



Annual Report
2012



G A U T E N G G A M B L I N G B O A R D





Annual Report 2012

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

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Foreword by the MEC

I am delighted to present the 2011/12 annual report of the Gauteng Gambling Board.

The tax revenue collected for the year under review has shown an increase of 6,72% year on year, increasing from R657,2 million to R701,4 million. This growth in tax revenue should be seen in the context of the general state of the global and South African economy.

The casino sector remains a major source of government revenue through its contribution to taxes. For the financial year under review the sector accounted for an amount of 80,31% of total tax revenue. The casino tax increased by a slight amount of 3,03% from last year's amount of R546,7 million to R563,3 million. The casinos' single digit growth is in line with the overall economic landscape of slow recovery from the global economic recession. The Limited Payout Machines (LPM's) have shown the most growth percentage of all gambling sectors increasing by 116% year-on-year from R10,913 million to R23,55 million.

For this financial year, the Board has taken initiative with regards to education and campaigns for responsible gambling. The key elements of the campaign have been ongoing research projects and an education campaign for high school learners, university and college students. These have also included community outreach initiatives targeting vulnerable members of the community, including senior citizens.

In addition, there has been seasonal advertising in the media and participation in public events such as the Rand Show, the Soweto Show and the Pretoria Spring Show.

As the industry grows and more gambling products become accessible and available to the public, there is a need to intensify responsible gambling education and awareness campaigns. These programmes are intended to prevent and minimise the challenge of gambling within our communities.

In respect of the events preceding my appointment, my predecessor deemed it appropriate at the time to terminate the Board. Notwithstanding these unfortunate events and challenges, the organisation has continued to discharge its mandate.

I wish to express my sincere appreciation for the sterling work done by management and staff in the execution of the Gauteng Gambling Board mandate.

A handwritten signature in black ink, appearing to read 'N. Kolisile', is written over a horizontal line.

MEC:
NKOSIPHENDULE KOLISILE
DEPARTMENT OF ECONOMIC
DEVELOPMENT (DED)

*Acting Chief
Executive Officer*

S N G W E N Y A





Administrator's Statement

I am pleased to present the Gauteng Gambling Board's Annual Report for the financial year ended 31 March 2012.

The tax revenue collection has shown an increase of 6,72% year-on-year increasing from R657,2 million to R701,4 million. The growth in tax revenue should be seen in the context of the general state of the global and South African economy. The worst financial crisis since 1930 and the worst global economic recession since World War II appear to have bottomed out in the first half of the calendar year 2009. The global economic business cycle has switched from recession to slow recovery.

The South African economy has not escaped the impact of global recession despite the fact that the local banking sector did not share the subprime related problems experienced in other parts of the world. We believe the recovery of the major economies will remain uncertain as the impact of fiscal and monetary stimuli fades. Therefore, the economic landscape is still fragile and the growth in taxes will be slow in line with the global and local economy.

The Board considers corporate governance to be integral to the success of the organisation, and the Board's commitment is outlined in the corporate

governance report which appears later in the Annual Report. Traditionally, assessment starts at the top with a comprehensive annual peer review of the performance of all Board members as well as the Board itself and its various sub-committees.

For this financial year, due to the dissolution of the Board by the MEC for Economic Development, this was not done. These sub-committees, which cover the fields of executive, audit and risk, corporate committee, responsible gambling and gaming, maintain diligent oversight over the activities of the Board.

The Board has formulated and abides by a code of ethics which includes a set of clear goals to manage its relationship with licensees, casinos, staff, the general public and the communities among which we operate and service.

The ever-increasing complex field of compliance with the laws and regulations governing the Board's business is among the many issues on the governance agenda. Following publication of the King III Code of Governance, management has reviewed current practices against the Code.

During April 2011, the MEC appointed a new Board after the expiry of the terms of office of the previous Board.

On 23 January 2012 the MEC terminated the Board's tenure, and on 23 January 2012 I was appointed in terms of the Act to continue to provide transparency, independence, and objective judgment over and above the administrative decision making processes.

Measures are in place to ensure that a full Board is expeditiously appointed to continue with implementation of the Board mandate in terms of the Act. I am deeply honoured by the confidence placed in me by the MEC and the Gauteng Provincial Government to lead the Gauteng Gambling Board in continuing with the business and the work of the Board.

Looking ahead the Board will be intensifying its responsible gambling awareness campaign in the Province. More than a third of adults in Gauteng in the 18-30 year age group participate in some form of gambling, especially Lotto, Lotto Plus, Powerball, Casino gambling and Dice. Almost two-thirds say that they gamble in a desperate bid to boost their income, and only one third do so for fun or entertainment. The high incidence of unemployment and poverty play an important role in this pattern which indicates that gambling is being seen by many young people as one of the solutions to the current challenges which they face.

One of the objectives of the campaign will be to drive the message that gambling is a form of entertainment for which the participant pays for, in the same way that a person goes to a movie and pays for a movie ticket, and should not be seen as a solution to the participant's financial woes.

I wish to take this opportunity to express my sincere gratitude to the previous MEC, Qedani Mahlangu, the current MEC Nkosiphendule Kolisile, Management and staff of the Board.



B. CHUENE
ADMINISTRATOR



Mr Bally Chuene
Administrator



Administrative Information

LEGAL FORM OF ENTITY

Established in terms of Section 3 of the Act, as amended

BOARD MEMBERS

Messrs P Mafojane *Chairperson*
YN Gordhan
AA Mahlalutye
SJ Hall
T Molai

Mesdames AS Mndaweni *Deputy Chairperson*
S Machaba CA(SA)
K Moloto-Stofile
C Motau

*Board's tenure terminated on 23 January 2012

AUDIT AND RISK COMMITTEE

Mesdames S Machaba CA(SA) *Chairperson*
K Moloto-Stofile

Messrs M Nkhabu CA(SA)
G Nzalo CA(SA)
L Nekhondela CA(SA)

CHIEF EXECUTIVE OFFICER

N Makhari
(Acting from 1 April 2011 - 30 January 2012)
S Ngwenya
(Acting from 1 February 2012 - 31 July 2012)
B Nkosi
(Acting from 1 August 2012 to date)

CHIEF OPERATING OFFICER

E Lalumbe

CHIEF FINANCIAL OFFICER

N Makhari

BOARD SECRETARY

L Lukhwareni

POSTAL ADDRESS

Private Bag X15
Bramley
2018
South Africa

PHYSICAL ADDRESS

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2018
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E-MAIL info@ggb.org.za

WEBSITE www.ggb.org.za

BANKERS Standard Bank

LEGISLATION GOVERNING THE ENTITY OPERATIONS

National Gambling Act No. 4 of 2007
("as amended")

Gauteng Gambling Act No. 4 of 1995
("as amended")

The Public Finance Management Act
(No. 1 of 1999) as amended (PFMA)

MEMBERS OF THE BOARD



P Mafojane
Chairperson



AS Mndaweni
Deputy Chairperson



YN Gordhan



AA Mahlalutye



S Machaba



SJ Hall



K Moloto-Stofile



T Molai

C Motau
Absent



Statement of Responsibility

BY THE MEMBERS OF THE BOARD: CORPORATE GOVERNANCE MATTERS

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 FINANCIAL CONTROLS

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

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

Management and the Audit and Risk Committee of the Board regularly review the risk management policy and system of internal control, which are modified and improved as operating conditions change.

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

As part of the system of internal control, the Board's internal audit function, which has been outsourced to a firm of chartered accountants, conducts the internal audit and co-ordinates audit coverage with the Auditor-General.

The Board members are satisfied that the system of internal control is adequate in order to ensure that the financial records are relied upon for preparing the financial statements and maintaining accountability of assets and liabilities.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Board consists of three independent non-executive members and two Board members, and meets at least four times per annum. The committee ensures effective communication between the Board, Internal Auditors and the Auditor-General. The Auditor-General and Internal Auditor have free access to the Audit and Risk Committee.

The Audit and Risk Committee operates within the framework of formal terms of reference and has discharged its responsibilities for the year under review 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 PFMA.

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 judgments 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 members believe that the annual financial statements fairly present, in all material respects, the financial position of the Board as at 31 March 2012 and the results of its operations and cash flow for the year then ended.

The Annual Report for the year ended 31 March 2012 set out on pages 8 to 33 was approved by the Administrator and the Acting Chief Executive Officer.

EXECUTIVE MANAGEMENT



S Ngwenya
*Acting Chief
Executive Officer*



E Lalumbe
Chief Operating Officer



M L Kobue
Manager: Compliance



N Makhari
Chief Financial Officer



K Jacobs
*Manager: Information
Technology*



O Hadebe
Manager: Human Resources



L Lukhwareni
Manager: Legal Services



Report of the Audit and Risk Committee

FOR THE YEAR ENDED 31 MARCH 2012

We are pleased to present our report for the financial year ended 31 March 2012.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Audit and Risk Committee (the 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.

Audit and Risk Committee Members	Number of meetings attended
<i>Mesdames</i> S Machaba CA(SA)	6 out of 6
K Moloto-Stofile	4 out of 6
<i>Messrs</i> M Nkhabu CA(SA)	3 out of 6
G Nzalo CA(SA)	6 out of 6
L Nekhondela CA(SA)	2 out of 6

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and Treasury Regulations 27.1.8 and 27.1.10.

The 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 audit committee charter has been reviewed to ensure its relevance as required by Treasury Regulation 3.1.8.

THE EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

The system of control is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King III Report on Corporate Governance requirements, the Committee provided oversight over the combined assurance process within the Board and is satisfied that optimal effort and coordination exists between all assurance providers. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. A risk assessment workshop was conducted during the year with the aim of reviewing the Board's risk profile and this formed the basis of developing the rolling three year plan (Internal Audit plans) and the annual internal audit operational plan.

A further risk assessment workshop for the Compliance Department was conducted at the request of the Committee to enhance the effectiveness of the compliance function.

Save for the issues raised by the Auditor-General on the Audit Report, the system of internal control was effective. As part of its oversight role on IT governance, the Audit and Risk Committee reviewed the IT strategy of the Board during the year.

INTERNAL AUDIT

Internal Audit Services have been outsourced to Nkonki Incorporated for a period of 3 years ending 2013. The Committee is satisfied that the key risks have been identified, assessed and have received adequate attention. In compliance with the PFMA, the internal audit plans for the 2012 financial year were risk based and fully implemented.

EXTERNAL AUDIT

The Committee agreed to the audit plan and audit fee for the 2012 financial year. The fee is considered appropriate for the work and services rendered by the external auditors.

The external auditors have remained independent throughout the financial year. The Committee satisfied itself of their continued objectivity and competence.

AUDIT AND RISK COMMITTEE

MONTHLY AND QUARTERLY REPORTS SUBMITTED IN TERMS OF THE ACT

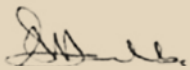
The Committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the Board during the year under review.

EVALUATION OF FINANCIAL STATEMENTS

The Committee has:

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

The 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 together with the report of the Auditor-General.



S MACHABA CA(SA)
CHAIRPERSON OF THE AUDIT
AND RISK COMMITTEE



S Machaba
Chairperson



G Nzalo



K Moloto-Stofile



L Nekhondela

M Nkhabu
Absent



Report of the Board

FOR THE YEAR ENDED 31 MARCH 2012

The Board has pleasure in presenting its report for the year ended 31 March 2012.

INCORPORATION, FUNCTIONS AND POWERS

The Board is a statutory body established in terms of section 3 of the Act, 1995.

The main functions of the Board are to:

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

MISSION STATEMENT

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

BOARD MEMBERS

The names of the Board Members appear on page 6.

BOARD MEMBER REMUNERATION

Board Member remuneration is reflected in note 11 to the Annual Financial Statements.

SENIOR MANAGEMENT REMUNERATION

Senior Management remuneration is reflected in note 12 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 29 to 31.

GENERAL REVIEW

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

Gambling Review Commission

Towards the end of 2009, the Minister of Trade and Industry, Dr Rob Davies established a Gambling Review Commission chaired by Ms Astrid Ludin with a remit to review amongst other things, the following:

- The social effects of gambling and mechanisms in place to address them;
- The commitment of the industry to social investment;
- The adequacy of the regulatory framework to accommodate and effectively deal with the impact of technology and new trends; and
- The effectiveness of current regulation, control and enforcement structures.

The Commission published a report together with recommendations and Parliament has invited interested parties to make inputs and recommendations on the policy issues raised in the Gambling Review Report. It is emphasised that the final policies will find their way into legislation and the Board will make input in this regard.

Responsible Gambling

Since 2004 the internationally acknowledged National Responsible Gambling Programme (NRGP) has been conducting a responsible gambling awareness campaign for the Board and the Gauteng Provincial Government's Department of Economic Development. During the period under review, the NRGP fulfilled its obligations in terms of the 2010/11 contract and started the 2011/12 contract in September 2011.

The key elements of the campaign are ongoing research projects, an educational prevention campaign for high school learners, university and college students, a community outreach initiative targeting vulnerable members of the community at transport hubs such as train stations, taxi and bus ranks, and also including senior citizens and recipients of social grants and pensions at AllPay pay points. In addition, there is seasonal advertising in the media and participation in public events such as the Rand Show, the Soweto Show and the Pretoria Spring Show.

- **Research**

The NRGP's research team produced a series of phased reports during the period under review: One at the end of September 2011 entitled "An in-depth enquiry into the reasons people gamble, the perceived benefits and associated patterns of gambling" and another called "Informal Gambling in Gauteng Townships", published in February 2012.



LICENSING & INVESTIGATIONS



COMPLIANCE - AUDIT



Report of the Board (continued)

FOR THE YEAR ENDED 31 MARCH 2012

The basis for the first study was the belief that rigorous policy making with respect to gambling regulation requires an assessment of both the costs and benefits of gambling as a whole.

The second study was designed to explore the nature of informal gambling in townships, to investigate what motivates people to participate in gambling in townships and to attempt to isolate factors associated with recreational gambling as opposed to unhealthy, self-destructive gambling practices. This knowledge is useful for policy makers, regulators and social service providers.

This research confirmed other NRGPs research findings, namely that a significant problem area in relation to problem gambling in Gauteng continues to be gambling in the informal or illegal sector, especially on dice and Fahfee as played in townships.

Some of the principle findings of the focus group study, which considered the advantages and disadvantages experienced by township and ex-township dwellers, were amongst others, the following:

- *Gambling motivation / benefits / disappointments:*
The workshops on 'gambling motivation' reported that those who played Lottery were motivated by financial gain, whereas casino gamblers were motivated by both fun/entertainment and financial gain. Those gamblers who were satisfied with their gambling experience generally found the overall entertainment value compensated for their lack of financial gain. However, others articulated a profound sense of

disappointment as well as a sense of unease with their continued gambling habit. Those lottery players who indicated a sense of disappointment with their lack of winning also spoke of a sense of mistrust of the process (poor or corrupt administration, poor systems of payouts to gambler; poor media coverage and lack of transparency). Support for (lottery-supported) charities was not a motivator for lottery participation; however participants frequently expressed the wish to be rich so that they could be seen to be benefactors of charities themselves.

Casino gamblers indicated a level of unhappiness with service at casinos (but frequently linked this unhappiness to losing). The overwhelming majority of participants viewed the lottery as a form of gambling, which could be associated with 'problem gambling'. Almost all black participants indicated participation in, or at least complete familiarity with informal gambling activities in townships.

The main reasons black participants cited for choosing to gamble at casinos rather than at informal facilities were safety (less vulnerable to crime at a casino) and the fact that casinos provide more entertainment value.

- *Differences between current township dwellers and ex-township dwellers:*

The set of workshops designed to explore township gambling showed stark differences between current township and ex-township residents. The most significant difference between what township and non-township residents expressed as wanting and getting

from gambling was that the former indicated quite clearly and unanimously that what they sought and gained from gambling was money. Township residents were far more likely to indicate that they used gambling to balance their budgets than ex-township residents. A lottery type game called "Fahfee" is the most widely spread and pervasive form of gambling in townships and was unanimously portrayed as a necessary and beneficial form of support for the poor and unemployed. Lottery and casino gambling were widely perceived by the township participants as being 'rigged' and unfair. Township dice and cards were perceived as being 'fairer' and allowing punters to be more in control than casino gambling.

The downside of township gambling was reported to be high levels of violence, crime and insecurity surrounding, in particular, the game of dice. There was widespread inability to calculate expected payoffs or odds, and an apparent belief that these were not particularly helpful skills for gamblers. In Fahfee the reliance on dreams to guide choice of numbers appears to eradicate any interest in the odds, or of playing strategically. The findings of this study are preliminary, but have serious policy implications for education and for gambling regulation in South Africa.

- *Questions developed for inclusion in a forthcoming omnibus study:*

A pilot set of diagnostic questions, focusing on gambling motivation and behaviour, are being developed on the basis of the insights gleaned from the workshops. These questions

are proposed as a means of separating those who are at risk of problem gambling from those who are not.

Schools

The schools project involves a team of actors presenting a lively and educative industrial theatre style performance to groups of high school learners in Grades 8 to 12. The script is based on the scenarios depicted in a custom-designed comic book which is handed out to learners afterwards, along with attendance certificates for inclusion in their individual portfolios. Bookmarks and bookmark holders are also supplied to the school library.

For the period April 2011 to March 2012 the NRGP made visits to 46 schools reaching about 24,445 learners.

The Board has been fortunate to have had two highly talented actors, Sam Medupe and Princess Mhlongo, on the edutainment team for many years presenting the industrial theatre at schools as well as numerous corporate wellness days and public shows and exhibitions. During the year under review both actors moved on in their careers. Princess, as a successful director in her own right, was nominated as one of four talents from all over the world to be invited to present her work at the Salzburg Young Directors' Project in Austria during 2012, while Sam was chosen for the role as detective Dave in Generations, South Africa's longest running soapie.



COMPLIANCE - GAMING CONTROL



HUMAN RESOURCES



Report of the Board (continued)

FOR THE YEAR ENDED 31 MARCH 2012

- **Campus outreach**

The new project involving outreach to students on university or college campuses which started at the beginning of the 2011 academic year continued, with facilitators handing out leaflets to 4,005 students during visits to 11 college campuses. These included five Ekurhuleni college campuses in Brakpan, Benoni, Daveyton, Springs and KwaThema; participation in an Addiction Week at two campuses of Varsity College in Sandton and Pretoria; and visits to six campuses of the SW Gauteng College in Roodepoort, Roodepoort West, Dobsonville, Molapo and Technisa.

- **AllPay initiative**

Since November 2006, the NRGP in collaboration with the SA Social Services Agency and its approved service provider AllPay, has had a team of up to five facilitators interacting with beneficiaries of old age pensions and social grants at the bigger pay points in the province. Visits were made to 299 AllPay pay points in Gauteng, with leaflets debunking gambling myths and presenting the facts on problem gambling handed out to about 91,320 beneficiaries.

- **Transport hubs**

During the period under review there was regular interaction with about 37,155 commuters during 90 visits paid by the team of facilitators to various transport hubs, comprising 11 taxi ranks, 4 bus stations, 11 train stations and 4 combined bus/taxi ranks situated in various towns and townships, as well as the suburbs surrounding the city centre.

Train stations: Dube, Ikwezi, Johannesburg, Lenasia, Pretoria North, Residensia, Roodepoort, Rosslyn, Sebokeng (Zones 7 and 10), Soshanguve

Bus stations: Dobsonville and the Hillbrow, Orlando and Meadowlands Rea Vaya stations

Taxi ranks: Baragwanath, Benoni Park, Daveyton, Dube, Germiston, Leratong, Pretoria Central, Roodepoort, Skorani Park/Daveyton, Tsepisong, Wonderpark.

Combined train station/bus terminus/taxi rank transport hubs: Residensia, Sebokeng, Vanderbijlpark, Vereeniging.

- **Special events**

The presence of NRGP-trained multilingual facilitators handing out collateral at three public events helped raise public awareness levels about problem gambling and the NRGP's problem gambling counselling line number 0800 006 008.

The NRGP represented the Board at three public shows during 2011: the Rand Show from 22 April to 2 May 2011 for the eighth time; the renamed Pretoria Spring Show (formerly Tshwane/Pretoria Show) over ten days from 26 August to 4 September 2011 for the sixth consecutive year; and the Soweto Festival over three days from 23 to 25 September 2011 for the fourth time, but at a new venue, the JHB Expo Centre at Nasrec.

Handouts of over 33,000 items of branded collateral give some indication of the level of interest displayed by visitors: 12,250 comic books; 10,100 Myths and Facts leaflets; 7,400 sets of the playing card trio and 2,550 bookmarks, as well as 850 of the Gambling Board's own leaflets.

- **Advertising**

Advertisements warning the public about the dangers of gambling excessively during the Christmas holiday season were placed in various print publications, including The Star, The Citizen, Sowetan, Beeld and Pretoria News, while public service announcements were regularly broadcast on two local radio stations Radio 702 Fm and Metro Fm.

- **Added value from other NRGP industry projects**

There are other projects which are separately funded by the NRGP's own gambling industry budget, which also directly and indirectly benefit Gauteng – the most populous province in South Africa where most of the

country's gambling activities take place. This covers the full spectrum of industry training, counselling and treatment, as well as public education and research.

A glance at the NRGPs statistics for the financial year 2011/12 reflects the benefit to the wider Gauteng public. The gambling public access the free counselling and treatment services available countrywide; Gauteng gambling industry employees do NRGPs training courses; teachers use the Taking Risks Wisely resource manual as part of the life skills class; members of the public take and read leaflets available in most of South Africa's official languages handed out at consumer shows; and employees from the banking, insurance, retail, mining, educational, government and other commercial/industrial sectors attend corporate wellness days hosted by the Health Society of South Africa or by their employers.

The NRGPs toll-free Problem Gambling Counselling Line which is available nationally and operates 24/7, received 8,551 calls in 2011/12. Of the total number of 980 callers who were referred for outpatient treatment, 466 (representing 47,55%) were from Gauteng. They were referred to a local Treatment Professional based in up to 19 towns or suburbs in the province. Two of the ten callers who met the strict medical criteria for inpatient treatment were from Gauteng and among the 26 problem gamblers who were referred for debt management counselling, 15 were also from Gauteng.



INFORMATION TECHNOLOGY



FINANCE



Report of the Board (continued)

FOR THE YEAR ENDED 31 MARCH 2012

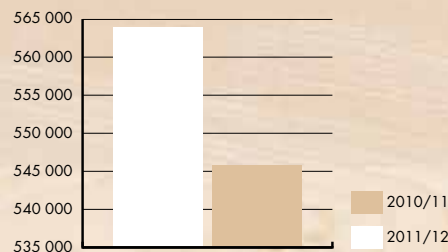
During the period under review, the NRGP offered training in the form of the Basic Course or Induction to 791 employees from the casino sector throughout Gauteng. The NRGP Advanced Course in Motivational Interviewing was completed by nine managers and supervisors at Emperor's Palace Casino. The NRGP training division was also invited to attend corporate wellness days at the SABC in Auckland Park and at the De Beers head office. Furthermore, training was provided to three industrial play actor/facilitators from Shine Solutions, as well as to facilitators at Edutouch, a company which specialises in facilitating at corporate wellness days in the mining sector.

In terms of the requirements of the National Gambling Act of 2004, the NRGP has also developed a programme called Taking Risks Wisely as a resource for teachers to educate young people about responsible gambling as part of the life skills orientation syllabus. Following the pilot programme in grades 7 to 9 at 12 schools in the Gauteng East district during 2009/10, the NRGP entered into a Memorandum of Understanding with the Education Department in July 2011. Afterwards a follow-up study was done to determine how many of the pilot schools were still using the programme and the

NRGP continued with training 50 teachers and 28 subject advisors at a workshop in September 2011. Revisions are in hand to align the material for Grades 10 to 12 with the Education Department's new Curriculum Assessment Policy Statements (CAPS) guidelines.

Casinos

The casino sector remains a major source of government revenue through its contribution to taxes. For the financial year under review the sector accounted for an amount of 80,31% of total tax revenue. The casino tax increased by a slight amount of 3,03% from last year's amount of R546,7 million to R563,3 million. The casinos' single digit growth is in line with the overall economic landscape of slow recovery from the global economic recession.



CASINOS

Operating Profile

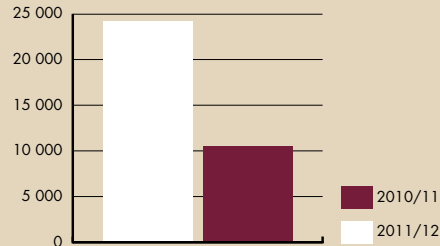
The Board took a policy decision in May 2007 to allow the amendment of a casino licence to substitute reference to gambling devices on the licence with gambling machine, allowing the operators flexibility when deploying gaming devices on the casino floor. One gambling machine is deemed to be equivalent to one gaming position, whereas one gaming table is deemed to be equivalent to fourteen gaming positions. This substitution is voluntary and requires an application for amendment of a casino licence by every casino licensee willing to exercise the option.

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

Casino Name	No. of Gaming Machines	No. of Gaming Tables	No. of Gaming Positions
Carnival City	N/A	N/A	2,590
Emerald Safari Resort	N/A	N/A	1,122
Emperors Palace	N/A	N/A	2,872
Gold Reef City	1,600	60	N/A
Montecasino	N/A	N/A	2,848
Morula Sun	N/A	N/A	678
Silver Star Casino Resort	N/A	N/A	1,204
	1,600	60	11,314

Limited Payout Machines (LPM's)

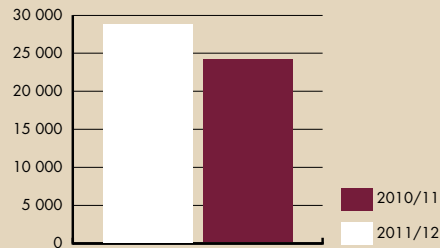
The Limited Payout Machines have shown the largest percentage growth of all the gambling sectors, increasing by 116% year-on-year from R10,913 million to R23,55 million. There are currently a total of 348 sites that have been approved, together with a total of 1,602 limited payout machines in the Province. However, 29 sites which operated 78 machines were closed down by the operators.



LIMITED PAYOUT MACHINES

Bingo

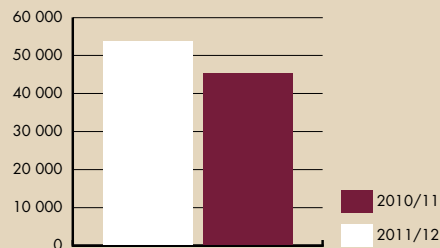
Bingo has shown the second largest growth of all the gambling sectors year-on-year, increasing by 20,26% from R23,470 million to R28,224 million. There are currently 11 bingo outlets.



BINGO

Bookmakers

Bookmakers have shown the third largest growth of all the gambling sectors year-on-year, increasing by 20,19% from R45,051 million to R54,145 million. There are currently 94 operational bookmakers.



BOOKMAKERS



LEGAL



PERSONAL ASSISTANTS

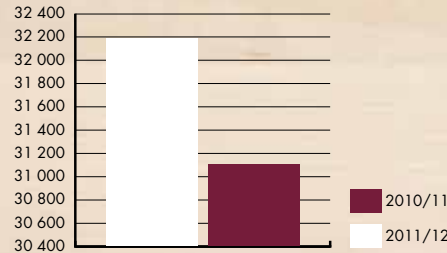


Report of the Board (continued)

FOR THE YEAR ENDED 31 MARCH 2012

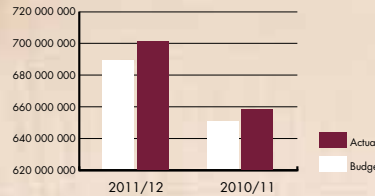
Totalizators

Totalizators have shown a growth of 3,54% year-on-year from R31,098 million to R32,198 million. There are currently 50 totalizator agencies and 75 branches operational.



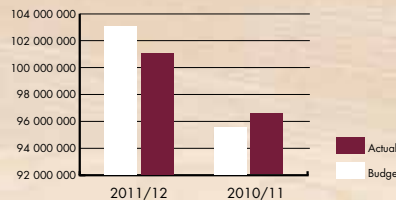
Revenue collected on behalf of DED

- 100% of all monies due was collected totalling R701,4 million for the financial year 2012 compared to the budget of R688,8 million, an increase of 1,82% of the budget.
- All monies were accurately distributed to beneficiaries on due date.



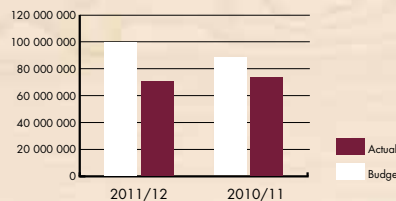
Income collected on behalf of the Board

The Board budgeted an amount of R103,1 million and collected R101,1 million resulting in a variance of R2 million. The variance is as a result of the Board reducing the fees on LPMs.



Expenditure on behalf of the Board for the year

The Board budgeted an amount of R99.933 million and the actual expenditure was R71,904 million resulting in a variance of R28,029 million.



Current Litigation

The Board is currently involved in the following litigation:

Colin de Jager, South Rock Trading 20 cc versus the Minister of Safety & Security, the National Commissioner of the South African Police Service, the Provincial Commissioner of the South African Police Service for the Gauteng Province, the Chairperson of the Gauteng Gambling Board, Casino Association of South Africa (01643/2010)

The plaintiff, Colin de Jager, brought a spoliation application before the Magistrates Court of Carletonville against the defendants, Minister of Safety & Security and others, in respect of 239 gambling machines seized at various venues in Carletonville on 4 March 2010.

The Board is opposing the application. The plaintiff is in the process of arranging a court date for the hearing of this matter.

Imtiaz Suliman versus Gauteng Gambling Board, Tsogo Sun Gaming (Pty) Ltd (49433/11)

The plaintiff, Mr Imtiaz Suliman, brought an application against the defendants, Gauteng Gambling Board and Tsogo Sun Gaming for the general damages he has suffered as a result of being arrested on a charge of unlawful trespassing.

Mr Suliman alleges that in 2009 he approached the Board and requested to be excluded from partaking in gambling activities. In June 2010 he requested the Board to have his exclusion order lifted.

During June 2010, prior to the lifting of the exclusion order and while gambling at Montecasino, he was arrested by members of the SAPS for trespassing and was taken into custody at Douglasdale Police Station. The trespassing charges related to the self-exclusion order that was imposed by the Board. Mr Suliman was released on warning the next day and all criminal charges against him were withdrawn.

As a result of the arrest Mr Suliman alleges that he suffered deprivation of liberty, his dignity was injured, and he also suffered stress and anxiety. He also alleges that he had to undergo psychological treatment and continues to suffer from anxiety and depression.

The Board is opposing the matter and the parties are currently exchanging pleadings. Should the application succeed the Board may have to pay the damages claimed.

Clive Shulman, Denise Shulman, Sonja Zytka versus Keith Ho t/a Betxchange, Gauteng Gambling Board (2011/32976)

The applicants, Mr Clive Shulman and others brought an application in the South Gauteng High Court (Johannesburg) against Keith Ho t/a Betxchange and Gauteng Gambling Board to review and set aside the Board's decision.

During February 2007 the applicants placed bets with Betxchange, an online licensed bookmaker, which refused to honour the applicants' winning bets on the basis that their computer system had a technical error and as such it was not functioning properly.

Subsequently, the applicants lodged a claim in terms of Regulation 24 (1) of the Gauteng Gambling Regulations against Betxchange for unpaid winnings.

During 2008 an enquiry was held at the office of the Board in terms of Regulation 24 before the Chief Executive Officer. The outcome of the enquiry was in favour of the applicants/complainants that they be awarded their winnings.

Subsequent to the decision of the Chief Executive Officer, Betxchange brought an application before the North Gauteng High Court to review and set aside the decision of the Chief Executive Officer.

The Board entered an appearance to defend. During the exchange of pleadings the applicant withdrew the application in order to follow the process in terms of Regulation 25 (1), i.e. an appeal process before the Board.

During January 2011 the appeal was heard before the full Board and was upheld, declaring the bets by the applicants to be null and void.

In August 2011, the applicant Clive Shulman and others made an application before court for an order for reviewing and setting aside the finding made by the second respondent, the Gauteng Gambling Board in upholding the appeal of the first respondent, Keith Ho trading as Betxchange.

The Board is opposing the matter and the parties are currently exchanging pleadings. The attorneys of record have withdrawn from the matter subsequent to lodging of the application.

Tsogo Sun Casinos (Pty) Ltd t/a Montecasino versus the Gauteng Gambling Board, the Member of the Executive Council Department of Economic Development – Gauteng Provincial Government (52820/11)

The applicant, Montecasino brought an application in the North Gauteng High Court (Pretoria) against the Gauteng Gambling Board and Member of the Executive Council Department of Economic Development to review and set aside the decision of the Board to impose and implement the licence conditions.

The applicant made a submission regarding the Socio-economic Development Spend planned for a portion of the Montecasino property in respect of the approved increase in the number of gaming positions licensed to 210 devices or 340 gaming positions to be exposed to play.

During October 2008 the parties obtained a legal opinion which concluded that the construction of a Southern Sun branded hotel, as it stands, does not qualify as a Social Economic Development Project as envisaged in the Board's conditional approval of the Gaming Positions Policy.

After various engagements the parties were not able to settle the matter amicably. The Board is opposing the matter and the parties are currently exchanging pleadings.



Report of the Board (continued)

FOR THE YEAR ENDED 31 MARCH 2012

Gauteng Gambling Board versus MEC for Economic Development

On 23 January 2012, the MEC in exercising her powers in terms of the Gauteng Gambling Act No 4 of 1995 as amended, terminated the tenure of Board members to the Gauteng Gambling Board (the Board). The Board brought an application in the South Gauteng High Court against the MEC seeking *inter alia* an interdict, to interdict the MEC from terminating their tenure as Board members and to review her decision. The Court dismissed the interdict and set aside the review application. Furthermore, leave to appeal was refused. The Board sought leave to appeal at the Supreme Court of Appeal which leave to appeal has to date been granted. The parties are currently exchanging respective pleadings subsequent to which a Court date will be announced by the Registrar of the Supreme Court of Appeal.

Legislative Amendments

During the year the Gauteng Gambling Regulations were amended. The amendments provided for the increase in the annual licence fees as well as the application fees in terms of the Regulations promulgated in terms of Section 84 of the Act.

Illegal gambling

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

During the year, 102 (2011: 119) illegal gaming machines were confiscated and 52 (2010: 59) people were convicted of gambling-related offences.

Disputes and Complaints

During the year 104 disputes and complaints were received and investigated, of which 126 were successfully finalised.

Self-exclusions

During the year under review 486 applications for self-exclusion were received and processed and 116 applications for upliftment were received and processed.

Sports Development Fund

The income of the Sports Development Fund amounted to R5,26 million during the year under review (2011: R3,77 million).

For the year under review the Board allocated grants totalling R8,6 million to the following organisations:

- R2 million to Match Events (Pty) Ltd in respect of a partnership initiative between Gauteng Department of Sports, Arts, Culture and Recreation (SACR) and the Premier Soccer League (PSL) of South Africa as a contribution towards young talent search, coaching and tournament in Gauteng.
- R5,95 million to the South African Jockey Academy for the development of young apprentices who are keen on becoming professional jockeys.

- R674,200 to Central Gauteng Athletics Strategic Partners for the development of athletes in Gauteng in an effort to produce world class middle and long distance athletes, including track and field events which constitute an entry point for any athlete wishing to represent the country in the Olympic Games.

The balance of the fund at 31 March 2012 amounted to R3,55 million.

The Board has since 1997 approved grants totalling R30,02 million from the Sports Development Fund.

One of the benefits of the Board's support to the Jockey Academy is the promotion of black professional jockeys.

Human Resources

It is an objective of the Human Resources Department to have world class human resources capability expressed through well-developed human resources solutions and the delivery of high quality human resources throughout the organisation.

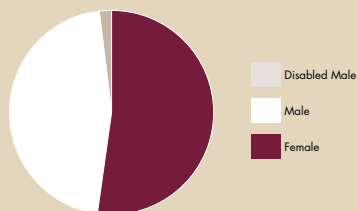
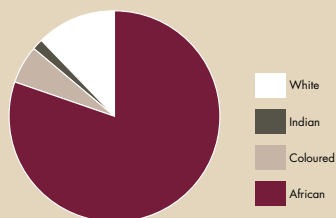
The Human Resources Department provides a variety of services which include management of policies regarding benefits and practices associated with all these policies, performance management, remuneration and reward management, talent management, employment equity and transformation, resourcing, training and development and HR information management.

• **Employment Equity**

The Board continues to ensure that its employment equity strategy is aligned to the national legislative framework. The current profile is as follows:

Employees according to race and gender:

Race	Female	Male	Total	%
African	28	25	53	80,3%
Coloured	2	2	4	6%
Indian	1	0	1	1,5%
White	5	3	8	12,2%
TOTAL	36	30	66	100,0%
Disabled		1	1	1,5%



• **Talent Management**

The ongoing management of talent remains a key priority. This is critical in light of the fierce competition for talent and the need to comply with the Employment Equity Act. Talent audits are done twice annually during appraisals and appropriate retention and development strategies are initiated. The Board continues to monitor trends relating to employee departures to enable it to react proactively to any identified risks to staff retention.

The approach to talent management focuses on talent discovery, talent performance, talent development, talent movement and talent retention.

• **Occupational Health and Safety**

The Board is committed to ensuring a safe and healthy workplace for all its employees, visitors and invitees. The Board complies with all relevant legislation, in particular, the Occupational Health and Safety (OHS) Act of 1993. This includes monitoring risks in the workplace, addressing reported incidents and raising awareness and responsibility amongst employees around serious diseases.

• **Managing HIV/AIDS**

The Board is committed to providing ongoing initiatives aimed at minimising the spread of HIV/AIDS in the workplace. The disease is adequately managed and is not regarded as a

material risk. Some of the initiatives include encouraging employees to participate in voluntary testing, counselling and treatment of the disease.

The Board has a formal HIV/AIDS Policy which is communicated to all existing and new employees and is available on the Intranet. HIV testing and counselling is provided for all employees through external professional service providers. Those employees who test HIV- negative are encouraged to adopt safe behaviour to retain their status, while those testing HIV- positive are encouraged to enrol in a disease management programme offered by an agent of the medical aid. All treatment, including anti-retroviral therapy, is confidential and provided free of charge to all employees.

• **Promoting Employee Well-being**

In addition to ensuring health and safety in the workplace and promoting personal growth through skills development, the Board offers its employees a range of benefits (outlined below) and has a formal Employee Assistance Policy and Employee Wellness Programme aimed at promoting a broader sense of employee good health and well-being.

The employee benefits include the following:

- Retirement funding
- Medical aid scheme
- Educational assistance
- Personal loans



Report of the Board (continued)

FOR THE YEAR ENDED 31 MARCH 2012

• **Training and Development**

The Board continues to invest in training and development. For the calendar year the following interventions were undertaken:

- 11 study bursaries awarded to 11 employees
- 20 employees attended 20 conferences
- 9 Board members attended 9 conferences
- 66 employees attended 18 training sessions equating to 240 working days

• **Employee Wellness**

The Board implemented a formal comprehensive wellness programme in January 2009. In this regard we partnered with ICAS to provide counselling and advisory services to all the Board's employees and their families, 24 hours a day, 7 days a week.

Corporate Social Investment

Many of the communities in Gauteng have multiple social and developmental challenges and require support to address the impacts of intergenerational poverty. This year our budget was channelled and split equally between the following two health facilities located in disadvantaged areas in respect of the critical shortage of medical equipment and HIV medication:

- Kgabo Community Health Clinic
- Odi District Hospital

Managing Environmental Impact

The Board's operational impacts on the environment are relatively low. In terms of direct impact the Board's activities consume energy and water while the environmental impacts do not have significant financial implications for the Board's operations. The Board recognises that environmental responsibility is part and parcel of good business practice and to this end is committed to developing ways to reduce its impact systematically. In this regard the Board has constructed its premises in such a manner as to consume the least energy. It utilises energy efficient bulbs, and the lights automatically switch off in offices that are not utilised and automatically switch on as soon as a person steps into the office.

Furthermore, due to the large amount of paper used in preparation for Board meetings and sub-committee meetings, the Board has resolved to replace paper based Board packs with electronic ones to save the trees for future generations.

Contribution to Socio-Economic Development

The other aspects of the sustainability report are contained in the Human Resource's report.

Corporate Governance

The Board remains fully committed to business integrity, fairness, 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 its operations and to the ongoing development and

implementation of best practices. The Board is ultimately responsible for ensuring high governance standards, and assisted by management aims to instill a culture of compliance and good governance.

Roles and Responsibilities of the Board

The Board focuses on the key elements of the corporate governance processes underpinning its operations. In particular its role is to:

- consider, and adopt if appropriate, operating budgets and business plans proposed by management for the achievement of its strategic direction;
- delegate authority for capital expenditure;
- provide oversight of performance against targets and objectives;
- provide oversight of reporting on the direction, corporate governance and performance of the Board;
- identify, consider and review key risk areas;
- ensure ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and the Board's internal governing documents and codes of conduct;
- act responsibly towards the Board's relevant stakeholders;
- be aware of and commit to the underlying principles of good corporate governance and ensure that compliance with corporate governance principles is reviewed regularly.

The Board regularly reviews its annual Board agenda with the view to ensure that sufficient time is allocated towards the review of its strategy, which

involves the analysis and choice of such strategy, followed by the ongoing review of progress against the approved plans.

Board Meetings

Board meetings are held at least quarterly and more frequently if circumstances so require.

Proceedings at meetings are directed by a formal agenda. The proposed agenda is circulated prior to the meeting to allow Board members sufficient opportunity to request additional agenda items.

In addition a comprehensive Board pack is distributed to all members in advance of meetings to ensure that they are properly informed and to enable them to undertake meaningful discussion and effectively discharge their duties. These packs typically include:

- Agenda
- Previous meeting minutes
- Copies of any resolutions passed since the last Board meeting
- Minutes of all sub-committee meetings which have taken place since the last Board meeting
- Governance update to assist Board members in keeping abreast with relevant legislation

All Board members have unrestricted access to the Board Secretary and all Board records, as well as to independent professional advice at the Board's expense in appropriate circumstances.

Conflicts of Interest

Board members are required to inform the Board timely of conflicts or potential conflicts of interest they may have in relation to particular items of business. Declarations of interest are tabled annually at the Board meeting or whenever a Board member has a conflict of interest on any matter serving before the Board or sub-committee meeting.

Board Members

As required in terms of the Act and good governance, the Board Members come from diverse professional backgrounds. Their collective qualifications, skills and experience enable them to provide transparent, independent and objective

judgment in the decision-making process. The Board provides strategic direction to the Gauteng Gambling Board in addition to monitoring and measuring the performance of its senior management against key performance indicators.

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

Board Committees

The Board has established committees to assist it in exercising its authority, including monitoring the performance of the organisation to gain assurance that progress has been made towards the organisation's objectives within the limits imposed by the Board. The permanent committees of the

NUMBER OF MEETINGS ATTENDED		Board Meetings	Hearings
<i>Messrs</i>	P Mafojane (Chairperson)	21 out of 21	4 out of 4
	Y Gordhan	17 out of 21	3 out of 4
	S Hall	20 out of 21	4 out of 4
	T Molai	12 out of 21	1 out of 4
	A Mahlalutye	15 out of 21	4 out of 4
<i>Mesdames</i>	S Machaba CA(SA)	14 out of 21	2 out of 4
	S Mndaweni	16 out of 21	3 out of 4
	K Moloto-Stofile	17 out of 21	3 out of 4
	C Motau	16 out of 21	2 out of 4



Report of the Board (continued)

FOR THE YEAR ENDED 31 MARCH 2012

Board are the Executive, Audit and Risk, Gaming, Responsible Gambling and Corporate Committees. The Board has in addition to the permanent committees established ad hoc committees, namely the Remuneration and Nomination Committees. Each committee has terms of reference in terms of which its authority is delegated by the Board.

The office of the Board Secretary provides secretarial services for the Board and each of the committees.

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.

Internal Control

The Board is responsible for our systems of financial and operational internal control and the executive management is relied on to ensure that the organisation continues to maintain accounting records and systems of internal control that are appropriate to the achievement of our business strategies.

Internal Audit

The Board's internal audit function provides the Board and Management with an independent and

objective assurance service that reviews matters relating to control, risk management and operational efficiency. The internal auditors report directly to the Audit and Risk Committee.

The Audit and Risk Committee approves the function's yearly plan of audits, which encompasses all the Board's business operations and support functions. The internal audit plan is based on an annually conducted organisation-wide risk assessment.

External Audit

The external auditors provide an independent assessment of the Board's systems of internal financial control and express an independent opinion on the Board's Financial Statements. The external auditors' plan is reviewed by the Audit and Risk Committee to ensure that significant areas of concern are covered, without infringing on the external auditors' independence and right to audit.

Legal Compliance

The Legal Department provides legal advice to both the Board and the Secretariat.

The compliance functions are to provide assurance to the Board that it is compliant with applicable legislation. The responsibility of this function includes:

- identifying and advising the group on existing and new legislation that is applicable to the group's business;
- facilitating compliance with relevant legislation and assigning responsibility for areas of compliance;

- facilitating compliance with internal policies, rules, guidelines and procedures; and
- monitoring of compliance.

Risk Management

The identification and management of risk is central to achieving the Board's mandate in terms of the Act. Each year the Board reviews and considers the risk profile of the whole business. This risk profile covers both operational and strategic risks.

The Board has delegated the oversight of risk management to the Audit and Risk Committee.

In addition, the Board specifically requires management to implement a system of control for identifying and managing risk. The Board, through the Audit and Risk Committee, regularly reviews the effectiveness of the system.

In this regard the role of the Audit and Risk Committee is to ensure that:

- appropriate risk and control policies are in place and are communicated throughout the organisation;
- the process of risk management and the system of internal control are regularly reviewed for effectiveness;
- there is an ongoing process of identifying, evaluating and managing the significant risks faced by the Board (including compliance and IT related risks) and that this is in place throughout the year;
- a formal risk assessment is undertaken annually;

- there is an adequate and effective system of internal control in place to manage the more significant risks faced by the group to an acceptable level;
- a risk register is maintained and kept up to date; and
- appropriate insurance cover is placed and regularly reviewed, and that all uninsured risks are reviewed and managed.

FINANCIAL RESULTS

The financial results of the Board and the taxes and levies collected and distributed are reflected in the annual financial statements as reflected on pages 36 to 74 of the Annual Financial Statements

The Board has previously received approval to retain the accumulated surplus of R12,01 million as at 31 March 2001, the R13,05 million as at 31 March 2007, the R18,70 million as at 31 March 2008 and the R9,95 million as at 31 March 2009.

SUMMARY OF ENGAGEMENTS PERFORMED BY THE COMPLIANCE DEPARTMENT FOR THE PERIOD APRIL 2011 TO MARCH 2012

The Compliance Department of the Gauteng Gambling Board strives to meet the following objectives of the Board:

- Ensure that weekly returns are accurate; properly reflect licensees' activities and the correct amounts of taxes and levies are paid to the Board.
- Ensure that licensees comply in all material

aspects with provisions of the Gauteng Gambling Act, Regulations, Rules and other relevant legislation.

- Ensure compliance to bid deliverables and BBBEE legislation.
- Ensure fairness to punters.

These objectives are achieved by:

- Ensuring accuracy of gaming revenue paid by licensees and compliance to applicable gaming legislation by performing revenue and compliance audits;
- Ongoing monitoring of compliance with BBBEE requirements and bid commitments by performing reviews and monitoring audits on licensees; and
- Testing and approval of gaming devices and an effective roll-out programme for Limited Payout Machines.

For the 2011/12 financial year, the following engagements were completed by the Compliance Department:

Casino and Bingo Audit:

- 29 Casino and bingo revenue audits
- 46 Casino and bingo compliance audits
- 7 Casino FICA inspections
- 22 Manufacturer inspections

Monitoring:

40 monitoring audits were completed for the year.

Gaming Control:

Completed projects (Actual)	Q1	Q2	Q3	Q4	Total
Machine testing	648	827	927	936	3,338
MCS system upgrades	1	0	0	0	1
Table changes and moves	43	49	27	42	161
New table rules	1	0	0	1	2
Surveillance: Camera views	154	322	135	106	717
Surveillance: Interfacing	383	740	384	392	1,899
Bingo compliance inspections	7	3	7	3	20
Bingo EBT testing	0	8	4	4	16
LPM pre-opening and testing	123	84	84	56	347
CEMS approvals	835	805	743	975	3,358
Machine destruction	190	766	354	174	1,484
Device approvals	228	161	288	166	843
Total of completed projects	2,613	3,765	2,953	2,855	12,186



Report of the Board (continued)

FOR THE YEAR ENDED 31 MARCH 2012

LICENSING

- **Employee applications**

Provincial

Key employees	378
Other employees	835

National

Employee applications	120
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- **Company applications**

28	Amendment of licence applications
4	Certificate of suitability applications
18	Financial interest applications
13	Transfer of bookmaker licence applications
4	Second licence premises applications
2	National manufacturer licence applications
1	Provincial manufacturer licence application
136	Gaming machine (site) licence applications

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, previous MEC Qedani Mahlangu and the current MEC Nkosiphindule Kolisile and the Department of Economic Development;
- All applicants for licences and licensees;
- Industry associations;
- The staff of the Board, past and present, for their dedication and commitment;
- The National Responsible Gambling Programme;
- The Directors of Public Prosecutions and the South African Police Services;
- Other gambling regulatory authorities, both local and international;
- Professional bodies who rendered services to the Board;
- Independent Audit and Risk Committee members;
- The media fraternity; and
- The public in general.



Performance Report

FOR THE YEAR ENDED 31 MARCH 2012

Objective	Key Performance Area	2011/12 Target	Annual Actual	Achievement	Comments on the Enabling Conditions and/or Reasons for Deviations
Revenue collection/ collection of revenue due for the financial year	<ul style="list-style-type: none"> Collection of 100% of all monies due for the financial year 	R688,855,000	R701,366,707	<ul style="list-style-type: none"> 100% of all monies due was collected, totalling R701,37 million for the financial year 2012. 	The revenue received from the bets on the Rugby World Cup brought the collections in line with target as anticipated.
	<ul style="list-style-type: none"> Revenue distribution and reporting on prescribed dates 	10th of each month 100% accurate distribution and reporting	10th of each month 100% accurate distribution and reporting	<ul style="list-style-type: none"> All monies were accurately distributed to beneficiaries on due date 	Efficiency of the system and the processes.
	<ul style="list-style-type: none"> Timeous tax returns and monitoring 	Weekly	Weekly	<ul style="list-style-type: none"> Reporting of all monies collected and distributed was done to stakeholders on due date, the details of which are contained in the financial statements. 	Efficiency of the system and the processes.



Performance Report (continued)
 FOR THE YEAR ENDED 31 MARCH 2012

Objective	Key Performance Area	2011/12 Target	Annual Actual	Achievement	Comments on the Enabling Conditions and/or Reasons for Deviations
Regulation and control of gambling in Gauteng	Number of compliance audits conducted on gambling licences	114	156	All compliance audits where conducted	Adequate resources were deployed
Regulation and control of gambling in Gauteng	Number of inspections as per plan	54	54	Achieved	Adequate resources were deployed
Regulation and control of gambling in Gauteng	Monitoring of BBBEE annual milestones	28	40	Achieved	The efficiency of the system and the processes.
Regulation and control of gambling in Gauteng	Number of applications received	240 key employee 300 other employee 48 national employee 12 amendment of licences 120 gaming machine site licences 8 financial interest	378 key employee 835 other employee 120 national employee 28 amendment of licences 136 gaming machine site licences 18 financial interest	Achieved	More applications were received
		100% of application	100% of applications	Achieved	

Objective	Key Performance Area	2011/12 Target	Annual Actual	Achievement	Comments on the Enabling Conditions and/or Reasons for Deviations
Regulation and control of gambling in Gauteng	% of disputes received vs. finalised	65%	75%	Achieved	The efficiency of the system and the processes led to the achievement of the target
	Number of disputes received vs. finalised	95 received and 90 finalised	144 received and 126 finalised		
Regulation and control of gambling in Gauteng	% Planned raids vs. raids actually conducted	100%	144%	Achieved	The availability of SAPS and information on illegal gambling led to the achievement of the target
	Raids conducted	45 raids	65 raids		
Education and awareness of the dangers of gambling	Number of awareness programmes conducted for the year	8 Schools 12 University/Colleges 300 Allpay Stations 120 Transport Hubs 2 Public Shows	46 Schools 11 University/Colleges 299 Allpay Stations 90 Transport Hubs 3 Public Shows	Achieved	More schools agreed to participate therefore more resources were deployed to schools and less to the other areas
Education and awareness of the dangers of gambling	NRGP budget vs. actual expenditure for the year	R4,066 million	R3,134 million	Achieved	Although the budget was not fully utilised, more was done with less



REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE GAUTENG GAMBLING BOARD

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Gauteng Gambling Board set out on pages 35 to 74, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Gambling Board as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 29 to 31 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

10. The material findings are as follows:

Usefulness of information

Reported targets not consistent with planned targets

11. Treasury Regulation 30.1.3(g) requires that the annual performance plans should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 36% of the reported targets are not consistent with the targets as per the approved annual performance plan. This is due to the lack of adjustment of the annual performance plan after changes were made by the Department of Economic Development (parent department of the entity).

Reliability of Information

12. There were no material findings on the annual performance report concerning the reliability of the information.

Compliance with laws and regulations

13. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Expenditure management

14. The accounting authority did not take effective and appropriate steps to prevent irregular expenditure as required by section 51(1)(b)(ii) of the PFMA.

Income tax

15. In terms of the Income Tax Act, Fourth Schedule, Gauteng Gambling Board as an employer failed to withhold, by way of employees' tax, an amount in respect of the liability for normal tax. Pay As You Earn (PAYE) was not withheld from inception on contributions made by the entity to insurance companies towards stated benefit and group life policies for employees.

Internal control

16. I considered internal control relevant to my audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on predetermined objectives and compliance with laws and regulations.

Leadership

17. Accounting authority did not provide effective leadership to enhance the best interests of the entity and did not exercise oversight responsibility regarding performance reporting.

Financial and performance management

18. Compliance with the applicable laws and regulations was not adequately monitored by the management and this resulted in non-compliance with the PFMA.

Governance

19. It is recommended that the audit committee assist the entity by providing an independent review and inputs on the annual performance plan on whether the objectives and targets meet the SMART principles. It is further recommended that the audit committee request internal audit to provide assurance on the reliability of the quarterly reports submitted to the audit committee. The audit committee is also encouraged to review the financial statements on a quarterly basis to enhance the quality of the financial statements at year end.

Johannesburg

Johannesburg
30 July 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



G A U T E N G G A M B L I N G B O A R D



Index

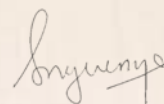
The reports and statements set out below comprise the annual financial statements

Statement of Financial Position	36
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Certification by the

ACTING CHIEF EXECUTIVE OFFICER

I am responsible for the preparation of these annual financial statements, which are set out on pages 36 to 74, in terms of Section 55 (1) (c) of The Public Finance Management Act No 1 of 1999 (as amended by Act No 29 of 1999) and which I have signed on behalf of the Board.



S. NGWENYA
ACTING CHIEF EXECUTIVE OFFICER

Johannesburg
31 March 2012



Statement of Financial Position

AS AT 31 MARCH 2012

	Notes	2012 R'000	2011 R'000
ASSETS			
Current Assets			
		196,592	144,273
Trade and Other Receivables: Non Exchange	5	3,690	4,024
Trade and Other Receivables: Exchange	5	10,541	4,505
New Building Attorney Trust Account	2	-	492
Deposit	5.1	257	257
Cash and Cash Equivalents	15.4	182,083	134,981
Inventory	22	21	14
Non-Current Assets			
		97,637	102,322
Property, Plant and Equipment	2	97,307	101,929
Intangible Assets	3	330	393
Non-Current Assets held for sale			
	4	14,100	14,100
TOTAL ASSETS		308,329	260,695

	Notes	2012 R'000	2011 R'000
LIABILITIES			
Current Liabilities			
Trade and Other Payables	8	74,770	57,218
Provisions	9	1,712	1,616
Collections for Distribution	18.1	78,596	42,103
Licence Fees Received in Advance	18.1	31,728	27,648
TOTAL LIABILITIES			
Net Assets			
Revaluation Reserve	7	8,412	8,412
Accumulated Surplus	6	113,111	123,698
TOTAL NET ASSETS AND LIABILITIES		308,329	260,695



Statement of Financial Performance

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 R'000 Actual	2012 R'000 Budget	2011 R'000 Actual	2011 R'000 Budget
Revenue					
Revenue from Exchange Transactions	10.1	63,472	61,763	59,700	64,808
Revenue from Non-Exchange Transactions	10.2	34,762	37,309	33,487	27,408
Interest Receivable		2,865	4,000	3,226	3,500
Total Revenue		101,099	103,072	96,413	95,716
Expenses					
Board Members' Remuneration	11	(2,387)	(2,458)	(1,673)	(1,657)
Employee-related Costs	14	(42,106)	(56,442)	(42,520)	(54,958)
Depreciation of Property, Plant and Equipment	2	(4,612)	(6,000)	(4,444)	(1,992)
Amortisation of Intangible Assets	2	116	(360)	221	(140)
Other Operating Expenses	13	(22,915)	(34,673)	(23,825)	(31,347)
Total Expenditure		(71,904)	(99,933)	(72,241)	(90,094)
Loss on Sale of Property Plant and Equipment		(8)	-	(11)	-
Surplus for the Year		29,187	3,139	24,161	5,622

Statement of Changes in Net Assets

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Accumulated Surplus R'000	Revaluation Reserve R'000	Total R'000
Balance at 31 March 2010		123,565	8,545	132,110
Surplus for the year		24,161	-	24,161
Surplus to be paid over to Provincial Revenue Fund		(24,161)	-	(24,161)
Balance at 31 March 2011 as previously reported		123,565	8,545	132,110
Revaluation Reserve adjustment		133	(133)	-
Balance at 31 March 2011		123,698	8,412	132,110
Adjustment to Net Assets		(10,587)	-	(10,587)
Surplus for the year		29,187	-	29,187
Surplus to be paid over to Provincial Revenue Fund		(29,187)	-	(29,187)
Balance at 31 March 2012		113,111	8,412	121,523



Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 R'000	2011 R'000
Cash Flows from Operating Activities			
Receipts		96,335	103,496
Cash receipts from licensees and other institutions		93,470	100,270
Interest received		2,865	3,226
Payments		(38,180)	(127,289)
Cash paid to suppliers and employees		(43,636)	(83,701)
Cash paid to Provincial Revenue Fund	15.2	(24,161)	(28,593)
Decrease of monies held in Trust Peermont	15.3	(6,877)	(3,986)
Increase (Decrease) in collection for distribution	18.1	36,494	(11,009)
Net Cash Flows from Operating Activities		58,155	(23,793)
Cash Flows from Investing Activities			
Additions to Property, Plant and Equipment	2	(477)	(404)
Disposal of Property, Plant and Equipment	2	11	-

	Notes	2012 R'000	2011 R'000
Net Cash Flow from Investing Activities		(466)	(404)
Cash Flows from Financing Activities		(10,587)	-
Change in Net Assets	6	(10,587)	-
Increase (Decrease) in cash and cash equivalents		47,102	(24,197)
Cash and cash equivalents at beginning of year	15.4	134,981	159,178
Cash and cash equivalents at end of year		182,083	134,981



Accounting Policies

FOR THE YEAR ENDED 31 MARCH 2012

1 BASIS OF PREPARATION

The annual financial statements were prepared on an accrual basis of accounting and in accordance with historical cost convention unless otherwise stated.

These financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with section 55 (1) (b) of the Public Finance Management Act, Act No. 1 of 1999 as amended by Act 29 of 1999.

The reporting framework as prescribed by the Accounting Standards Board in Directive 5 of March 2009 and which are deemed by the Board to be applicable to itself are summarised as follows:

STANDARDS OF GRAP APPROVED AND EFFECTIVE

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations

GRAP 101	Agriculture
GRAP 102	Intangible Assets

STANDARDS OF GRAP		EFFECTIVE DATE OF STANDARD
GRAP 18	Segment Reporting	Unknown
GRAP 21	Impairment of Non-cash-generating Assets	1 April 2012
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	1 April 2012
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2012
GRAP 25	Employee Benefits	Unknown
GRAP 26	Impairment of Cash-generating Assets	1 April 2012
GRAP 103	Heritage Assets	1 April 2012
GRAP 104	Financial Instruments	1 April 2012
GRAP 105	Transfer of functions between entities under common control	Unknown
GRAP 106	Transfer of functions between entities not under common control	Unknown
GRAP 107	Mergers	Unknown

During 2011 the Board decided to early adopt GRAP 23: Revenue from Non-Exchange Transactions (Taxes and Transfers). Early adoption of GRAP 23 did not have any impact on prior year figures except for reclassification from Revenue to Revenue from Non-Exchange Transactions.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards were developed in accordance with the hierarchy set out in paragraph 12 of GRAP 3. The details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenue and expenses were not offset except when offsetting was required or permitted by a standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below:

ACCOUNTING POLICIES

1.1 Presentation currency

The Annual Financial Statements are presented in South African Rand, which is the functional and presentation currency of the Board and amounts have been rounded to the nearest Rand.

1.2 Going concern assumption

The Annual Financial Statements were prepared on a going concern basis, i.e. the assumption is that the Board will continue to operate as a going concern for at least the next 12 months.

1.3 Property, Plant and Equipment

Property, Plant and Equipment are carried at its cost less any accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Revaluation surplus included in net assets in respect of Land and Buildings will be transferred directly to accumulated surpluses or deficits when the asset is derecognised.

The estimated useful lives of items of property, plant and equipment is as follows:

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

Subsequent Expenditure

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, only when it is probable that future economic benefits or service potential over

the total life of the asset in excess of the most recently assessed standards of performance of the existing asset will flow to the Board. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary or a monetary asset or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised on a straight-line basis over the estimated useful life of the asset to its residual value from the day that the asset is available for use.

Residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date and any changes are recognised as a change in accounting estimates in the Statement of Financial Performance. The actual useful lives of the assets, residual values and depreciation method are assessed annually



Accounting Policies (continued)

FOR THE YEAR ENDED 31 MARCH 2012

and might vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programme are taken into account.

Impairment of Property, Plant and Equipment

The Board tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), an impairment loss is charged to the Statement of Financial Performance.

Disposal of Property, Plant and Equipment

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying values of the assets on the date of disposal and is recognised in the Statement of Financial Performance.

Land

Land is not depreciated, as it is deemed to have an indefinite useful life.

1.4 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefit or service potential that is attributable to the asset will flow to the Board; and
- The cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Generally costs associated with development computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Board and have a probable benefit exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances and extends the benefits of computer software programmes beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programmes are expensed as incurred.

The estimated useful life of intangible assets is 2 years.

Impairment

The Board tests for impairment where there is an indication that an intangible asset might be impaired. An assessment of whether

there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of intangible asset is greater than the estimated recoverable amount (or recoverable service amount), an impairment loss is charged to the Statement of Financial Performance.

1.5 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale.

1.6 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, held with registered banking institutions and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at the bank. The Board categorises cash and cash equivalents as financial assets, loans and receivables.

1.7 Provisions and contingencies

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are measured at the present value of the expenditure expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets and contingent liabilities are not recognised.

1.8 Revenue from exchange transactions

Revenue is derived from a variety of sources which includes collection commission, application fees, administration fees, recoveries of investigation expenses and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Board and these benefits can be measured reliably.

Revenue from exchange transactions refers to revenue that accrued to the Board directly in return for services rendered/goods sold, the value of which approximated consideration received or receivable.

Measurement

Revenue is measured at the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities.

Rendering of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Board;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represented the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of a service cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Income from Collection Commission

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income is recognised in terms of an agency agreement.

Interest

Interest earned on bank balance is recognised on a time proportionate basis that takes into account the effective yield on the interest investment.



Accounting Policies (continued)

FOR THE YEAR ENDED 31 MARCH 2012

1.9 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange and includes licence fees, penalties collected and sports betting levies. Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows results in an increase in net assets, other than increases relating to contribution from owners.

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable, willing parties in an arm's length transaction.

Measurement

An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it shall reduce the carrying amount of the liability recognised

and recognise an amount of revenue equal to that reduction

1.10 Significant judgments and source of estimation uncertainty

The preparation of these financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Board accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

1.11 Leases

Finance Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

Operating Leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability.

1.12 Employee benefits

Provident Fund

The Gauteng Gambling Board contributes to a defined contribution fund. Contributions to the defined contribution fund are charged to the Statement of Financial Performance in the year to which they relate.

Post-retirement Medical Aid

The Gauteng Gambling Board does not incur a liability for post-retirement medical benefits.

Short-term Employee Benefits

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

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

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

1.13 Financial instruments

The Gauteng Gambling Board classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investments
- Loans and receivables
- Available for sale financial assets
- Interest-bearing borrowings

Classification depends on the purpose for which the financial instruments were obtained/incurred and management determines the classification at initial recognition. With regard to reclassifications, the entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

The Gauteng Gambling Board classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Initial Recognition

Financial assets and financial liabilities are recognised on the Gauteng Gambling Board's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

Financial instruments carried on the Statement of Financial Position include cash and bank balances, trade and other receivables and trade and other payables.

Loans and Other Receivables

Trade and other receivables are initially carried at their estimated fair values and subsequently carried at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Financial Performance when there is objective evidence that the asset is impaired. Interest income is recognised in the Statement of Financial Performance by applying the effective interest rate.

Trade and other receivables, loans to employees and cash and cash equivalents that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Trade and Other Payables

Trade and other payables are initially carried at their estimated fair values and subsequently carried at amortised cost using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 31 March) of the Board.

Impairment

At the end of each reporting period the Board assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Where an investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

In assessing whether there is any indication that an asset may be impaired, an entity shall consider external and internal sources of information in accordance with GRAP standards.



Accounting Policies (continued)

FOR THE YEAR ENDED 31 MARCH 2012

Derecognition

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred, and the Board has transferred substantially all risk and rewards of ownership.

Disposal

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.14 Taxes and levies (collection for distribution)

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

1.15 Taxation

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

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- Overspending on the budget.
- Expenditure not in accordance with the purpose of the budget.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act, 1999 (Act No 1 of 1999 as amended by Act 29 of 1999) or in contravention of the Board's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure that is made in vain and would have been avoided had reasonable care been exercised.

Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in the current year where necessary.

Events After Reporting Date

Any known or anticipated event that may occur after the reporting period is declared in the notes to the financial statements. See Note 23 to the Annual Financial Statements.

1.21 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national, provincial and

local spheres of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.22 Inventory

Inventory is stated at the lower of cost and net realisable value while cost is determined on a first-in first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business less any costs incurred in selling and distribution. Inventory comprises stationery that shall be consumed within a short-term period in the normal business of the entity and not held for sale.

Notes to the Annual Financial Statements

FOR THE YEAR ENDED 31 MARCH 2012

2 PROPERTY, PLANT AND EQUIPMENT

31 March 2012	Buildings R'000	Fixtures & fittings R'000	Motor vehicles R'000	IT hardware R'000	Land R'000	Paintings R'000	Furniture & equipment R'000	Total R'000
Opening net carrying amount	65,996	2,473	68	1,003	23,582	203	8,604	101,929
Gross carrying amount	67,722	3,344	258	3,182	23,582	294	12,598	110,980
Accumulated depreciation	(1,726)	(871)	(190)	(2,179)	-	(91)	(3,994)	(9,051)
Additions	-	-	-	294	-	-	-	294
Disposals	-	-	-	(10)	-	(1)	(8)	(19)
- Cost	-	-	-	(1,335)	-	(11)	(286)	(1,632)
- Accumulated depreciation	-	-	-	1,325	-	10	278	1,613
Depreciation charge	(1355)	(264)	(42)	(226)	-	(42)	(2,683)	(4,612)
Prior period error	-	-	(75)	(387)	-	10	-	(454)
Corrected	-	-	(265)	(387)	-	(73)	-	(725)
Original amount	-	-	190	-	-	81	-	271
Revaluation reserve adjustment	-	-	(110)	-	-	(23)	-	(133)
Revaluation reserve adjustment	-	-	289	-	-	13	-	302
Closing net carrying amount	64,641	2,209	130	674	23,582	158	5,914	97,307
Gross carrying amount	67,722	3,344	437	2,141	23,582	273	12,312	109,811
Accumulated depreciation	(3,081)	(1,135)	(307)	(1,467)	-	(115)	(6,399)	(12,504)



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

31 March 2011	Buildings R'000	Fixtures & fittings R'000	Motor vehicles R'000	IT hardware R'000	Land R'000	Paintings R'000	Furniture & equipment R'000	Total R'000
Opening net carrying amount	67,351	2,737	120	671	23,582	247	11,265	105,973
Gross carrying amount	67,722	3,344	258	2,913	23,582	294	12,546	110,659
Accumulated depreciation	(371)	(607)	(138)	(2,242)	-	(47)	(1,281)	(4,686)
Additions	-	-	-	314	-	-	661	975
Disposals	-	-	-	(2)	-	-	(463)	(465)
- Cost	-	-	-	(45)	-	-	(609)	(654)
- Accumulated depreciation	-	-	-	43	-	-	146	189
Depreciation charge	(1,355)	(264)	(52)	(367)	-	(45)	(2,767)	(4,850)
Change in estimate	-	-	-	387	-	1	18	405
Accumulated depreciation reversal	-	-	-	-	-	-	(110)	(110)
Closing net carrying amount	65,996	2,473	68	1,003	23,582	203	8,604	101,929
Gross carrying amount	67,722	3,344	258	3,182	23,582	294	12,598	110,980
Accumulated depreciation	(1,726)	(871)	(190)	(2,179)	-	(91)	(3,994)	(9,050)

On 8 February 2010, the Gauteng Gambling Board took ownership of the new office building in Bramley situated on RR1 and RR3 of the sectional title known as Waverley Office Park. The property is situated at Erf number 377, Bramley Township, City of Johannesburg. The new building was funded by a retention of R69,9 million with the remainder of the purchase price being funded through retained surplus amounts. Monies to fund the project were placed in trust. The balance of the trust account at the beginning of the financial year amounted to R491,933. Interest was earned on this money which is reflected in the Statement of Financial Position. The closing balance of this account is R0 and is reflected on the Statement of Financial Position under current assets.

The budgeted figure for Property, Plant and Equipment was R6,817,489 (2011 : R11,859,161)

Estimated Useful lives

The useful lives of the assets have been reviewed and adjusted to more accurately reflect the actual expected life spans of the assets within Gauteng Gambling Board. In a majority of the cases, the lives of the items have been extended considerably, as the Gauteng Gambling Board has embarked on a campaign to ensure that assets are not unnecessarily replaced and that those items in use are properly taken care of and safe guarded.

The useful lives of different assets which were fully depreciated at the reporting date have been reviewed as follows:

- Office equipment:
Extended by 3 years to a total of 8 years
- Motor vehicles:
Kombi extended by 4 years to a total of 8 years; Toyota Corolla extended by 2 years to a total of 6 years
- IT hardware:
Extended by 1 year to a total of 8 years
- Painting:
Extended by 3 years to a total of 12 years
- Furniture:
Extended by 5 years to a total of 11 years

	2012 R'000	2011 R'000
3 INTANGIBLE ASSETS		
Intangible assets relates to software used for operational purposes.		
Opening net carrying amount	393	168
Gross carrying amount	1,525	1,521
Accumulated amortisation	(1,132)	(1,353)
Additions	183	4
Disposals	-	-
- Cost	(121)	-
- Accumulated amortisation	121	-
Amortisation charge	116	(141)
Change in estimate	(362)	362
Closing net carrying amount	330	393
Gross carrying amount	1,587	1,525
Accumulated amortisation	(1,257)	(1,132)
Useful lives		
The useful lives of intangible assets have been reviewed and adjusted to more accurately reflect the actual expected life spans of the assets within Gauteng Gambling Board. In a majority of the cases, the lives of the items have been extended considerably, as the Gauteng Gambling Board has embarked on a campaign to ensure that assets are not unnecessarily replaced and that those items in use are properly taken care of and safe guarded. The useful lives of different intangible assets which were fully depreciated at the reporting date have been reviewed as follows: Computer software has been extended by 1 year to a total of 8 years.		



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

	2012 R'000	2011 R'000
4 NON-CURRENT ASSETS HELD FOR SALE		
Assets held for sale consists of land and building purchased on 31 March 1999. The office building is 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 2,210 square meters in extent.		
The property was revalued by an independent valuator on 31 December 2009 at R14,100,000.00. The revalued amount on 31 December 2009 was used as the new carrying amount.		
Circumstances have increased the period to complete the sale of the property beyond one year. The entity remains committed to sell the asset and has obtained a firm purchase commitment. In order to determine the value of the property for the new commitment, the property was valued again on 18 December 2011 at R15,800,000.00.		
The sale agreement between the prospective buyer and the Board was signed on 13 March 2012, subject to the suspensive condition that the buyer provides a bank guarantee or the purchase price in cash within 14 days from the date the contract was signed. The buyer requested that the Board extend the 14 days and the extension was granted at a meeting held on 26 April 2012.		
5 TRADE & OTHER RECEIVABLES AND DEPOSIT		
5.1 Trade and other receivables		
Trade debtors: Non Exchanged	3,690	4,024
Exchange:	10,541	4,505
Gauteng Provincial Government: Collection commission	9,960	4,000
Sundry debtors:	581	505
Interest receivable - Board account	497	182
Interest receivable - Trust account	0	244
Staff debtors	84	79
	14,231	8,529

	2012 R'000	2011 R'000
5.2 Deposits		
City of Tshwane	15	15
City Power Johannesburg	242	242
	<u>257</u>	<u>257</u>

6 ACCUMULATED SURPLUS

In terms of Section 17(6) of the Gauteng Gambling Act 1995, as amended, and Section 53(3) of the Public Finance Management Act, surplus funds at the close of the financial year shall be paid to the Provincial Revenue Fund, unless Treasury approval has been obtained to retain such funds.

Approval was received to retain the following surplus amounts:

Year Ended	R'000
31 March 2001	12,014
31 March 2007	13,049
31 March 2008	18,704
31 March 2009	<u>9,945</u>
	53,712

The new building was funded by a retention of R69,853 million. This amount forms part of the retained surplus reflected in the Statement of Financial Position. The decrease in retained surplus is as a result of the utilisation of a portion thereof, a revaluation adjustment as well as restatement of prior year depreciation. The retained surplus is R113,111 million (2011: R123,565 million).



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

	2012 R'000	2011 R'000
7 REVALUATION RESERVE		
Reserve on revaluation of Property, Plant and Equipment		
Buildings	8,412	8,412
Motor vehicles	-	110
Paintings	-	23
Reversal of Revaluation Surplus	-	(133)
	<u>8,412</u>	<u>8,412</u>
<p>Fair values were obtained for Motor vehicles and Paintings resulting in the Revaluation Reserve being increased by a total amount of R133,000. During 2012, the Revaluation Reserve had to be reversed as it was not the policy of the Board to revalue Motor vehicles and Painting. The reversal of the Revaluation Surplus results in the fair presentation of the financial statements although the amount is not material.</p> <p>It was also impracticable for a particular prior period to do retrospective restatement as the application of the fair value amount (revaluation) was not applied consistently. In some instances, fair value was regarded as the residual amount and that particular asset was not depreciated, while other assets were depreciated for a shorter period. This error occurred since 2006.</p>		
8 CURRENT LIABILITIES		
8.1 Trade and other Payables		
Peermont: Social advancement	20,465	27,342
Creditors and accruals	24,154	4,777
Investigation deposits	964	938
Provincial Revenue Fund – current year surplus	29,187	24,161
	<u>74,770</u>	<u>57,218</u>

	2012 R'000	2011 R'000
<p>During the financial year 2005, Peermont acquired a number of gaming positions from Emerald Safari Resort. The approval for this transaction was granted by the Board on condition that Peermont spend an amount of R50 million on social upliftment projects in the East Rand and Vaal areas.</p> <p>Peermont has committed to spend this amount on the improvement of the quality of school and education of previously disadvantaged individuals in the East Rand and Vaal areas.</p> <p>An amount of R50 million was placed in trust with the Board pending the completion of the project and the balance is R20.5 million. This amount earns interest at the same rate as the other bank balances of the Board and accrues in favour of Peermont and the project. The total amount is reflected in the Statement of Financial Position under Trade and other payables.</p> <p>The Gauteng Gambling Board considers the carrying amount of trade and other payables approximate to their fair value due to their short-term maturity.</p>		
8.2 Licence fees received in advance	31,728	27,648
9 PROVISIONS		
Provision – leave pay	1,285	1,231
Opening balance	1,231	1,353
Utilisation of provisions during the year	(736)	(1,017)
Provisions made during the year	790	895
Provision – bonus pay	427	385
Opening balance	474	-
Utilisation of provisions during the year	(505)	(85)
Provisions made during the year	458	470
TOTAL	1,712	1,616

*Notes to the Annual Financial Statements (continued)*

FOR THE YEAR ENDED 31 MARCH 2012

	2012 R'000	2011 R'000
Provision for bonus for the 2010/2011 financial year was over provided and for the 2011/2012 financial year under provided when the financial statement were prepared. The comparative amounts for the prior period presented has been restated in terms of GRAP 3.		
10 REVENUE		
Revenue consists of:		
10.1 Exchange Revenue		
Administration fees	240	114
Application fees	4,558	4,783
Collection commission	55,379	51,385
Sundry income	481	255
Recoveries of investigation expenses	2,814	3,163
	<u>63,472</u>	<u>59,700</u>
10.2 Non-Exchange Revenue		
Licence fees	31,114	30,725
Penalties collected	135	125
Sports betting levies	3,513	2,637
	<u>34,762</u>	<u>33,487</u>
10.3 Loss on sale of assets	(8)	(11)

		2012 R'000	2011 R'000
11 BOARD MEMBER REMUNERATION			
Board Member emoluments for non-executive Board Member services rendered during the year:			
Messrs	L Mogotsi	-	165
	S Mahlalela	-	105
	L Modise	-	130
	J Andrews	-	168
	P Mafojane	451	197
	T Molai	145	194
	YN Gordhan	254	-
	SJ Hall	255	-
	AA Mahlalutye	245	-
Mesdames	Z Ntlangula	-	149
	S Machaba	197	149
	K Moloto-Stofile	273	158
	Dr AS Mndaweni	205	-
	C Motau	240	-
Total Paid to Board Members		2,265	1,415
Audit And Risk Committee Remuneration		122	258
TOTAL		2,387	1,673



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

12 SENIOR MANAGEMENT REMUNERATION

For The Year Ended 31 March 2012	Basic Salary R'000	Allowances R'000	13th Cheque R'000	Performance Bonus R'000	Employer Contributions R'000	Total R'000
MB Lekalakala <i>Chief Executive Officer</i>	-	-	-	167	-	167
E Lalumbe <i>Chief Operating Officer</i>	1,642	-	135	368	330	2,475
N Makhari <i>Chief Financial Officer and Acting Chief Executive Officer (Acting 01/04/2011 to 30/01/2012)</i>	2,035	-	95	-	193	2,323
O Hadebe <i>Manager : Human Resources</i>	1,127	-	94	312	187	1,720
K Jacobs <i>Manager : MIS</i>	1,005	60	88	313	235	1,701
L Kobue <i>Manager : Compliance</i>	1,055	42	90	313	221	1,721
L Lukhwareni <i>Manager : Legal Services</i>	1,064	-	87	312	247	1,710

For The Year Ended 31 March 2011	Basic Salary R'000	Allowances R'000	13th Cheque R'000	Performance Bonus R'000	Employer Contributions R'000	Total R'000
MB Lekalakala <i>Chief Executive Officer</i>	1,893	-	155	520	308	2,876
E Lalumbe <i>Chief Operating Officer</i>	1,533	-	125	433	303	2,394
N Makhari <i>Chief Financial Officer</i> (01/10/2010 to 31/03/2011)	530	23	22	-	100	675
O Hadebe <i>Manager : Human Resources</i>	1,052	-	86	289	171	1,598
K Jacobs <i>Manager : MIS</i>	934	60	81	289	234	1,598
L Kobue <i>Manager : Compliance</i>	982	42	84	290	202	1,600
L Lukhwareni <i>Manager : Legal Services</i>	980	23	82	289	222	1,596
JJ Oberholzer <i>Manager : Licensing, Registration and Betting</i> (01/04/2010 to 31/12/2010)	782	45	92	324	184	1,427
C Simons <i>Acting Chief Financial Officer</i> (01/04/2010 to 30/09/2010)	605	10	-	139	65	819



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

	2012 Budget R'000	2012 Actual R'000	2011 Actual R'000
13 OTHER OPERATING EXPENSES			
Advertisements	350	480	557
Audit fees:	1,380	1,214	1,102
External Audit	721	521	576
Internal Audit	659	693	526
Bank charges	75	47	47
Board Members' training	220	22	19
Conference costs	671	444	489
Employee Assistance Programme	292	84	127
Gambling Community Outreach Programme	540	-	437
Information Technology	726	375	206
Insurance	675	384	488
Investigation and enforcement costs	200	199	366
Legal expenses	2,500	2,699	1,884
Management Development Programme	800	19	23
Office accommodation and storage rentals	1,301	1,480	1,296
Office consumables, maintenance and refreshments	518	330	408
Photocopying	520	602	489
Postage, printing and stationery	530	406	407
Professional and consulting fees	1,404	466	1,162
Bad Debts written off	-	23	285
Public relations	900	323	401
Responsible Gambling Awareness Programme	4,066	3,134	3,000

	2012 Budget R'000	2012 Actual R'000	2011 Actual R'000
Security expenses	318	724	865
Social responsibility	4,000	4,000	2,603
Skills Development Levy	564	398	389
Staff recruitment	180	142	295
Staff training and development	1,343	726	705
Telephone and communications	1,500	903	1,025
Transcription costs	100	38	63
Travelling and subsistence:	9,000	3,253	1,102
Local	3,000	1,822	576
Overseas	6,000	1,431	526
	34,673	22,915	23,825

BBBEE AND SMME SPEND % = 83%

Amount paid to BBBEE suppliers as a percentage of total expenditure
(excluding salaries and Responsible Gambling Awareness Programme)



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

	2012 R'000	2011 R'000
14 EMPLOYEE RELATED COSTS		
Included in the employee related costs are:	41,401	42,609
- Salaries, bonuses and allowances	35,284	36,726
- Defined contribution plan expense	3,609	3,675
- Medical aid contributions	1,853	1,683
- Group life contributions	480	395
- Other employer contributions	175	130
15 NOTES TO THE CASH FLOW STATEMENT		
15.1 Reconciliation of the net surplus to cash generated from operations		
Net surplus	29,187	24,161
Adjustments for:		
Depreciation of Property, Plant and Equipment	4,612	4,444
Amortisation of intangible assets	(116)	(221)
Interest receivable	(2,865)	(3,226)
Provision for leave pay	54	(122)
Provision for bonus	(42)	474
Operating surplus before working capital changes	30,830	25,510
Increase/(Decrease) in trade and other payables	23,476	(15,947)
(Increase)/Decrease in trade and other receivables	(5,210)	7,095
Cash generated from operations	49,096	16,658

	2012 R'000	2011 R'000
15.2 Cash paid to Provincial Revenue Fund		
Surplus 2011	24,161	-
Surplus 2010	-	28,593
Retained Surplus	-	-
	<u>24,161</u>	<u>28,593</u>
15.3 Monies held in trust		
Amounts held in trust - Peermont: Social Advancement		
Opening Balance	(27,342)	(31,328)
Closing Balance	20,465	27,342
(Decrease) of monies held in trust	<u>(6,877)</u>	<u>(3,986)</u>
15.4 Cash and cash equivalents		
Cash and cash equivalents consist of cash on hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:		
Bank	<u>182,082</u>	<u>134,980</u>
Board	71,932	62,289
Trust	<u>110,150</u>	<u>72,691</u>
Petty cash	<u>1</u>	<u>1</u>
	<u>182,083</u>	<u>134,981</u>

*Notes to the Annual Financial Statements (continued)*

FOR THE YEAR ENDED 31 MARCH 2012

	2012 R'000	2011 R'000
16 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.		
Total amount expensed during the year	<u>3,609</u>	<u>3,675</u>
17 LEASES		
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	229	284
1 to 5 years	-	229
TOTAL	<u>229</u>	<u>513</u>
18 TAXES AND LEVIES		
18.1 Taxes and levies for distribution to beneficiaries at year-end		
Gauteng Provincial Administration	71,165	31,925
Phumelela Gaming & Leisure Limited	3,877	3,254
Sports Development Fund	3,554	6,925
	<u>78,596</u>	<u>42,104</u>

Gambling taxes are collected on behalf of Gauteng Provincial Government on a weekly basis from Licensees and distributed to the Province monthly. The Gauteng Gambling Board earns collection commission of 8% on all monies collected, less the amount of interest earned on these monies. The collection commission is reflected in the Statement of Financial Performance

Taxes and levies are collected throughout the month and distributed on the last day of the following month. The amount is reflected under Current Liabilities – collections for distribution on the Statement of Financial Position. The liability of R75,042 as at 31 March 2012 was distributed on the 02 May 2012.

		2012 R'000	2011 R'000
18.2 Reconciliation of taxes and levies collected for the year			
18.2.1 Provincial taxes			
<i>Gauteng Provincial Government</i>			
Betting tax		86,343	76,149
Totalizator	- horse-racing	28,868	28,421
	- other sport	3,330	2,677
On-course bookmakers	- horse-racing	4,287	4,159
	- other sport	423	317
Off-course bookmakers	- horse-racing	36,487	32,011
	- other sport	12,948	8,564
Gaming Tax		615 024	581,066
Casinos	- machines	427,108	416,423
	- tables	136,145	130,260
Bingo		28,224	23,470
Limited Payout Machines		23,547	10,913
<i>Taxes collected for Gauteng Provincial Government</i>		701 367	657,215



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

	2012 R'000	2011 R'000
Levies Collected		
Sports Development Fund Levies	5,259	3,766
Levies	4,869	3,527
Interest earned	390	239
Phumelela Gaming & Leisure Limited Off-course bookmakers	40,534	36,049
Total levies collected	45,793	39,815
Interest earned and penalties received	1,620	2,486
Total collections for distribution	748,780	699,516
Taxes and levies for distribution to beneficiaries at year-end	(78,596)	(42,104)
	670,184	657,412
18.2.2 Taxes and levies distributed during the year		
Gauteng Provincial Administration	663,747	675,066
Phumelela Gaming & Leisure Limited	39,911	35,458
Sports Development fund	8,630	-
	712,288	710,524
Less: Prior year-end collections distributed during the year	(42,104)	(53,112)
	670,184	657,412

19 VAT DEREGISTRATION

In terms of Section 24 of the VAT Act No. 89 of 1991, the Gauteng Gambling Board was deregistered for VAT with effect from 1 April 2005. In terms of the VAT Act No. 89 of 1991, the Gauteng Gambling Board qualified for exemption from paying VAT Output on the value of its assets upon deregistration.

20 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	Loans and Receivables R'000	Financial liabilities at amortised cost R'000	Total R'000
2012 Financial Year			
Current assets			
Trade and other receivables	12,179	-	12,179
Cash and cash equivalents	182,083	-	182,083
Loans receivables	581	-	581
Current liabilities			
Trade and other payables	-	76,557	76,557
	Loans and Receivables R'000	Financial liabilities at amortised cost R'000	Total R'000
2011 Financial Year			
Current assets			
Trade and other receivables	8,024	-	8,024
Cash and cash equivalents	134,972	-	134,972
Loans receivables	505	-	505
Current liabilities			
Trade and other payables	-	57,129	57,129

Loans receivables consist of loans to employees which has been included in the sundry.



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

Risks

In the course of the Board's business operations it was exposed to interest rate, credit, liquidity and market risks. The Board developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

Credit Risk

Management manages the credit risk relating to employee loans by deducting the payments due by employees from their salaries on a monthly-basis and keeping a register of the amounts due and owing by each employee. If an employee would like to take out an additional loan after payments have been made on the initial loan, management will inspect the register and limit the total of the initial loan plus the additional loan to R3,000 therefore limiting the credit risk per employee to R3,000. Credit risk is fairly low in respect of these parties as they are related to the Gauteng Gambling Board.

Financial assets that potentially subject the Gauteng Gambling Board to credit risk consist principally of cash and cash equivalents, loans and receivables and trade and other receivables.

The Gauteng Gambling Board's cash and cash equivalents are placed with high credit quality financial institutions.

There has been no significant change during the financial year, or since the end of the financial year, to the Gauteng Gambling Board's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

The carrying amount of financial assets recorded in the financial statements represents the Gauteng Gambling Board's maximum exposure to credit risk.

Interest and Market Risk

There is no significant interest rate or other market risk applicable to these financial liabilities as the amounts are interest free and the time value of money effect is not deemed to be significant in affecting their fair values.

The following represents information on the credit quality of trade receivables that are neither past due nor impaired:

	2012	2011
A	99,9%	99,9%
B	0,1%	0,1%

A – The debtors are of good credit quality and no default in payment is expected.

B – These debtors usually pay, but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

Age analysis of financial assets that are past due but not impaired

	1 - 30 days past due	31- 60 days past due	61- 90 days past due	91 - 120 days past due	Total
2012					
Trade Receivables	4,195	103	(23)	(3,689)	581
2011					
Trade Receivables	4,150	(804)	(510)	(967)	1,869

The credits on the age analysis can be explained as follows:

In terms of Gauteng Gambling Regulation 270, the tax on sports betting unlike horse-racing is a percentage on gross betting revenue and is paid by the bookmaker and not the punter. Where the gross betting

revenue is less than zero, i.e. the bookmaker has operated at a loss for the tax period, he will accumulate a tax credit which can be claimed against future sports betting tax liability. This credit may never be refunded in cash.

Sensitivity Analysis

Market and Interest risk

There is no significant interest rate or other market risk applicable to these financial assets as the amounts are interest free and the time value of money effect is not deemed to be significant in affecting their fair values. The Gauteng Gambling Board's policy is to manage interest rate risk by maintaining an appropriate mix between fixed and floating interest rate so that fluctuations in variable rates do not have a material impact on profit/(loss). The interest rate risk for the Board is minimal.

Liquidity risk

The Board manages the liquidity risk through the proper management of working capital and actual versus forecasted cash flows. Adequate reserves, liquid resources are maintained.

21 SOCCER WORLD CUP EXPENDITURE

No tickets were purchased for the Soccer World Cup during the financial year 2011.

	2012 R'000	2011 R'000
Purchase of other World Cup apparel	-	17
Total World Cup expenditure	-	17

22 INVENTORY

The balance of the stationery inventory as at 31 March 2012 is R20,747. The total expenditure on stationery for this financial year was R115,278.

23 EVENTS SUBSEQUENT REPORTING DATE

23.1 Board Members

On 23 January 2012, the Executive Authority terminated the membership of all Board Members and the Board launched an urgent application seeking to set aside the decision taken by the Executive Authority to terminate the membership of the respective members of the Board. The judgment was delivered on 8 May 2012 wherein the applicant application was dismissed with costs including the costs occasioned by the employment of senior counsel. On 8 May 2012, the applicant lodged

an application to appeal and the judgment was delivered on 11 May 2012 wherein the application to appeal was dismissed with costs.

23.2 Appointment of an Administrator

Due to the termination of the Board Membership by the Executive Authority, an Administrator was appointed to perform the functions and exercise the powers of the Board, either in whole or in part, excluding the granting and revocation of licences in terms of section 18C of the Gauteng Gambling Board Act.

24 NEW STANDARDS AND INTERPRETATIONS

24.1 Standards and interpretations issued, but not yet effective

GRAP 18: Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the Board. The major classifications of activities in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on services or geographical segments. Service segments relates to a distinguishable



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the Board overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved by an entity within a particular region.

The effective date of the standard is unknown.

It is unlikely that the standard will have a material impact on the Board's annual financial statements when it becomes effective.

GRAP 21: Impairment of Non-cash-generating Assets

Cash-generating assets are assets held in order to generate a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. Non-cash-generating assets are assets other than cash-generating assets. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. In assessing whether there is any indication that an asset may be impaired, an entity shall consider external sources and internal sources of information about the assets. If indications are present that an asset may be impaired, an entity is required to make a formal estimate of recoverable service amount.

The effective date of the standard is for years beginning on or after 1 April 2012.

It is unlikely that the standard will have a material impact on the Board's annual financial statements.

GRAP 23: Revenue from Non-Exchange Transaction (Taxes and Transfers)

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition. This revenue will be measured at the amount of increase in net assets recognised by the Board.

An inflow of resources from a non-exchange transaction recognised as an assets shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 1 April 2012.

The Board has decided to early adopt the standard for the years beginning 1 April 2010.

GRAP 24: Presentation of Budget Information in Financial Statements

Subject to the requirements of Paragraph 19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable versus actual amounts, either as separate additional financial statements or as additional budget columns in the financial statements presented in accordance with the Standards of GRAP.

The effective date of the standard is for years beginning on or after 1 April 2012.

The Board has decided to early adopt the standard for the years beginning 1 April 2012.

GRAP 26: Impairment of Cash-generating Assets

A cash-generating assets are assets held in order to generate a commercial return. Cash-generating asset is impaired when its carrying amount exceeds its recoverable amount. In assessing whether there is any indication that an asset may be impaired, an entity shall consider both external and internal sources of information. If indications are present that an asset may be impaired, an entity is required to make a formal estimate of recoverable service amount.

The effective date of the standard is for years beginning on or after 1 April 2012.

It is unlikely that the standard will have a material impact on the Board's annual financial statements.

GRAP 103: Heritage Assets

Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items, which are retained indefinitely and cannot be disposed of without consent, as required by law or otherwise.

The effective date of the standard is for years beginning on or after 1 April 2012.

It is unlikely that the standard will have a material impact on the Board's annual financial statements.

25 Related Party Transactions

25.1 Department of Economic Development

The Gauteng Gambling Board is established in terms of Section 3 of the Gauteng Gambling Act, 1995 (Act No. 4 of 1995), as amended, and reports to the MEC for Economic Development for Gauteng Provincial Government in respect of gambling regulation and control in the province.

25.2 Board Members

The Board Members are appointed by the MEC for Economic Development in terms of Section 5 of the Gauteng Gambling Act, 1995 (Act No. 4 of 1995), as amended. Board Member fees amount to R2,265 million for this financial year (2011: R1,415 million).

25.3 Executive Management

The Executive Management are appointed by the Board in terms of Section 12 of the Gauteng Gambling Act, 1995 (Act No. 4 of 1995), as amended. Refer to note 12 for Executive Management remuneration.

26 Contingencies

Contingent Liability

26.1 South African Revenue Services

As part of the letter of appointment, the Board maintains in force, insurance policies providing employees (but not their dependents) with 24-hour cover against death and disability, whether or not these are sustained in the course of employment, but subject to certain exclusions.

In addition to Group Life, the Board was also contributing for employees towards stated benefit policy.

The contribution was made directly to the Insurance Companies by the Board and no PAYE was withheld by the employer since the inception of this policy.

SARS has given a directive that the contribution by the employer should form part of the employee remuneration and be taxed accordingly as it is a fringe benefit.

As inception of these policies was approximately 14 years ago, the Board no longer has records to calculate the PAYE which was supposed to be withheld, and SARS is currently auditing the PAYE and will provide a directive on the way forward.

Litigations

26.2 Collins De Jager/ Gauteng Gambling Board and Others

The applicants brought a spoliation order application before the Magistrates Court of Carletonville against the respondents in respect of 239 gambling machines seized at various places on the 04 March 2010.

The Board is opposing the application. The plaintiff is in the process of arranging a court date for this matter to be heard.



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

There were three matters involving the same parties and the Court has ruled in favour of the Gauteng Gambling Board on two of them. In view of the fact that the facts of this matter are similar to those which have been finalised, we believe that the court will also rule in favour of the Gauteng Gambling Board in this matter.

Gauteng Gambling Board is going to pay its own legal fees estimated at R50,000.00.

26.3 *Clive Shulman, Denise Shulman, Sonja Zytka versus Keith Ho t/a Betxchange, Gauteng Gambling Board (2011/32976)*

The applicants, Mr Clive Shulman and others brought an application in the South Gauteng High Court (Johannesburg) against Keith Ho t/a Betxchange and Gauteng Gambling Board to review and set aside the Board's decision.

The board is opposing the matter and the parties are currently exchanging pleadings. The attorneys of record have withdrawn from the matter subsequent to lodging the application.

Gauteng Gambling Board is going to pay its own legal fees estimated at R150,000.00.

26.4 *Imtiaz Suliman versus Gauteng Gambling Board, Tsogo Sun Gaming (Pty) Ltd (49433/11)*

The plaintiff, Mr Imtiaz Suliman, brought an application against the defendants, Gauteng Gambling Board and Tsogo Sun Gaming for the general damages he has suffered as a result of being arrested on a charge of unlawful trespassing.

The board is opposing the matter and the parties are currently exchanging pleadings. Should the application succeed the Board may have to pay the damages claimed amounting to R300,000.00

Gauteng Gambling Board is going to pay its own legal fees estimated at R100,000.00.

26.5 *Tsogo Sun Casinos (Pty) Ltd t/a Monte Casino versus the Gauteng Gambling Board, the member of the Executive Council Department of Economic Development – Gauteng Provincial Government (52820/11)*

The applicant, Monte Casino brought an application in the North Gauteng High Court (Pretoria) against the Gauteng Gambling Board and Member of the Executive Council Department of Economic Development to review and set aside the decision of the Board to impose and implement the impugned condition.

The Board is opposing the matter and the parties are currently exchanging pleadings.

Gauteng Gambling Board is going to pay its own legal fees estimated at R150,000.00

26.6 *Gauteng Gambling Board versus MEC for Economic Development: Gauteng Provincial Government (01563/2012)*

The Board brought an urgent application before the South Gauteng High Court (Johannesburg) to have declared as unconstitutional and consequently as unlawful and invalid an instruction given by the MEC to the members of the Board.

The matter was heard between the MEC and the Board before the South Gauteng High Court and parties then entered into the following settlement agreement:

- The decision of the MEC to terminate the membership of the Board members communicated on 23 January 2012 be stayed;
- The parties were directed to make every reasonable effort within the meaning of the Inter-governmental Relations Framework Act, 1995 to settle the dispute in this matter;
- Each party to pay its own costs; and
- The proceedings were adjourned sine dine.

Subsequently, the respondents pursued that the matter be set down for hearing on 20 March 2012. The matter was heard from 22-26 March 2012. On 26 March 2012, the judge ordered both parties to prepare Head of Arguments and any other issue for example the order that they seek and should the order be against it.

Judgment was handed down in court on 08 May 2012 and the application was dismissed with costs.

The Board appealed the judgment and the judgment was delivered on 11 May 2012. The appeal was also dismissed with costs which is estimated to be R1,2 million.

27. Unauthorised, Irregular and Fruitless Expenditure

The MEC terminated the Board members term of office on 23 January 2012. The terminations were effected based on the fact that the Board did not adhere to an instruction issued by the MEC and failed to provide reasons why the membership of the Board should not be terminated. Therefore, with effect from 23 January 2012, all the powers and functions of the Board were withdrawn which include the duties that are allocated to the Board in their capacity as the accounting authority for GGB.

Section 15A (1) of the GGA provides for the delegation of powers, duties and function to staff of the Board. However, section 15(2) limits the delegation by stating that power to make a decision relating to the granting, transfer or revocation of a licence shall not be delegated. Based on the fact that all the powers of the Board were withdrawn when their term of office was terminated, all the licences they issued are invalid.



Notes to the Annual Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2012

The implications of the above are:

Description	Amount	Type
The members of the Board are paid remuneration and allowances out of the funds of the GGB as provided for in terms of section 10 of the GGA. Therefore, if their term of office was terminated, they had no legal right to convene Board meetings and to be remunerated for such meetings.	R412,092.01	Irregular expenditure as defined in section 1 of the PFMA
In terms of section 171(a) and (2), a budget for the functioning of the board is approved by the MEC on an annual basis based on estimates provided by the Board to the MEC. Section 18(5) of the GGA states that members of an accounting authority may not act inconsistent with their responsibilities assigned to them in terms of the PFMA which include their responsibilities as set out in section 51(1)(b)(iii) and 53(4) of the PFMA. The Board's term of office was terminated and therefore their powers as accounting authority were withdrawn. The Board has no powers to approve that the legal expenses for their court application are paid from the funds of GGB. Furthermore, section 15 of the GGA on which the Board base their decision is being interpreted by the members in a manner that is inconsistent with the purpose of section 15 of the GGA and the functions of GGB. The legal fees that are being paid for the court applications are not to assist the board in executing their function or to promote the interest of GGB. Furthermore, these expenses will not form part of the planned expenditure estimates and therefore GGB would not have budgeted for these expenses.	R1,044,742.00	All expenses paid will be irregular in terms of the PFMA Section 53(4) and 51 (1)(b)(ii) and section 17(1) of the GGA, as the expenses were incurred for a purpose that is not in line with the objectives and performance indicators of the GGB
The Board, pending the court case, appointed the Chief Operating Officer as acting CEO. This is in contravention of section 12(1)(a) of the GGA which states that the CEO must be appointed by the Board subject to approval of the MEC. Therefore, the appointment of the acting CEO by the Board was done in contravention to section 12(1)(a) of the GGA. Included in this amount are some of the Board fees and Legal costs approved by the Chief Operating Officer.	R5,314,529.01	The expenditure approved by the acting CEO will constitute irregular expenditure as defined in section 1 of the PFMA
The Chairperson of the board approved payments during the period after the MEC terminated the membership of the board members and before the COO was appointed to act as CEO. Included in this amount are some of the Board fees and legal costs approved by the Chief Operating Officer.	R7,044,482.90	The expenditure approved by the Chairperson of the Board will also constitute irregular expenditure as defined in section 1 of the PFMA

The total irregular expenditure for the period 23 January 2012 to 8 May 2012 is R12,359,011.91

Notes



Notes

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**



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PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

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