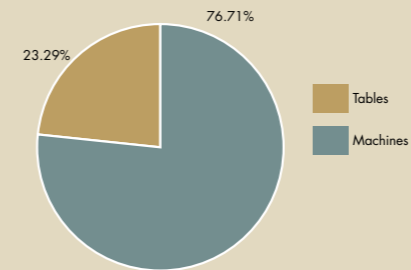
- The Gauteng Provincial Government, the Executive Council, MEC P Mashatile and the Department of Finance and Economic Affairs;
- All applicants for licences and licensees;
- Industry associations;
- The staff of the Board, past and present, for their dedication and commitment;
- The National Responsible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



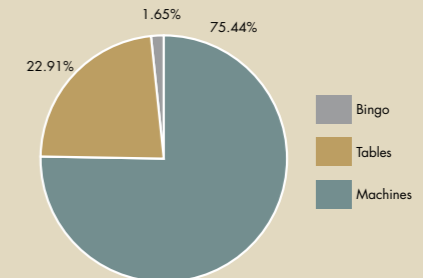
Tax Collections on behalf of the Gauteng Provincial Government



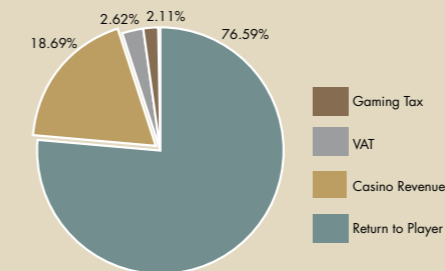
Casino Revenue Mix - R5,660 Billion



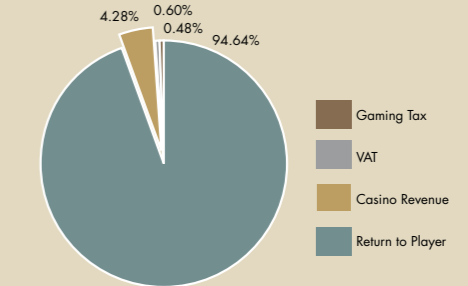
Gaming Revenue Mix - R 5,755 Billion



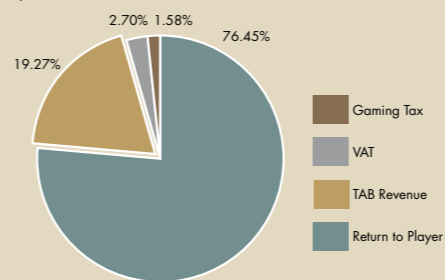
Gaming Table Distribution - Drop R5,631 Billion



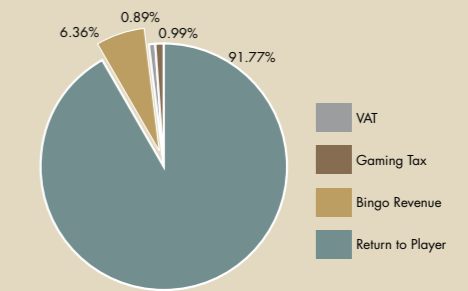
Gaming Machine Distribution - Handle R 81,008 Billion



Phumelela TAB Gauteng Turnover Distribution - R1,880 Billion



Bingo Stakes Distribution - R1,154 Billion



Performance Report

for the year ended 31 March 2008

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
1. Prove value for money and efficiency of operations to the Gauteng Department of Economic Development	<ul style="list-style-type: none"> Collection of 99% of all monies due, accurate distribution and reporting on due date 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 annually Unqualified annual report, detailing achievements against objectives released by 31 August annually 	<ul style="list-style-type: none"> 100% of all monies due was collected, totalling R624,002 million All monies were accurately distributed to beneficiaries on due date All reporting was done by the requisite due dates Reporting of all monies collected and distributed was done to stakeholders on due date, the details of which are contained in the financial statements The strategic plan and budget was approved by the Board during September 2007 and submitted to the Gauteng Department of Economic Development and the Gauteng Member of the Executive Council : Economic Development Unqualified annual report detailing achievements against objectives was approved and released by 31 August 2007
2. Monitor gambling patterns and budget and address causes of changes. If necessary, revise budget and priorities	<ul style="list-style-type: none"> Evaluation and explanation, as well as proposed corrective action in respect of material variances submitted 	<ul style="list-style-type: none"> All statistics and management accounts were timeously submitted and reviewed by management
3. Review all systems and amend where necessary	<ul style="list-style-type: none"> A detailed review report on proposed system amendments demonstrating increased effectiveness and efficiency is to be produced every three years Information flow between departments should ensure efficiency and seamless service provision 	<ul style="list-style-type: none"> All policies, systems and processes were reviewed and updated, where necessary during the 2007 – 08 financial year All requisite meetings were held and the required information disseminated and reviewed

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
4. Keeping abreast with technological developments by seeking and understanding new technology and its impact on regulation	<ul style="list-style-type: none"> Attendance of relevant fora/ conferences/ exhibitions Preparation and submission of proposed regulatory amendments 	<ul style="list-style-type: none"> The following were attended: <ul style="list-style-type: none"> 5th Gambling Regulators for Africa Forum Conference, Malawi LEIU 2007 Annual Training Seminar, Canada GRAF Malawi Gaming Symposium, Malawi Various local conferences
5. Conducting regular research on the impact of gambling on society	<ul style="list-style-type: none"> The measurement of the socio-economic impact of gambling on society by commissioning a study every three years 	<ul style="list-style-type: none"> A draft terms of reference for the socio-economic impact study was published for comment during the 2007/08 financial year. The comments are currently being reviewed and a final tender will be published during the 2008-09 financial year
6. Ensure that the ethical and professional conduct of Board members and staff are continuously monitored and maintained	<ul style="list-style-type: none"> Induction training to all new employees and Board Members Annual professional behaviour and ethics refresher presentation for staff 	<ul style="list-style-type: none"> New staff members inducted by Human Resources New Board Members inducted within two weeks of joining the Board
7. Biennially perform and document a formal review of developmental, retention and succession planning measures and formulate an efficient and effective strategy to ensure a continuous knowledge base	<ul style="list-style-type: none"> Review current measures, policies and information 	<ul style="list-style-type: none"> Policies were revised and amended during the 2007/08 financial year Two performance reviews, with incorporated developmental planning measures, were completed during the 2007/08 financial year
8. Maintain (and annually review) a complete database of all systems, policies, processes, procedures and responsibilities, ensuring accessibility to relevant stakeholders	<ul style="list-style-type: none"> Maintenance and updating of the database 	<ul style="list-style-type: none"> A new licensing IT database system was developed and implemented. The Legal Services IT database was reviewed and a specification for the upgrade of this database was developed
9. Keeping abreast with international best practice	<ul style="list-style-type: none"> On an annual basis evaluate, plan and attend relevant events 	<ul style="list-style-type: none"> The following relevant conferences/ exhibitions were attended during the 2007/08 financial year: <ul style="list-style-type: none"> IMGL Spring Conference, Chicago, USA

Performance Report (continued)
for the year ended 31 March 2008

OBJECTIVE	KEY PERFORMANCE AREA	ACHIEVEMENT
		<ul style="list-style-type: none"> - IAGA/IAGR 2007 Conference, Chicago, USA - G2E Global Gaming Expo, & Conference, Nevada, USA - ICE 2008, London, UK <ul style="list-style-type: none"> • A Limited Payout Machine fact finding mission to Australia was conducted
10. Working with the National Responsible Gambling Programme and other stakeholders to increase visibility and public awareness on responsible gambling and the role of the Gauteng Gambling Board	<ul style="list-style-type: none"> • Responsible gambling practices and rules 	<ul style="list-style-type: none"> • Gauteng specific projects were developed with a budget of R2,5 million • 273 people have joined the Gauteng Gambling Board's self-exclusion programme during the year under review, bringing the total to 2 059 persons who have utilised the Gauteng Gambling Board's self-exclusion programme since inception. 48 people requested that their self-exclusions be uplifted
11. Meaningful BBBEE participation in the benefits derived from the gambling industry	<ul style="list-style-type: none"> • Monitoring of licensees' compliance with bid deliverables • Ongoing effective and efficient monitoring of compliance with BBBEE requirements 	<ul style="list-style-type: none"> • Licensees are reviewed and monitored on their state of compliance, on a regular basis • Draft minimum requirements for BBBEE were developed for consultation with the industry
12. Smooth implementation of the Limited Payout Machine industry in the Gauteng Province	<ul style="list-style-type: none"> • Efficient, timely and effective licensing and implementation processes making use of relevant licensing criteria and an appropriate roll out programme 	<ul style="list-style-type: none"> • The development of licensing criteria was completed during the financial year under review • Consultation with relevant stakeholders on the draft licensing criteria was completed • The Request for Proposals for applications was completed and 10 applications were received by the due date. The investigation process is currently underway.

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 2008

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 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 50.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1.1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 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 whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

Report of the Auditor General (continued)

for the year ended 31 March 2008

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

Basis of accounting

8. The 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 1.1 to the financial statements.

Opinion

9. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Gambling Board as at 31 March 2008 and its financial performance and 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 1.1 of the financial statements and in the manner required by the PFMA.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:

Matters of governance

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 certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The entity had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved, written terms of reference.	X	
• 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	X	
Internal audit		
• The entity had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2	X	
Other matters of governance		
The annual financial statements were submitted for audit as per the legislated deadlines. [section 55 of the PFMA]	X	
The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	X	
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
The prior year's external audit recommendations have been substantially implemented.	X	

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

11. I have reviewed the performance information as set out on pages 26 to 28.

Responsibility of the accounting authority 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 entity.

Responsibility of the Auditor-General

13. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) 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 audit 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

Johannesburg
10 July 2008





Statement of Financial Position

as at 31 March 2008

	Notes	2008 R'000	2007 R'000
ASSETS			
Non-current assets		14,147	10,642
Property, plant and equipment	1	14,116	10,518
Intangible assets	1	31	124
Current assets		152,000	114,872
Trade and other receivables	2	4,346	3,134
Prepayments and advances		15	15
Cash and cash equivalents	12.2	147,639	111,723
TOTAL ASSETS		166,147	125,514
LIABILITIES			
Current liabilities		134,056	110,493
Trade and other payables	6	71,710	63,069
Collections for distribution	5.1	62,346	47,424
TOTAL LIABILITIES		134,056	110,493
RESERVES			
Non-distributable Reserve	4	7,028	3,007
Retained surplus	3	25,063	12,014
TOTAL RESERVES AND LIABILITIES		166,147	125,514

Statement of Financial Performance

for the year ended 31 March 2008

	Notes	2008 R'000 Actual	2008 R'000 Budget	2007 R'000 Actual	2007 R'000 Budget
Gross Revenue	7	59,263	49,382	49,045	42,090
Total operating expenses		44,498	50,055	37,865	37,137
Board members' fees	8	1,005	1,292	676	918
Depreciation	1	915	851	952	847
Other operating expenses	10	16,217	17,917	11,779	12,032
Staff costs	11	26,361	29,995	24,458	23,340
Operating surplus(deficit) for the year		14,764	(673)	11,180	4,953
Interest received		3,940	1,830	1,869	1,567
Net surplus for the year		18,704	1,157	13,049	6,520

Statement of Changes in Net Assets

for the year ended 31 March 2008

	Retained Surplus R'000	Revaluation Reserve R'000	Total R'000
Balance at 31 March 2006	12,014	3,007	15,021
Net surplus for the period	12,829		12,829
Surplus to be paid over to Provincial Revenue Fund	(12,829)		(12,829)
Balance at 31 March 2007	12,014	3,007	15,021
Approved retention of the net surplus for the period 2006 - 2007	13,049		13,049
Net surplus for the period	18,704		18,704
Surplus to be paid over to Provincial Revenue Fund	(18,704)		(18,704)
Increase in the Revaluation Reserve		4,021	4,021
Balance at 31 March 2008	25,063	7,028	32,091



Cash flow statement
for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
Cash flows from operating activities			
Cash receipts		58,579	48,222
Cash paid to suppliers and employees		(37,795)	(35,128)
Cash generated from operations	12.1	20,784	13,094
Interest received		3,940	1,869
Cash paid to Provincial Revenue Fund		-	(12,828)
Release of monies held in trust		(2,802)	(8,546)
Net cash (outflow)/inflow from operating activities		21,922	(6,411)
Cash flows from investing activities			
Additions to property, plant and equipment	1	(414)	(1,023)
Proceeds from sale of property, plant and equipment		7	59
Net cash outflow from investing activities		(407)	(964)
Cash flows from collection and distribution activities			
Increase in collections for distribution		14,922	7,993
(Increase)/decrease in trust debtors		(521)	4,362
Net cash inflow from collection and distribution activities		14,401	12,355
Net increase in cash and cash equivalents		35,916	4,980
Cash and cash equivalents at beginning of year		111,723	106,743
Cash and cash equivalents at end of year	12.2	147,639	111,723

Summary of Accounting Policies
for the year ended 31 March 2008

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

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

1. Terminology differences:

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
Reporting date	Balance sheet date

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





Summary of Accounting Policies (continued)

for the year ended 31 March 2008

3. Specific information such as:

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

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

Paragraph 11 – 15 of GRAP 1 has not been implemented due to the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

GOING CONCERN

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

REVENUE

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment are reviewed periodically to assess whether or not the net recoverable amount has declined below the carrying amount. In the event of such impairment, the carrying amount is reduced with the impairment loss and the impairment loss is charged as an expense against income. Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income.

LEASES

Operating leases

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

CURRENCY

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

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 accrual for employee entitlement to annual leave represents the amount, which the Gauteng Gambling Board has a present obligation to pay as a result of employees' services, provided to the balance sheet date. The accrual has been calculated at undiscounted amounts based on current salary rates.

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 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 in the bank, all of which are available for use by the Gauteng Gambling Board.





Summary of Accounting Policies (continued)
for the year ended 31 March 2008

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 Gauteng Gambling 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.



Witkoppen
Health and
Welfare Centre
- Diepsloot

Phomolong Outreach
Programme - Tembisa

Teddybear Clinic - Johannesburg
General Hospital

Notes to the Annual Financial Statements
for the year ended 31 March 2008

1. PROPERTY, PLANT AND EQUIPMENT

	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
31 March 2008							
Opening net carrying amount	8,748	230	218	384	124	938	10,642
Gross carrying amount	9,331	684	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	-	34	-	-	-	49	83
Depreciation	(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	19,546
Accumulated depreciation	-	(448)	(307)	(2,087)	(1,149)	(1,407)	(5,325)
31 March 2007							
Opening net carrying amount	8,943	295	169	443	147	592	10,589
Gross carrying amount	9,331	648	358	2,059	1,036	1,651	15,083
Accumulated depreciation	(388)	(353)	(189)	(1,616)	(889)	(1,059)	(4,494)
Additions	-	-	147	185	144	547	1,023*
Disposals	-	-	(11)	-	-	(7)	(18)
- Cost	-	-	(68)	(9)	-	(43)	(120)
- Accumulated depreciation	-	-	57	9	-	36	102
Depreciation	(195)	(65)	(87)	(244)	(167)	(194)	(952)
Revaluation	-	-	-	-	-	-	-
Closing net carrying amount	8,748	230	218	384	124	938	10,642
Gross carrying amount	9,331	648	437	2,235	1,180	2,156	15,987
Accumulated depreciation	(583)	(418)	(219)	(1,851)	(1,056)	(1,218)	(5,345)



Notes to the Annual Financial Statements (Continued)

for the year ended 31 March 2008

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 reason for this revaluation was as a result of the possibility of selling this asset.

* The budgeted figure for Property, Plant and Equipment was R15 334 812 (2007: R3 068 783)

	2008 R'000	2007 R'000
2. TRADE AND OTHER RECEIVABLES		
Trust debtors	828	307
Gauteng Provincial Government – collection commission	2,182	2,053
Sundry debtors	1,336	774
	<u>4,346</u>	<u>3,134</u>
3. RETAINED SURPLUS		
In terms of Section 17(6) of the Gauteng Gambling Act, 1995, as amended, and Section (53)3 of the Public Finance Management Act, surplus funds at the close of the financial year, shall be paid to the Provincial Revenue Fund, unless Treasury approval has been obtained to retain such funds.		
The Gauteng Gambling Board has received approval to retain the surplus of R12,014 million as at 31 March 2001 and the surplus of R13,049 million as at 31 March 2007.		
4 . NON-DISTRIBUTABLE RESERVE		
Reserve on re-valuation of property, plant and equipment		
Building	7,005	2,984
Paintings	23	23
	<u>7,028</u>	<u>3,007</u>

5. TAXES AND LEVIES

5.1 Taxes and levies for distribution to beneficiaries at year-end

	2008 R'000	2007 R'000
Gauteng Provincial Administration	58,076	44,981
Phumelela Gaming & Leisure Limited	3,165	2,156
Sports Development Fund	1,105	287
	<u>62,346</u>	<u>47,424</u>

5.2 Reconciliation of taxes and levies collected for the year

5.2.1 Provincial taxes

5.2.1.1 Gauteng Provincial Government

	2008 R'000	2007 R'000
Betting tax	69,579	61,416
Totalizator	27,049	26,440
- horse-racing		
- other sport	3,832	1,002
On-course bookmakers	3,909	3,123
- horse-racing		
- other sport	216	202
Off-course bookmakers	27,550	25,193
- horse-racing		
Other sport	7,023	5,456
	<u>513,263</u>	<u>460,107</u>
Gaming Tax		
Casinos	385,758	345,394
- machines		
- tables	116,402	107,152
Bingo	11,103	7,561
	<u>582,842</u>	<u>521,523</u>
Taxes collected for Gauteng Provincial Government	582,842	521,523





Notes to the Annual Financial Statements (Continued)
for the year ended 31 March 2008

	2008 R'000	2007 R'000
Balance brought forward	582,842	521,523
5.2.1.2 Levies Collected		
Sports Development Fund Levies	3,818	2,694
Levies	3,634	2,537
Interest earned	184	157
Phumelela Gaming & Leisure Limited		
Offcourse bookmakers	31,452	28,308
Total levies collected	35,270	31,002
Interest earned and penalties received	5,890	3,939
Total collections for distribution	624,002	556,464
Taxes and levies for distribution to beneficiaries at year-end	5.1 (62,346)	(47,424)
	561,656	509,040
5.3 Taxes and levies distributed during the year		
Gauteng Provincial Administration	576,743	516,869
Mpumalanga Provincial Administration	-	272
Phumelela Gaming & Leisure Limited	30,515	27,840
Sports Development Fund	3,000	3,490
	610,258	548,471
Less: Prior year-end collections distributed during the year	(47,424)	(39,431)
	562,834	509,040

6. TRADE AND OTHER PAYABLES

	2008 R'000	2007 R'000
Amounts held in trust	29,060	32,050
- Gambling dispute	-	188
- Peermont : Social Advancement	29,060	31,862
Licence fees received in advance	17,851	16,234
Creditors and accruals	2,743	1,117
Investigation deposits	3,352	619
Provincial Revenue Fund – current year surplus	18,704	13,049
	71,710	63,069

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

7. GROSS REVENUE

Revenue consists of:		
Administration fees	72	72
Application fees	4,984	1,759
Collection commission	28,503	25,656
Cost recovery – On-site casino inspectors	1,418	2,008
Licence fees received	17,255	14,774
Penalties collected	18	-
(Loss)/Profit on sale of assets	(8)	42
Sports betting levies	5,958	4,352
Sundry income	832	223
Recoveries of investigation expenses	231	159
	59,263	49,045



Notes to the Annual Financial Statements (Continued)

For The Year Ended 31 March 2008

	Notes	2008 R'000	2007 R'000
8. BOARD MEMBERS' FEES			
Board Member emoluments for non-executive Board Member services rendered during the year:			
Messrs:			
L Mogotsi			155
T Molai		98	-
P Masegare		88	-
P Mafojane		55	-
FJ Nalane		-	29
SA Tati		-	8
MGK Maher		-	10
S Mahlalela		61	-
SL Majombozi		35	-
J Maluleka		-	21
L Mohapeloa		-	19
W Segal		-	15
IT Sibeko		-	19
Mesdames			
M Gasela		117	-
R Morojele		-	14
Z Ntlangula		86	-
P Ndaba		119	-
K Moloto-Stofile		64	-
TOTAL PAID TO BOARD MEMBERS		878	159
ADMINISTRATOR REMUNERATION		102	502
AUDIT COMMITTEE REMUNERATION		25	15
TOTAL		1,005	676

9. SENIOR MANAGEMENT REMUNERATION

Senior Management remuneration for the year is as follows:

Advocate M Lekalakala : Chief Executive Officer*

	2008	2007
Basic Salary	859,323	66,476
Allowances	341,868	28,489
Bonus	89,563	-
Performance Bonus	-	-
Employer Contributions	195,674	15,460

*Comparative figures are for the period 01/03/2007 to 31/03/2007

J Booysen : Chief Executive Officer

	2008	2007
Basic Salary	-	447,810
Allowances	-	60,000
Bonus	-	-
Performance Bonus	-	84,635
Employer Contributions	-	119,898

E Lalumbe : Chief Operating Officer

	2008	2007
Basic Salary	929,202	589,979
Allowances	60,000	60,000
Bonus	171,214	51,059
Performance Bonus	77,688	51,059
Employer Contributions	200,396	143,118





Notes to the Annual Financial Statements (Continued)
For The Year Ended 31 March 2008

Notes	2008	2007
9. SENIOR MANAGEMENT REMUNERATION - continued		
L Kobue : Manager Compliance	897,313	702,876
Basic Salary	572,715	470,295
Allowances	42,000	42,000
Bonus	107,081	40,755
Performance Bonus	48,500	40,755
Employer Contributions	127,017	109,071
J Oberholzer : Manager : Licensing and Betting	1,045,376	914,444
Basic Salary	628,623	595,759
Allowances	60,000	60,000
Bonus	123,556	49,617
Performance Bonus	54,735	49,617
Employer Contributions	178,462	159,451
K Jacobs : Manager MIS	1,030,061	827,692
Basic Salary	625,116	527,580
Allowances	60,000	60,000
Bonus	124,183	46,821
Performance Bonus	55,397	46,821
Employer Contributions	165,365	146,470

Notes	2008	2007
9. SENIOR MANAGEMENT REMUNERATION - continued		
O Hadebe : Manager : Human Resources	929,447	720,423
Basic Salary	569,751	485,865
Allowances	90,000	58,500
Bonus	110,932	43,388
Performance Bonus	51,291	43,388
Employer Contributions	107,473	89,282
D Dondur : Chief Financial Officer	1,066,504	872,768
Basic Salary	582,636	497,688
Allowances	156,000	147,090
Bonus	125,842	52,553
Performance Bonus	57,267	52,553
Employer Contributions	144,759	122,884
L Lukhwareni : Manager : Legal Services	899,785	654,214
Basic Salary	556,986	454,722
Allowances	55,200	55,200
Bonus	107,090	30,420
Performance Bonus	48,294	-
Employer Contributions	132,215	113,872





Notes to the Annual Financial Statements (Continued)
For The Year Ended 31 March 2008

Notes	2008 R'000	2007 R'000
10. OTHER OPERATING EXPENSES		
Advertisements	130	74
Audit fees:	644	608
External audit	389	310
Internal Audit	255	298
Bank charges	39	36
Conference costs	182	125
Information technology	381	417
Insurance	251	221
Investigation and enforcement costs	120	174
Legal expenses	965	741
Management Development Program	341	-
Office accommodation and storage rentals	723	813
Office consumables, maintenance and refreshments	308	248
Photocopying	346	171
Postage, printing and stationery	338	343
Professional and consulting fees	178	883
Public relations	410	536
Regional Services Council levies	-	19
Responsible Gambling Awareness Programme	2,500	2,128
Security expenses	17	8
Social Responsibility	1,775	21
Skills Development Levy	230	206
Staff recruitment	39	44
Staff training and development	755	824
Telephone and communications	895	932
Transcription costs	42	19
Travelling and subsistence:		
Local	1,530	1,530
Overseas	3,078	3,078
	16,217	11,779

11. STAFF COSTS

Included in the staff costs are:

	Notes	2008 R'000	2007 R'000
		26,361	24,458
- Salaries, bonuses and allowances		22,164	20,639
- Defined contribution plan expense	13	2,521	2,157
- Medical aid contributions		1,276	1,298
- Group life contributions		238	225
- Other employer contributions		162	139

12. NOTES TO THE CASH FLOW STATEMENT

12.1 Reconciliation of the net surplus to cash generated from operations

Net surplus	18,704	13,049
Adjustments for:		
Depreciation	915	952
Investment income	(3,940)	(1,869)
Loss/(Profit) on sale of property, plant and equipment	8	(42)
Operating surplus before working capital changes	15,687	12,090
(Decrease)/Increase in trade and other payables	5,788	1,785
(Increase)/Decrease in trade and other receivables	(691)	(781)
Cash generated from operations	20,784	13,094

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 balance sheet amounts:

Bank	147,638	111,722
Petty cash	1	1
	147,639	111,723





Notes to the Annual Financial Statements (Continued)
For The Year Ended 31 March 2008

	2008 R'000	2007 R'000
13. RETIREMENT BENEFITS		
The Gauteng Gambling 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 expended during the year was	<u>2,521</u>	<u>2,157</u>
14. NON-CAPITAL COMMITMENTS		
Operating leases		
The future minimum lease payments under non-cancelable operating leases for the Gauteng Gambling Board's photocopiers, telecommunications systems and others are as follows:		
- Within 1 year	129	222
- 1 to 5 years	116	244
	<u>245</u>	<u>466</u>

15. VAT DEREGISTRATION

In terms of Section 24(1) of the VAT Act, the Gauteng Gambling Board was deregistered for VAT with effect from 1 April 2005.

In terms of Section 8(2)(iv) of the VAT Act, the Gauteng Gambling Board qualified for exemption from paying VAT output on the value of its assets upon deregistration.

Materiality and Significance Framework

in terms of Treasury Regulation 28.1.5

PUBLIC FINANCE MANAGEMENT ACT SECTION	QUANTITATIVE [AMOUNT]	QUALITATIVE [NATURE]
S50 Fiduciary duties of accounting authorities		
1. The accounting authority for a public entity must		
(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;	Any fact discovered of which the amount exceeds the planning materiality figure used by the external auditors for the year under review.	(1) Any item or event of which specific disclosure is required by law (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
S54 Information to be submitted by accounting authorities		
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:		
(b) participation in a <u>significant</u> partnership, trust, unincorporated joint venture or similar arrangement;	Not applicable	Any participation, outside of the approved strategic plan and budget
(c) acquisition or disposal of a <u>significant</u> shareholding in a company;	Not applicable	Any acquisition or disposal
(d) acquisition or disposal of a <u>significant</u> asset;	Not applicable	Acquisition – Cost in excess of approved budget
(e) commencement or cessation of a <u>significant</u> business activity	Not applicable	Disposal of asset/assets constituting in excess of 25% of the Board's assets, measured at cost Any business activity that would impact on the Board's ability to fulfil its mandate, outside of the approved strategic plan and budget

Materiality and Significance Framework (Continued)

in terms of Treasury Regulation 28.1.5

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

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



TOLL-FREE HELPLINE

0800 006 008

