

GAUTENG GAMBLING BOARD

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

ANNUAL REPORT 31 March 2006

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CHAIRPERSON'S STATEMENT

I am pleased to report that the Board has completed another successful year. The year 2006 has been eventful. Operationally the highlights include:

- The stability in interest rates and inflation over the past year, the strength of the Rand, the relative economic stability and government's fiscal discipline have resulted in increased gambling spend which in turn has resulted in 11% growth in taxes collected for the year compared to last year. A total of R434,15 million in taxes was collected on behalf of the Gauteng Provincial Government during the year under review.
- The Board, after consultation with the Department of Sports, Recreation, Arts and Culture, has approved grants totalling R4,15 million out of the Sports Development Fund for upgrading sports facilities in the Province.
- Measures to promote responsible gambling in Gauteng were enhanced with an amount of R2,1 million in addition to the national programme undertaken by the National Responsible Gambling Programme.

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

Amendments to the Gauteng Gambling Act are currently under consideration by the Gauteng Provincial Legislature.

The gambling regulatory environment is dynamic and continuously presents the Board with challenges to meet and I would like to express my sincere gratitude to my fellow Board Members, Chief Executive Officer and staff who have risen to these challenges.

FJ NALANE
CHAIRPERSON

ADMINISTRATIVE INFORMATION

BOARD MEMBERS

| | | | |
|----------|--------------|--------------------|----------------------------------|
| Messrs | FJ Nalane | Chairperson | (Resigned : 19 June 2006) |
| | SA Tati | Deputy Chairperson | (Resigned : 19 June 2006) |
| | MGK Maher | | (Resigned : 19 June 2006) |
| | J Maluleka | | (Board dissolved : 29 June 2006) |
| | L Mohapeloa | | (Resigned : 19 June 2006) |
| | W Segal | | (Resigned : 19 June 2006) |
| | LT Sibeko | | (Resigned : 11 June 2006) |
| | SL Majombozi | | (Resigned : June 2005) |
| | S Mahlalela | | (Resigned : June 2005) |
| Mesdames | Z Mamba | | (Resigned : 9 June 2006) |
| | R Morojele | | (Board dissolved : 29 June 2006) |
| | R Mokoena | | (Resigned : June 2005) |

Subsequent to year end, seven of the Board Members resigned. On 29 June 2006, the remaining two Board Members were informed by the MEC for Economic Development that, as a result of the above resignations, the Board was automatically dissolved.

AUDIT COMMITTEE

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

CHIEF EXECUTIVE OFFICER

Mr J Booysen CA(SA)

CHIEF FINANCIAL OFFICER

Ms D Dondur CA(SA)

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BANKERS

Standard Bank

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

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

INTERNAL AND ACCOUNTING CONTROLS

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

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

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

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

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

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

AUDIT COMMITTEE

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

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

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

ANNUAL FINANCIAL STATEMENTS

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

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

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

The Board believes that the annual financial statements fairly present, in all material respects, the financial position of the Board as at 31 March 2006 and the results of its operations and cash flows for the year then ended.

The Annual Report for the year ended 31 March 2006 set out on pages 3 to 21 and 24 to 43 were approved by the Administrator, acting in terms of Section 18C of the Act, on 20 July 2006.

**SP Mafojane
Administrator**

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2006

We are pleased to present our report for the financial year ended 31 March 2006.

Audit Committee Members and Attendance

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

| Name of Member | Number of meetings attended |
|--------------------------------|------------------------------------|
| Messrs MGK Maher (Chairperson) | 4 |
| M Nkhabu | 4 |
| Ms S Machaba | 3 |

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the Public Finance Management Act ("the Act") and Treasury Regulations 27.1.8 and 27.1.10. The Audit Committee also reports that it has adopted formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

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

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

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

Evaluation of Financial Statements

The Audit Committee has:

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

REPORT OF THE AUDIT COMMITTEE (continued)
FOR THE YEAR ENDED 31 MARCH 2006

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

S MACHABA
Acting Chairperson of the Audit Committee

4 July 2006

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2006

The Members of the Board have pleasure in presenting their report for the year ended 31 March 2006.

INCORPORATION, FUNCTIONS AND POWERS

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

The main functions of the Board are to:

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

MISSION STATEMENT

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

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2006

BOARD MEMBERS

The names of Board Members appear on page 3.

BOARD MEMBER EMOLUMENTS

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

SENIOR MANAGEMENT REMUNERATION

Senior Management remuneration is reflected in note 9 to the Annual Financial Statements.

PERFORMANCE AGAINST OBJECTIVES

The performance against objectives for the year under review is dealt with in the Performance Report set out on pages 19 and 20.

GENERAL REVIEW

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

Responsible Gambling

Although the issue of problem gambling is a relatively small one compared with the many greater health and social problems which the Province has to address, nevertheless it is vitally important that both the industry and the regulatory authorities do as much as possible to prevent the problem from growing and to reduce its incidence.

During the year under review, the Board made available a further amount of R2,1 million for the responsible gambling awareness and education campaign in Gauteng.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2006

Responsible Gambling (continued)

The major activities undertaken by the Board in partnership with the National Responsible Gambling Programme during the year included:

- Public advocacy advertising.
- School project and community outreach via schools.
- Participation in exhibitions and shows.
- Scoping project for a school curriculum based approach.
- Student and employee initiatives.
- Training programme for social and healthcare workers.
- Community outreach via all paypoints.

Next year the programme will be enhanced by the introduction of the following new projects:

- Establishment of the National Responsible Gambling Programme Gauteng website.
- Dissemination of responsible gambling literature through medical aid companies, specialist professions such as ministers of religion, social workers etc.
- Integration of responsible gambling education with general money management education and the avoidance of unmanageable debt.

Broad Based Black Economic Empowerment (“BBBEE”) in the industry

Measures to promote BBBEE in the industry have been tabled before the Policy Council established in terms of the National Gambling Act 7 of 2004. It is anticipated that the policy council will provide policy directives or guidelines relating to the minimum requirements to be complied with in the industry.

Assistance to other regulators

The Mpumalanga Provincial Government has with effect from 1 April 2006 taken over the regulation and control of betting activities in its province.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2006

Legislative amendments

Gauteng Gambling Amendment Bill – 2006

The Gauteng Gambling Amendment Bill was published for public comment on 25 January 2006. The Board has submitted its comments on the proposed amendments to the Gauteng Provincial Legislature.

Casinos

West Rand Casino Licence

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

Seventh Casino Licence

With effect from 1 March 2006 and as a result of the reconstitution of the Provincial Boundaries pursuant to the Constitution Twelfth Amendment Act 2005 and Cross-boundary Municipalities Laws Repeal and Related Matters Act 2005, Morula Sun Casino, previously in the North West Province, now falls within the Gauteng Province.

Operating Profile

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

| Casino Name | No of Gaming Machines | No of Gaming Tables |
|--|----------------------------------|--------------------------------|
| Carnival City | 1 750 | 60 |
| Emerald Safari Resort | 660 | 23 |
| Emperors Palace | 1 640 | 67 |
| Gold Reef City | 1 600 | 50 |
| Montecasino | 1 700 | 70 |
| Morula Sun | 510 | 13 |
| Silverstar Casino Resort (Not yet operational) | 700 | 30 |
| | _____ | _____ |
| TOTAL | 8 560 | 313 |
| | _____ | _____ |

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2006

Financial Performance

Casino gaming revenues increased by 11,29%, to R4,21 billion for the year, including Morula Sun revenues with effect from 1 March 2006.

Gaming tax collections from the casinos amounted to R378,7 million, compared to R341,2 million in the previous year.

Horse-racing and betting

Pool betting

Totalizator turnover increased by 8,15% during the current year to a total of R1,57 billion (2005 : R1,46 billion).

Totalizator taxation amounted to R25,93 million (2005 : R24,03 million).

Fixed odds betting

Taxes collected from Gauteng bookmakers amounted to R26,95 million during the year under review, compared to R24,60 million in the previous year.

Bingo operations

Bingo revenues improved by 24,8% during the current year to a total of R21,28 million (2005 : R17,05 million), resulting in tax collections of R2,55 million (2005 : R2,05 million).

The increase seems to be mainly due to the introduction of electronic bingo terminals during the second half of the year.

Socio-economic Impact Study and the Policy on Limited payout machines

The Board has, during February 2006, released the results of the Socio-economic Impact Study of Gambling in the Province. The Board has also invited interested parties to make comments on the implications of the study on the regulatory policy. The Board is currently in the process of engaging stakeholders on these matters and will finalise its policy position on the limited payout machines after the consultation process.

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2006

Viva Bingo (Kolonnade) (Pty) Ltd Litigation

The hearing of the legal proceedings instituted by Viva Bingo (Kolonnade) (Pty) Ltd was due to commence on 28 April 2006 and prior to the hearing, Viva Bingo requested that the matter be removed from the roll to allow it an opportunity to enter into negotiations with the Board with a view to find an amicable settlement. The Board reluctantly agreed to the adjournment after Viva Bingo tendered the Board's wasted legal costs occasioned by the adjournment. The Board is keen and anxious that the rulings on the legal disputes raised by Viva Bingo are made by the courts sooner rather than later, if the matter is not settled.

Illegal gambling

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

During the year, 203 illegal gaming machines and 6 gaming tables were confiscated and 51 people were convicted of gambling-related offences.

Sports Development Fund

The income of the Sports Development Fund amounted to R1,90 million during the year under review (2005: R1,47 million).

The balance of the Fund at 31 March 2006 amounted to R1,08 million.

The Board has, after consultation with the Department of Sports, Recreation, Arts and Culture, approved grants totaling R4,15 million out of the Sports Development Fund for upgrading sports facilities in the Province. These grants were in respect of the following projects:

| | | |
|------------------------|---|---------------|
| ▪ City of Johannesburg | - Bill Jardine Stadium | R300 000,00 |
| ▪ Tshwane | - West End Facility for the Disabled | R350 000,00 |
| ▪ Metsweding | - Moloto Big Tree Sport and Recreation Facility | R800 000,00 |
| ▪ Midvaal | - Sicelo Sport Facility | R700 000,00 |
| ▪ Ekurhuleni | - Development of Sports Field | R500 000,00 |
| ▪ Mogale City | - Lusaka Sports Complex | R1 500 000,00 |

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2006

Human Resources

▪ *HIV/Aids – Health Awareness*

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

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

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

▪ *Employees according to race and gender*

| Race | Female | Male | Total | Percentage |
|--------------|-----------|-----------|-----------|------------|
| African | 29 | 21 | 50 | 69,5 |
| Coloured | 3 | 2 | 5 | 6,9 |
| Indian | 2 | 1 | 3 | 4,2 |
| White | 8 | 6 | 14 | 19,4 |
| TOTAL | 42 | 30 | 72 | 100 |
| Disabled | | | 1 | 1,4 |

▪ *Educational Assistance and Bursaries*

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

▪ *Performance Management*

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

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2006

Corporate Governance Report

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

Board Members

In terms of the Act, the Board consists of between eight and twelve Board Members. Currently the Board consists of nine Board Members. All Board Members are non-executive and are independent according to the King II report on corporate governance for South Africa definition.

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

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

Board Meetings

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

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

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2006

Board Committees

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

Currently the Board has the following sub-committees:

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

Code of Conduct

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

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

FINANCIAL RESULTS

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

The Board has previously received approval to retain the accumulated surplus of R12,01 million as at 31 March 2001 and the current year surplus of R12,83 million will be paid into the Provincial Revenue Fund, as required in terms of the provisions of the Gauteng Gambling Act and the Public Finance Management Act.

REPORT OF THE BOARD (continued)
FOR THE YEAR ENDED 31 MARCH 2006

FINANCIAL HIGHLIGHTS

| | 2006 | % | 2005 | % |
|--|---------------|----------|---------------|----------|
| | R'000 | | R'000 | |
| REVENUE | | | | |
| Collection commission | 21,842 | 49,38 | 19,006 | 48,20 |
| Contribution by Gauteng Provincial Government: | | | | |
| - Responsible gambling awareness programme | 83 | 0,19 | 1,008 | 2,60 |
| Cost recovery – On-site casino inspectors | 1,896 | 4,29 | 1,873 | 4,80 |
| Licence fees | 13,438 | 30,38 | 12,037 | 30,50 |
| Sports betting levies | 2,836 | 6,41 | 2,072 | 5,30 |
| Interest received | 1,731 | 3,91 | 1,537 | 3,90 |
| Application fees | 1,830 | 4,14 | 1,065 | 2,70 |
| Other | 575 | 1,30 | 817 | 2,00 |
| | ----- | ----- | ----- | ----- |
| | 44,231 | 100,00 | 39,415 | 100,00 |
| | ----- | ----- | ----- | ----- |
| EXPENDITURE | | | | |
| Staff costs | 18,911 | 60,22 | 17,287 | 61,90 |
| Board members' fees | 657 | 2,10 | 745 | 2,70 |
| Depreciation | 773 | 2,46 | 711 | 2,50 |
| Professional and consulting fees | 48 | 0,15 | 37 | 0,10 |
| Other operating expenditure | 11,013 | 35,07 | 9,164 | 32,80 |
| | ----- | ----- | ----- | ----- |
| | 31,402 | 100,00 | 27,944 | 100,00 |
| | ----- | ----- | ----- | ----- |
| SURPLUS FOR THE YEAR | 12,829 | | 11,471 | |
| Total collections on behalf of beneficiaries | 467,785 | | 423,170 | |
| Expenditure as a percentage of total collections | 6,71% | | 6,60% | |

REPORT OF THE BOARD (continued) FOR THE YEAR ENDED 31 MARCH 2006

APPRECIATION

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

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

**PERFORMANCE REPORT
FOR THE YEAR ENDED 31 MARCH 2006**

| OBJECTIVE | KEY PERFORMANCE AREA | ACHIEVEMENT |
|---|---|---|
| <ul style="list-style-type: none"> ▪ Ensure that all monies due are properly accounted for and distributed as prescribed | <ul style="list-style-type: none"> ▪ Collection of 98% of all monies due ▪ Distribution to beneficiaries on due date ▪ Adherence to planned revenue audits of licensees ▪ Reporting of monies collected and distributed | <ul style="list-style-type: none"> ▪ 100% of all monies due was collected, totalling R467,79 million. ▪ All monies were distributed to beneficiaries on due date ▪ A total of 33 revenue audits were conducted, in accordance with the year plan ▪ Reporting of all monies collected and distributed was done to stakeholders on due date, the details of which are contained in the financial statements |
| <ul style="list-style-type: none"> ▪ Ensure fairness to punters | <ul style="list-style-type: none"> ▪ Adherence to approval and registration procedures ▪ Game rule approvals ▪ Processing of all gambling disputes lodged with the Board | <ul style="list-style-type: none"> ▪ 539 requests for gambling equipment approvals were received and processed ▪ All games are conducted in accordance with approved game rules. 6 requests for casino game rule approvals were received and processed in accordance with laid down procedures ▪ 55 disputes were lodged with the board and of these 21 were evaluated and decided upon, the remainder being under investigation at year end. <p>16 Inactive files were closed subsequent to year end.</p> |
| <ul style="list-style-type: none"> ▪ Ensure that gambling activities are conducted in accordance with legislative requirements | <ul style="list-style-type: none"> ▪ Adherence to planned inspections relating to unlicensed gambling activities and follow up of all reported illegal gambling activities ▪ Adherence to planned compliance inspections and audits and follow up on incidences of non-compliance | <ul style="list-style-type: none"> ▪ All incidences of illegal gambling uncovered were acted upon. This resulted in 64 raids, 203 gaming machines and 6 gaming tables being confiscated and 51 convictions for illegal gambling ▪ Compliance audits were carried out in accordance with plans and corrective action was taken in cases of non-compliance |

**PERFORMANCE REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2006**

| OBJECTIVE | KEY PERFORMANCE AREA | ACHIEVEMENT |
|---|---|--|
| <ul style="list-style-type: none"> ▪ Ensure that gambling activities are conducted in accordance with legislative requirements | <ul style="list-style-type: none"> ▪ Adherence to planned compliance audits of licensees ▪ Provision of rules governing the conduct and operation of gambling activities ▪ Approvals of licensees' systems of internal control | <ul style="list-style-type: none"> ▪ The following compliance audits were carried out in accordance with the year plan: <ul style="list-style-type: none"> - Manufacturer/Supplier 12 - Casinos 9 - Bingos 4 - Betting 51 ▪ Rules in place and reviewed for continued relevance ▪ Approved systems in place and compliance thereto monitored through compliance audits |
| <ul style="list-style-type: none"> ▪ Ensure suitability of participants in and premises used for gambling | <ul style="list-style-type: none"> ▪ Adherence to licensing procedures | <ul style="list-style-type: none"> ▪ All applications received were processed in accordance with the laid down licensing procedures. This resulted in the Board granting the following approvals: <ul style="list-style-type: none"> - 16 amendments of licence - 21 transfers of licence - 1 683 employee registrations - 8 consents to hold financial interest - 78 employee registrations converted to National licences |
| <ul style="list-style-type: none"> ▪ Maximise benefits derived from gambling and minimise the negative impact thereof | <ul style="list-style-type: none"> ▪ Responsible gambling practices and rules ▪ Monitoring of licensees' compliance with bid deliverables | <ul style="list-style-type: none"> ▪ 342 People have joined the Board's self-exclusion programme during the year under review, bringing the total to 1 456 persons who have utilised the Board's self-exclusion programme since inception ▪ Continuation of the responsible gambling awareness and education campaign at a cost of R2,1 million ▪ Licensees are in compliance with their bid deliverables and this is monitored on a continuous basis |

**PERFORMANCE REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2006**

| OBJECTIVE | KEY PERFORMANCE AREA | ACHIEVEMENT |
|--|---|---|
| <ul style="list-style-type: none"> ▪ Assist in the development of gambling policy and legislation | <ul style="list-style-type: none"> ▪ Annual review of regulatory environment ▪ Staying abreast of international developments and best practice ▪ Participation in national and international gambling fora | <ul style="list-style-type: none"> ▪ Proposed legislative amendments to align provincial legislation with new national legislation submitted to the MEC ▪ Attendance and participation in the Asian Racing Conference, Law Enforcement Intelligence Unit Conference and International Association of Gaming Regulators Conference ▪ The Board attended and actively participated in all relevant fora |
| <ul style="list-style-type: none"> ▪ Ensure the effective and efficient operation of the Board | <ul style="list-style-type: none"> ▪ Maintain self-funding of the Board's operations ▪ Development and retention of qualified staff ▪ Compliance with all relevant legislation ▪ Deployment of resources in a manner that supports the attainment of the Board's objectives | <ul style="list-style-type: none"> ▪ The Board has achieved a surplus of R12,8 million for the current year ▪ The total expenditure for the year was within budget ▪ 4 360 man-hours were spent on the development and training of staff at a cost of R609 000 ▪ Staff turnover for the year amounted to less than 5% ▪ No instances of non-compliance with relevant legislation were identified during the year under review ▪ All budgeting and reporting system requirements and deadlines were adhered to |

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF THE GAUTENG GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2006

1 AUDIT ASSIGNMENT

The financial statements as set out on pages 24 to 43, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No 25 of 2004) and section 18(4) of the Gauteng Gambling Act, 1999 (Act No 4 of 1995), as amended. These financial statements are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2 SCOPE

Audit of financial statements

The audit was conducted in accordance with International Standards on Auditing read with General Notice 544 of 2006 issued in Government Gazette No 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette No 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

The audit was completed in accordance with Auditor-General Directive No 1 of 2005.

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

3 BASIS OF ACCOUNTING

The entity is required to prepare financial statements on the basis of accounting determined by the National Treasury, as described in the summary of accounting policies to the financial statements.

4 **AUDIT OPINION**

Audit of financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Gambling Board at 31 March 2006 and the results of its operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in paragraph 3, and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999).

5 **APPRECIATION**

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

MS MMA MASEMOLA
for AUDITOR-GENERAL
Johannesburg

GAUTENG GAMBLING BOARD

STATEMENT OF FINANCIAL POSITION
as at 31 March 2006

| | Notes | 2006 R'000 | 2005 R'000 |
|---------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | 10,589 | 10,410 |
| Property, plant and equipment | 1 | 10,442 | 10,275 |
| Intangible assets | 1 | 147 | 135 |
| Current assets | | 113,473 | 127,819 |
| Trade and other receivables | 2 | 6,715 | 3,730 |
| Prepayments and advances | | 15 | 15 |
| Cash and cash equivalents | 12.2 | 106,743 | 124,074 |
| TOTAL ASSETS | | 124,062 | 138,229 |
| LIABILITIES | | | |
| Current liabilities | | 109,041 | 123,231 |
| Trade and other payables | 6 | 69,610 | 79,817 |
| Collections for distribution | 5.1 | 39,431 | 43,414 |
| TOTAL LIABILITIES | | 109,041 | 123,231 |
| RESERVES | | | |
| | | 15 021 | 14,998 |
| Revaluation reserve | 4 | 3,007 | 2,984 |
| Other reserves – Retained surplus | 3 | 12,014 | 12,014 |
| TOTAL RESERVES AND LIABILITIES | | 124,062 | 138,229 |

GAUTENG GAMBLING BOARD

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2006

| | Notes | 2006 R'000 | 2005 R'000 |
|--------------------------------|-------|---------------|---------------|
| Gross Revenue | 7 | 42,500 | 37,878 |
| Total operating expenses | | 31,402 | 27,944 |
| Board members' fees | 8 | 657 | 745 |
| Depreciation | 1 | 773 | 711 |
| Other operating expenses | 10 | 11,061 | 9,201 |
| Staff costs | 11 | 18,911 | 17,287 |
| Operating surplus for the year | | 11,098 | 9,934 |
| Interest received | | 1,731 | 1,537 |
| Net surplus for the year | | 12,829 | 11,471 |

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2006

| | Retained Surplus R'000 | Revaluation reserve R'000 | Total R'000 |
|---|------------------------------|---------------------------------|----------------|
| Balance at 31 March 2004 | 12,014 | 2,984 | 14,998 |
| Net surplus for the period | 11,471 | | 11,471 |
| Surplus to be paid over to Provincial Revenue Fund | (11,471) | | (11,471) |
| Balance at 31 March 2005 | 12,014 | 2,984 | 14,998 |
| Net surplus for the period | 12,829 | | 12,829 |
| Surplus on revaluation of assets | | 23 | 23 |
| Surplus to be paid over to Provincial Revenue Fund | (12,829) | | (12,829) |
| Balance at 31 March 2006 | 12,014 | 3,007 | 15,021 |

GAUTENG GAMBLING BOARD**CASH FLOW STATEMENT**

for the year ended 31 March 2006

| | Notes | 2006 R'000 | 2005 R'000 |
|---|-------|---------------|---------------|
| Cash flows from operating activities | | | |
| Cash receipts | | 42,961 | 88,840 |
| Cash paid to suppliers and employees | | (31,165) | (27,623) |
| <hr/> | | | |
| Cash generated from operations | 12.1 | 11,796 | 61,217 |
| Interest received | | 1,731 | 1,537 |
| Cash paid to Provincial Revenue Fund | | (11,471) | (10,581) |
| Release of monies held in trust | | (11,039) | - |
| <hr/> | | | |
| Net cash (outflow)/inflow from operating activities | | (8,983) | 52,173 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | 1 | (974) | (509) |
| Proceeds from sale of property, plant and equipment | | 24 | 50 |
| <hr/> | | | |
| Net cash outflow from investing activities | | (950) | (459) |
| Cash flows from collection and distribution activities | | | |
| Increase/(decrease) in collections for distribution | | (3,983) | 7,870 |
| (Increase)/decrease in trust debtors | | (3,415) | 10,593 |
| <hr/> | | | |
| Net cash inflow/(outflow) from collection and distribution activities | | (7,398) | 18,463 |
| <hr/> | | | |
| Net (decrease)/increase in cash and cash equivalents | | (17,331) | 70,177 |
| Cash and cash equivalents at beginning of year | | 124,074 | 53,897 |
| <hr/> | | | |
| Cash and cash equivalents at end of year | 12.2 | 106,743 | 124,074 |
| <hr/> <hr/> | | | |

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES

for the year ended 31 March 2006

BASIS OF PREPARATION

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

| Standard of GRAP | Replaced Statement of GAAP |
|---|---|
| GRAP 1: Presentation of financial statements | AC101: Presentation of financial statements |
| GRAP 2: Cash flow statements | AC 118: Cash flow statements |
| GRAP 3: Accounting policies, changes in accounting estimates and errors | AC 103: Accounting policies, changes in accounting estimates and errors |

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

1. Terminology differences:

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

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

3. Specific information such as:

(a) receivables from non-exchange transactions, including taxes and transfers;

(b) taxes and transfers payable;

(c) trade and other payables from non-exchange transactions;

must be presented separately on the statement of financial position.

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

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

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES - continued

for the year ended 31 March 2006

GOING CONCERN

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

REVENUE

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

LEASES

Operating leases

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

CURRENCY

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

GAUTENG GAMBLING BOARD

SUMMARY OF ACCOUNTING POLICIES - continued for the year ended 31 March 2006

EMPLOYEE BENEFITS

Short term employee benefits

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

Long term employee benefits

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

Retirement benefits

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

FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

PROVISIONS

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

TAXES AND LEVIES

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

TAXATION

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

COMPARATIVE FIGURES

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

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2006

1 PROPERTY, PLANT AND EQUIPMENT

| | Land and building R'000 | Fixtures & fittings R'000 | Motor vehicles R'000 | IT Hardware R'000 | IT Intangible R'000 | Furniture & equipment R'000 | Total R'000 |
|-----------------------------|----------------------------|------------------------------|-------------------------|----------------------|------------------------|--------------------------------|----------------|
| 31 March 2006 | | | | | | | |
| Opening net carrying amount | 9,125 | 383 | 240 | 318 | 135 | 209 | 10,410 |
| Gross carrying amount | 9,319 | 701 | 358 | 3,090 | 902 | 1,446 | 15,816 |
| Accumulated depreciation | (194) | (318) | (118) | (2,772) | (767) | (1,237) | (5,406) |
| Additions | 12 | - | - | 341 | 134 | 487 | 974 |
| Disposals | - | (18) | - | - | - | (27) | (45) |
| - Cost | - | (53) | - | (1,372) | - | (295) | (1,720) |
| - Accumulated depreciation | - | 35 | - | 1,372 | - | 268 | 1,675 |
| Depreciation charge | (194) | (70) | (71) | (216) | (122) | (100) | (773) |
| Revaluation | - | - | - | - | - | 23 | 23 |
| Closing net carrying amount | 8,943 | 295 | 169 | 443 | 147 | 592 | 10,589 |
| Gross carrying amount | 9,331 | 648 | 358 | 2,059 | 1,036 | 1,651 | 15,083 |
| Accumulated depreciation | (388) | (353) | (189) | (1,616) | (889) | (1,059) | (4,494) |
| 31 March 2005 | | | | | | | |
| Opening net carrying amount | 9,300 | 420 | 311 | 376 | 60 | 165 | 10,632 |
| Gross carrying amount | - | 672 | 358 | 3,020 | 768 | 1,344 | 15,462 |
| Accumulated depreciation | - | (252) | (47) | (2,644) | (708) | (1,179) | (4,830) |
| Additions | 19 | 36 | - | 171 | 134 | 148 | 509 |
| Disposals | - | (3) | - | (14) | - | (2) | (19) |
| - Cost | - | (6) | - | (102) | - | (46) | (154) |
| - Accumulated depreciation | - | 3 | - | 88 | - | 44 | 135 |
| Depreciation charge | (194) | (70) | (71) | (215) | (59) | (102) | (711) |
| Closing net carrying amount | 9,125 | 383 | 240 | 318 | 135 | 209 | 10,410 |
| Gross carrying amount | 9,319 | 701 | 358 | 3,090 | 902 | 1,446 | 15,816 |
| Accumulated depreciation | (194) | (318) | (118) | (2,772) | (767) | (1,237) | (5,406) |

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

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

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2006

| | 2006 R'000 | 2005 R'000 |
|----------|---|---------------|
| 2 | TRADE AND OTHER RECEIVABLES | |
| | Trust debtors | 4,669 |
| | Gauteng Provincial Government – collection commission | 1,476 |
| | Sundry debtors | 570 |
| | | |
| | 6,715 | 3,730 |
| | | |
| 3 | RETAINED SURPLUS | |
| | In terms of Section 17(6) of the Gauteng Gambling Act, 1995, as amended, and Section (53)3 of the Public Finance Management Act, surplus funds at the close of the financial year, shall be paid to the Provincial Revenue Fund, unless Treasury approval has been obtained to retain such funds. | |
| | The Board has received approval to retain the surplus of R12,014 million as at 31 March 2001. | |
| 4 | NON-DISTRIBUTABLE RESERVE | |
| | Reserve on re-valuation of property, plant and equipment | |
| | Building | 2,984 |
| | Paintings | 23 |
| | | |
| | 3,007 | 2,984 |
| | | |

During the current financial year, paintings were professionally revalued at fair value.

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2006

| | 2006 | 2005 |
|---|----------------------|----------------------|
| | R'000 | R'000 |
| 5 TAXES AND LEVIES | | |
| 5.1 Taxes and levies for distribution to beneficiaries at year-end | | |
| Gauteng Provincial Administration | 36,386 | 39,067 |
| Mpumalanga Provincial Administration | 272 | 279 |
| Phumelela Gaming & Leisure Limited | 1,691 | 734 |
| Sports Development Fund | 1,082 | 3,334 |
| | <u>39,431</u> | <u>43,414</u> |
| | <u><u>39,431</u></u> | <u><u>43,414</u></u> |
| 5.2 Reconciliation of taxes and levies collected for the year | | |
| 5.2.1 Provincial taxes | | |
| 5.2.1.1 Gauteng Provincial Government | | |
| Betting tax | 52,882 | 48,636 |
| Totalizator | 25,287 | 23,711 |
| - horse-racing | 644 | 322 |
| - other sport | 1,582 | 1,876 |
| On-course bookmakers | 115 | 120 |
| - horse-racing | 21,770 | 20,155 |
| - other sport | 3,484 | 2,452 |
| Gaming Tax | 381,271 | 343,242 |
| Casinos | 291,035 | 265,672 |
| - machines | 87,683 | 75,524 |
| - tables | 2,553 | 2,046 |
| Bingo | | |
| | <u>434,153</u> | <u>391,878</u> |
| Taxes collected for Gauteng Provincial Government | 434,153 | 391,878 |
| | <u>434,153</u> | <u>391,878</u> |
| Balance carried forward | 434,153 | 391,878 |

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2006

| | | 2006 | 2005 |
|---|----------------|----------------|----------------|
| | | R'000 | R'000 |
| Balance brought forward | | 434,153 | 391,878 |
| | | | |
| 5.2.1.2 Mpumalanga Provincial Government | | | |
| Betting Tax | | 3,526 | 3,455 |
| | | | |
| Totalizator | - horse-racing | 2,648 | 2,550 |
| | - other sport | 84 | 58 |
| Off-course bookmakers | - horse-racing | 776 | 823 |
| | - other sport | 18 | 24 |
| | | | |
| 5.2.1.3 Limpopo Provincial Government | | | |
| Betting Tax | | - | 1,624 |
| | | | |
| Totalizator | - horse-racing | - | 1,475 |
| | - other sport | - | 22 |
| Off-course bookmakers | - horse-racing | - | 127 |
| | | | |
| Total taxes collected | | 437,679 | 396,957 |
| | | | |
| Balance carried forward | | 437,679 | 396,957 |

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2006

| | Notes | 2006 R'000 | 2005 R'000 |
|---|-------|----------------|----------------|
| Balance brought forward | | 437,679 | 396,957 |
| 5.2.1 Levies Collected | | | |
| Sports Development Fund Levies | | 1,898 | 1,467 |
| Levies | | 1,672 | 1,174 |
| Interest earned | | 226 | 293 |
| Phumelela Gaming & Leisure Limited Off-course bookmakers | | 25,695 | 22,200 |
| Total levies collected | | 27,593 | 23,667 |
| Interest earned and penalties received | | 2,513 | 2,546 |
| Total collections for distribution | | 467,785 | 423,170 |
| Taxes and levies for distribution to beneficiaries at year-end | 5.1 | (39,431) | (43,414) |
| | | 428,354 | 376,301 |
| 5.3 Taxes and levies distributed during the year | | | |
| Gauteng Provincial Administration | | 439,347 | 383,559 |
| Limpopo Provincial Administration | | - | 1,871 |
| Mpumalanga Provincial Administration | | 3,533 | 3,426 |
| Phumelela Gaming & Leisure Limited | | 24,738 | 21,594 |
| Sports Development Fund | | 4,150 | 2,395 |
| | | 471,768 | 411,845 |
| Less: Prior year-end collections distributed during the year | | (43,414) | (35,544) |
| | | 428,354 | 376,301 |

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2006

| | 2006 R'000 | 2005 R'000 |
|--|-----------------------------|-----------------------------|
| 6 TRADE AND OTHER PAYABLES | | |
| Cash guarantees held | - | 155 |
| Amounts held in trust | 40,584 | 51,613 |
| - Gambling dispute | 176 | 166 |
| - Peermont : Social Advancement | 40,408 | 51,447 |
| Provisions - Leave pay | 430 | 272 |
| - Opening balance | 272 | 370 |
| - Utilisation of provisions during the year | (423) | (483) |
| - Provisions made during the year | 581 | 385 |
| Licence fees received in advance | 14,166 | 12,598 |
| Creditors and accruals | 1,429 | 1,424 |
| Investigation deposits | 172 | 117 |
| VAT payable | - | 2,167 |
| Provincial Revenue Fund – current year surplus | 12,829 | 11,471 |
| | 69,610 | 79,817 |
| | 69,610 | 79,817 |

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

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 March 2006

| | 2006 R'000 | 2005 R'000 |
|---|---------------|---------------|
| 7 GROSS REVENUE | | |
| Revenue consists of: | | |
| Administration fees | 72 | 72 |
| Application fees | 1,830 | 1,065 |
| Collection commission | 21,842 | 19,006 |
| Contribution by Gauteng Provincial Government: | | |
| - Responsible Gambling Awareness Programme | 83 | 1,008 |
| Cost recovery – On-site casino inspectors | 1,896 | 1,873 |
| Forfeited cash and assets | - | 1 |
| Licence fees received | 13,438 | 12,037 |
| Penalties collected | 1 | 84 |
| (Loss)/Profit on sale of assets | (21) | 31 |
| Sports betting levies | 2,836 | 2,072 |
| Sundry income | 396 | 363 |
| Recoveries of investigation expenses | 127 | 266 |
| | <u>42,500</u> | <u>37,878</u> |
| 8 BOARD MEMBERS' FEES | | |
| Board Member emoluments for non-executive Board Member services rendered during the year: | | |
| Messrs | | |
| FJ Nalane | 72 | 88 |
| SA Tati | 38 | 33 |
| MGK Maher | 55 | 57 |
| S Mahlalela | 8 | 55 |
| SL Majombozi | 12 | 59 |
| J Maluleka | 73 | 64 |
| L Mohapeloa | 64 | 57 |
| W Segal | 71 | 68 |
| LT Sibeko | 68 | 62 |
| Mesdames | | |
| Z Mamba | 67 | 69 |
| R Mokoena | 35 | 54 |
| R Morojele | 73 | 62 |
| TOTAL PAID TO BOARD MEMBERS | <u>636</u> | <u>729</u> |
| AUDIT COMMITTEE REMUNERATION | <u>21</u> | <u>16</u> |
| TOTAL | <u>657</u> | <u>745</u> |

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2006

| | 2006 | 2005 |
|--|------------------|------------------|
| | R'000 | R'000 |
| 9 SENIOR MANAGEMENT REMUNERATION | | |
| Senior Management remuneration for the year is as follows: | | |
| J Booysen : Chief Executive Officer | 1,374,338 | 1,226,705 |
| Basic Salary | 862,815 | 759,180 |
| Allowances | 120,000 | 120,000 |
| Bonus | 80,990 | 70,690 |
| Performance Bonus | 80,990 | 70,690 |
| Employer Contributions | 229,543 | 206,145 |
| E Lalumbe : Manager Legal Services | 821,553 | 707,981 |
| Basic Salary | 532,467 | 511,920 |
| Allowances | 60,000 | - |
| Bonus | 48,810 | 40,610 |
| Performance Bonus | 48,810 | 40,610 |
| Employer Contributions | 131,466 | 114,841 |
| L Kobue : Manager Compliance * | 241,123 | - |
| Basic Salary | 143,047 | - |
| Allowances | 21,000 | - |
| Bonus | 32,000 | - |
| Performance Bonus | - | - |
| Employer Contributions | 45,076 | - |
| * For the period 01/10/2005 to 31/03/2006 | | |
| B Kgomo : Manager Compliance * | 407,050 | 715,619 |
| Basic Salary | 270,240 | 465,960 |
| Allowances | 30,000 | 67,400 |
| Bonus | - | 41,760 |
| Performance Bonus | 50,040 | 41,760 |
| Employer Contributions | 56,770 | 98,739 |
| * For the period 01/04/2005 to 30/09/2005 | | |
| JJ Oberholzer : Manager : Licensing and Betting | 820,767 | 707,546 |
| Basic Salary | 516,171 | 379,170 |
| Allowances | 60,000 | 117,600 |
| Bonus | 47,480 | 39,370 |
| Performance Bonus | 47,480 | 39,370 |
| Employer Contributions | 149,636 | 132,036 |

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2006

| | 2006 | 2005 |
|--|----------------|----------------|
| | R'000 | R'000 |
| 9 SENIOR MANAGEMENT REMUNERATION - continued | | |
| K Jacobs : Manager MIS | 641,315 | 532,384 |
| Basic Salary | 420,708 | 338,700 |
| Allowances | 60,000 | 67,400 |
| Bonus | 37,805 | 30,680 |
| Performance Bonus | - | 30,680 |
| Employer Contributions | 122,802 | 64,924 |
| O Hadebe : Manager : Human Resources | 580,374 | 416,583 |
| Basic Salary | 392,844 | 245,400 |
| Allowances | 48,000 | 72,000 |
| Bonus | 34,520 | 23,760 |
| Performance Bonus | 34,520 | 23,760 |
| Employer Contributions | 70,490 | 51,663 |
| D Dondur : Chief Financial Officer * | 767,068 | 86,506 |
| Basic Salary | 463,899 | 57,337 |
| Allowances | 144,120 | 19,162 |
| Bonus | 45,870 | - |
| Performance Bonus | - | - |
| Employer Contributions | 113,179 | 10,007 |
| * Comparatives for the period 14/02/2005 to 31/03/2005 | | |
| A Puoane : Chief Financial Officer * | - | 350,812 |
| Basic Salary | - | 256,444 |
| Bonus | - | - |
| Performance Bonus | - | 36,980 |
| Employer Contributions | - | 57,388 |
| * For the period 01/04/2004 – 13/11/2004 | | |
| L Lukhwareni : Manager : Law Enforcement * | - | 304,761 |
| Basic Salary | - | 180,480 |
| Allowances | - | 33,900 |
| Bonus | - | 23,220 |
| Performance Bonus | - | 23,220 |
| Employer Contributions | - | 43,941 |
| * For the period 01/04/2004 to 31/12/2004 | | |

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued
for the year ended 31 March 2006

| | 2006 | 2005 |
|--|---------------|---------------|
| | R'000 | R'000 |
| 10 OTHER OPERATING EXPENSES | | |
| Advertisements | 87 | 60 |
| Audit fees: | 576 | 256 |
| External audit | 295 | 168 |
| Internal Audit | 281 | 88 |
| Bank charges | 33 | 28 |
| Conference costs | 70 | 85 |
| Information technology | 450 | 334 |
| Insurance | 218 | 207 |
| Investigation and enforcement costs | 107 | 109 |
| Legal expenses | 1,651 | 2,004 |
| Office accommodation and storage rentals | 747 | 441 |
| Office consumables, maintenance and refreshments | 233 | 136 |
| Postage, printing and stationery | 243 | 193 |
| Professional and consulting fees | 48 | 37 |
| Public relations and hospitality | 239 | 257 |
| Regional Services Council levies | 64 | 47 |
| Responsible Gambling Awareness Programme | 2,100 | 1,008 |
| Security expenses | 9 | 28 |
| Social Responsibility | 27 | - |
| Skills Development Levy | 157 | 145 |
| Staff recruitment | 122 | 27 |
| Staff training and development | 609 | 529 |
| Subscriptions and books | 129 | 135 |
| Telephone and communications | 871 | 809 |
| Transcription costs | 10 | 13 |
| Travelling and subsistence: | | |
| Local | 1,128 | 852 |
| Overseas | 1,132 | 1,458 |
| Uniforms and protective clothing | 1 | 3 |
| | 11,061 | 9,201 |
| | 11,061 | 9,201 |
| 11 STAFF COSTS | | |
| Included in the staff costs are: | 18,911 | 17,287 |
| - Salaries, bonuses and allowances | 15,365 | 13,902 |
| - Defined contribution plan expenses | 1,926 | 1,808 |
| - Medical aid contributions | 1,270 | 1,226 |
| - Group life contributions | 223 | 243 |
| - Other employer contributions | 127 | 108 |

14

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2006

| | 2006 R'000 | 2005 R'000 |
|--|----------------|----------------|
| 12 NOTES TO THE CASH FLOW STATEMENT | | |
| 12.1 Reconciliation of the net surplus to cash generated from operations | | |
| Net surplus | 12,829 | 11,471 |
| Adjustments for: | | |
| Depreciation | 773 | 711 |
| Investment income | (1,731) | (1,537) |
| Provision for leave pay | 158 | (98) |
| Loss/(Profit) on sale of property, plant and equipment | 21 | (31) |
| | <hr/> | <hr/> |
| Operating surplus before working capital changes | 12,050 | 10,516 |
| | | |
| (Decrease)/Increase in trade and other payables | (684) | 51,173 |
| | | |
| (Increase)/Decrease in trade and other receivables | 430 | (472) |
| | <hr/> | <hr/> |
| Cash generated from operations | 11,796 | 61,217 |
| | <hr/> <hr/> | <hr/> <hr/> |
| 12.2 Cash and cash equivalents | | |
| Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts: | | |
| Bank | 106,742 | 124,073 |
| Petty cash | 1 | 1 |
| | <hr/> | <hr/> |
| | 106,743 | 124,074 |
| | <hr/> <hr/> | <hr/> <hr/> |
| 13 RETIREMENT BENEFITS | | |
| The Board provides retirement benefits for all its permanent employees, through a defined contribution provident fund, which is subject to the Pension Fund Act, 1956 as amended. | | |
| The total amount expensed during the year was | 1,926 | 1,808 |
| | <hr/> <hr/> | <hr/> <hr/> |

GAUTENG GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued for the year ended 31 March 2006

| | 2006 R'000 | 2005 R'000 |
|--|---------------|---------------|
| 14 CONTINGENT LIABILITIES | | |
| <p>The Board is a defendant in a legal action instituted by one of its licensees, Viva Bingo (Kolonnade) (Pty) Ltd, who is claiming damages of approximately R23 million as a result of the Board not having commenced with the licensing of limited payout machines. In the opinion of the Board, after taking appropriate legal advice, the result of such action will not have any material effect on the Board's financial position.</p> | | |
| 15 NON-CAPITAL COMMITMENTS | | |
| Operating leases | | |
| <p>The future minimum lease payments under non-cancelable operating leases for the Board's photocopiers and telecommunications systems are as follows:</p> | | |
| - Within 1 year | 124 | 105 |
| - 1 to 5 years | 378 | 338 |
| | <hr/> | <hr/> |
| | 502 | 443 |
| | <hr/> <hr/> | <hr/> <hr/> |
| 16 VAT DEREGISTRATION | | |
| <p>In terms of Section 24(1) of the VAT Act, the Gauteng Gambling Board was deregistered for VAT with effect from 1 April 2005. In terms of Section 8(2)(iv) of the VAT Act, the Gauteng Gambling Board qualified for exemption from paying VAT Output on the value of its assets upon deregistration.</p> | | |

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

| PUBLIC FINANCE MANAGEMENT ACT SECTION | QUANTITATIVE [AMOUNT] | QUALITATIVE [NATURE] |
|---|---|--|
| <p>S50 Fiduciary duties of accounting authorities</p> <p>(1) The accounting authority for a public entity must-</p> <p>(c) on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority or that legislature; and</p> | <p>Any fact discovered of which the amount exceeds the planning materiality figure used by the external auditors for the year under review.</p> | <p>1 Any item or event of which specific disclosure is required by law</p> <p>2 Any fact discovered of which its omission or misstatement, in the Board's opinion, could influence the decisions or actions of the executive authority or legislature.</p> |
| <p>S54 Information to be submitted by accounting authorities</p> <p>(2) Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:</p> <p>(b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;</p> <p>(c) acquisition or disposal of a significant shareholding in a company;</p> <p>(d) acquisition or disposal of a significant asset;</p> <p>(e) commencement or cessation of a significant business activity</p> | <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p> <p>Not applicable</p> | <p>Any participation, outside of the approved strategic plan and budget</p> <p>Any acquisition or disposal</p> <p>Acquisition – Cost in excess of approved budget</p> <p>Disposal of asset/assets constituting in excess of 25% of the Board's assets, measured at cost</p> <p>Any business activity that would impact on the Board's ability to fulfil its mandate, outside of the approved strategic plan and budget</p> |

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