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In the continuous attempt of living up to its vision of being a world-class organisation, providing a national regulatory framework in the gambling industry, the National Gambling Board has in the past year engaged on a number of projects, all of which are aimed at ensuring uniformity, harmonisation and integrity of the gambling industry, in line with the mission of the Board.

The most important highlight of the year under review was the assenting of the National Gambling Act, 2004 (Act No. 7 of 2004) by the President. The Act came into operation on 01 November 2004 and the National Gambling Regulations, followed suite and came into operation on 15 November 2004. We hope that the new Act and the Regulations will provide a good regulatory framework for the gambling industry.

We hosted our 3rd Biennial Conference at the International Convention Centre in Durban from 15-16 April 2004 which turned out to be a great success due to the commitment of not only the Provincial Licensing Authorities (PLAs) but all the industry role players as well. The conference was attended by 300 delegates and over 60 of the delegates were international.

I am pleased to report once again this year on the Board's progress in promoting Black Economic Empowerment (BEE) in the gambling industry. As you may recall, last year I reported on the audit conducted by the Board into BEE in the gambling industry under the chairmanship of Professor Barney Pityana, Vice-Chancellor and Principal of UNISA. The matter is receiving immediate attention and will be reported on in due course.

The Board awarded the tender to conduct research entitled "A Profile of Youth Gambling in South Africa: 2004" which will focus on gambling behaviour, knowledge and attitudes of young people in South Africa to Wits Enterprise. The research project took off late last year and a good response was received from Grade 10, 11 and 12 learners across the country as well as from the principals of the schools. A total of 12 782 survey questionnaires were received from the sampled learners. The analysis of the data received began in January 2005 and was completed in February 2005. We are eagerly awaiting the complete report of the study, the results of which can be compared with those from other countries.

Still on the subject of research, a study into the economic impact of gambling in South Africa is being planned by the Board to be conducted in the next financial year. This study is expected to be a follow-up to the study that was conducted in 2002 on the "Economic Impact of Legalised Gambling in South Africa". The study to be conducted is expected to look at not only the economic impact but also the social impact of gambling.



The year under review has seen great progress in the National Responsible Gambling Programme (NRGP). This progress can be quantified by the increase in the number of people who know about the programme which has resulted in the increased number of people who seek assistance from the programme.

The roll out of Limited Payout Machines (LPM's) has continued during the year in review. The Western Cape Province rolled out LPMs in November 2004. The roll out was a great success and there have been no problems reported with either the LPMs or the Central Electronic Monitoring System (CEMS). Eastern Cape will be the next province to roll out LPMs early in the next financial year.

The Board continues to interact with its peers both nationally and internationally. In November 2004, the Board attended the 3rd annual Gaming Regulators Africa Forum (GRAF) in Tanzania which saw three other African countries namely: Mozambique, Botswana and Zimbabwe joining the forum which allows for information sharing among gambling regulators in Africa.

Continuing the bid of encouraging interaction with international gambling industry stakeholders, the NRGP, in February 2005, held a conference on *Commercial Gambling: Costs and Benefits* in Livingstone, Zambia. The aim of the conference was to brief regulators and members of the gambling industry on the latest international developments in gambling policy thinking, problem gambling, and other relevant topics. The guest speakers present at the conference were amongst the world's leading analysts in respect of gambling policy, economics and social issues related to the gambling industry.

The speakers included: Professor Bill Eadington, Professor of Economics and director of The Centre For The Study of Gambling and Commercial Gaming, University of Nevada (Reno); Lord McIntosh of Haringey, Minister of Media and Heritage in the United Kingdom; Professor Jan McMillen, Professor at Australian National University, Canberra, ACT, Australia; Dr. Rina Gupta, Director of the International Centre for Youth Gambling Problems and High Risk Behaviours, McGill University, Montreal, Canada; Professor Peter Collins, Executive director of the NRGP, and of the National Centre for the Study of Gambling, University of Cape Town, and director of the Centre for the Study of Gambling and Commercial Gaming, Salford University, Manchester, United Kingdom; and Professor Don Ross, Professor of Philosophy at the University of Alabama, USA, and Professor of Economics at the University of Cape Town.





In the year under review, the National Gambling Board welcomes the enactment of the long awaited National Gambling Act, 2004 (Act No. 7 of 2004). The new Act and the regulations promulgated thereunder will provide the Board with a good regulatory framework so as to maintain and improve on the efficient and effective regulation of gambling in the Republic.

A significant number of initiatives have been embarked on during the year and these are reported in detail hereunder.

BLACK ECONOMIC EMPOWERMENT (BEE) DEVELOPMENTS IN THE GAMBLING INDUSTRY

In 1995 government established a need to restructure the gambling industry in the country by legalising it and with the objective of enabling blacks to participate in the gambling industry ("industry") thus opening up opportunities for black entrepreneurs in the industry.

The Black Economic Empowerment Commission was then established in May 1998 to implement the government policy on BEE. In its report, the Commission adopted the following definition on BEE:

- (a) It is an integrated and coherent socio-economic process.
- (b) It is located within the context of the country's transformation programme, namely the RDP.
- (c) It is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer and confer ownership, management and control of South Africa's financial and economic resources to the majority of its citizens.
- (d) It seeks to ensure broader and meaningful participation in the economy by Black people in order to achieve substantial development and prosperity.

One of the roles of the Board is to ensure uniformity in the gambling industry. Concerns have been raised on whether BEE was understood or applied properly in the industry.

During 2003, the Board established a BEE Audit Committee to examine the extent of black participation in the gambling industry. The findings and recommendations of the committee were reported in our annual report last year.

Taking into consideration the recommendations made by the Committee, the matter has been under continuous discussion by the Board and the PLAs in their CEOs forum.



The matter is being given urgent attention by regulators as there is a need to agree on an appropriate percentage for BEE participation within the industry. This is due to the fact that licensees are continuing striking deals, which might create problems when BEE strategy is finalised.

YOUTH GAMBLING RESEARCH

In June 2004, the Board commissioned Wits Enterprise (a wholly-owned company of the University of the Witwatersrand) to conduct a study on youth gambling behaviour, knowledge and attitude in South Africa. This was after the study conducted in 2002 on the Economic Impact of Legalised Gambling in South Africa revealed that gambling was highest for all gambling modes, except internet gambling, in the age group 18-30 years.

The aim of the study was to determine the extent of youth gambling, determine the profiles of youth gamblers for different modes of gambling and finally, to determine the family profiles of youth gamblers.

Twenty-eight schools from all nine provinces participated in this initiative, which involved both a mass statistical survey of learners in Grades 10, 11 and 12, as well as extensive interviews with principals, teaching staff and learners aimed at generating qualitative data. A total of 12 782 survey questionnaires were received from the learners from which, a sub-sample of 4 000 learners were selected. Focus group discussions were also held with some of the learners.

The results of the study will provide a mechanism for integrating the South African experience of youth gambling with the mainstream global literature as well as inform responsible gambling programmes for the youth.

The research report of the Youth Gambling study will be released to the public in the next financial year.

SOCIO-ECONOMIC IMPACT OF GAMBLING IN SOUTH AFRICA

It is now almost eight years since the establishment of the first casino under the new dispensation and five years after the inception of the national lottery. It can therefore be assumed that the gambling industry is now well established with more matured gambling conduct of the community. The Economic Impact of Legalised Gambling study conducted in 2002 established a sound baseline of the gambling sector in South Africa as experienced during its establishment phase.

The Board is in the process of putting together a study that will be conducted in the next financial year on the socio-economic impact of gambling in South



Africa. This study will be a follow-up of the study conducted in 2002 which, however, did not look at the impact that gambling might have on the social lives of the people who take part in gambling activities. Research that has been conducted in other countries has shown that gambling impacts not only on the personal health of the individual but also on the work and family of the individual. It is therefore imperative that this study not only focus on the economic impact that gambling has in South Africa but also on the social impact that it might have on the individuals who gamble.

A follow-up socio-economic impact study during a more matured phase of the gambling sector's history will allow the detection of new trends and a new equilibrium in comparison with the 2002 survey.

The socio-economic study will be conducted internally with the help of an external consultant in the next financial year.

NATIONAL RESPONSIBLE GAMBLING PROGRAMME

The National Responsible Gambling Programme (NRGP) is a resource that integrates research and monitoring, public education and awareness, training, treatment and counselling. It was specifically devised to address the challenges posed by South Africa's developing nation environment after the legalisation of the gambling industry in the mid 1990s. It was the first of its type internationally to integrate these components and it still is the only programme of its sort to be jointly controlled by a public/private sector partnership, involving government regulators and the industry.

The NRGP is supervised by the South African Responsible Gambling Trust (SARGT). The trust comprises four regulators, four industry representatives and an independent chairperson, Dr. Vincent Maphai with the Board's chairperson Mr. Chris Fisser as his deputy. SARGT was created by the South African Advisory Council on Responsible Gambling (SAACREG), an initiative of the Board. There is a high degree of accountability and transparency in terms of financial management, and reports on the activities of the programme are published regularly.

The SARGT enjoys a cordial and constructive relationship with the country's legislators and gambling regulators – relationships which evidence the value of the public-private partnership model which characterises the efforts to address the question of problem gambling in South Africa. The level of collaboration in this country between industry and government to address the issue of problem gambling is an innovation in the gambling industry worldwide.

In 2004 the NRGP continued its public service television advertising campaign with the award-winning "Dominoes" advertisement. This was funded from a R 2.5 million



special contribution from the casino sector specifically to facilitate public service advertisements on television. This advertisement was a finalist in the Vuka Awards, and in the Stone Awards it received best art direction and silver in its category.

The NRGP's research function saw the publication this past year of the results of the 2003/2004 research study into gambling behaviour and the incidence of problem gambling. The findings of this research project, the largest of its type ever undertaken in South Africa, in summary found that there has been a small growth over two years in problem gambling, from 3.8% to 4.6% of those with access to commercial gambling. This is still within the international norms which estimate that between 4% and 6% of those who gamble regularly, also gamble excessively.

An important step forward in the past year has been the SARGT's leadership of the process of encouraging the gambling sector to adopt a code of conduct for the industry, which will commit signatories to performance standards designed to discourage the growth of problem gambling.

The Board's Chairperson Mr. Fisser and the CEO, Adv. Majake made a submission to the parliamentary Portfolio Committee on Trade and Industry during their deliberations in 2003 which demonstrated that adequate systems are in place in South Africa for addressing problem gambling effectively.

THE NATIONAL GAMBLING BOARD 3RD BIENNIAL CONFERENCE

The Board's 3rd Biennial Conference took place at the International Convention Centre in Durban from 15-16 April 2004. The conference was attended by 300 delegates of whom more than 60 were from other countries. The keynote speakers included Lord McIntosh, the Minister Responsible for Gambling in the United Kingdom who spoke about the evolution of policy on gambling and what it holds for the future. Mr. Scott Scherer from Nevada Gambling Control Commission, USA, and Chairperson of the International Association of Gambling Regulators (IAGR) and Mr. Khuze Kapeta, Chairperson of Malawi Gaming Board and Chairperson of Gambling Regulators African Forum also made presentations.

Other topics that were touched on during the conference were international gambling perspectives, the new era in South African gambling regulation and horseracing. The need for regulation, Limited Payout Machines, responsible gambling, BEE and money laundering in the gambling industry, were also discussed.



NATIONAL GAMBLING STATISTICS DATABASE

In an effort to provide comprehensive and user-friendly information about the gambling industry, the Board developed a National Gambling Statistics Database that focuses mainly on primary national statistics such as turnover, gross gambling revenue (GGR) and gambling tax. This information is vital with regard to keeping the public and stakeholders informed on financial and operational gambling data in the country.

The results for this financial year have shown a steady increase in gambling activities around the country. This is indicated mainly by the Gross Gambling Revenue (GGR) which has increased by 20% as compared to the last financial year. Although the GGR has increased overall, some provinces for example Gauteng and North West have experienced decreases of 1% in GGR while provinces such as Eastern Cape and Free State have experienced increases of 1%. The GGR for the rest of the provinces has remained fairly constant.

In terms of gambling taxes and levies, an increase of 21% was recorded when compared to the 2003/2004 financial year. North West and Eastern Cape showed increases of 1% while Western Cape, Mpumalanga and Limpopo showed decreases of 1% in gambling taxes and levies.

The contribution of casinos to the GGR has been gradually decreasing over the last three years from 90.3% in 2003 to 89.1% in 2004 and eventually 87.6% in 2005. On the other hand, the betting and Limited Payment Machines (LPM) industry GGR contribution have been showing a steady increase as compared to the last financial year. The betting GGR contribution rose by 1.3% while the LPM contribution increased by 0.2%.

HORSERACING AND BETTING

During the reporting year, the Horseracing and Betting Forum formed a work group to research the desirability of Person to Person (P2P) betting exchanges. The report into the desirability of Betting Exchanges was completed in November 2004, and reflects both the majority and minority opinions etc. If the findings are supported by all parties then it may form part of the amendments to the National Gambling Bill.

An investigation into the zero rating of tax on Sports Betting was conducted. The intention of the investigation was to consider moving the tax on winning bets from the punter to the bookmaker, increasing turnovers and revenue for the fiscus. However, between the period that the investigation was completed and the report finalised, the findings changed significantly and thus the report is in the process of being revisited.



In the said period the Horseracing and Betting Forum highlighted a concern that there was no standard for audits conducted in the betting industry. As a result a Minimum Compliance and Revenue Audit Standard, for Bookmakers, was developed by a working group established by the Horseracing and Betting Forum. All PLAs participated in developing this document. The Minimum Audit Standard once approved, will form the minimum requirement in terms of compliance and revenue audits in the bookmaking industry.

A working group of the Horseracing and Betting Forum is currently developing a training course and manual on the basics relating to Bookmaker and Totalisator operations. It is anticipated that the course will be conducted in July and August 2005. The aim of the course is to ensure that all PLAs, especially in the divisions responsible for Horseracing and Betting understand the basics relating to betting and are able to talk a common language.

After much consultation with the respective role players, the Operational Rules of Betting: Bookmakers, have been finalised and await enforcement.

CENTRAL ELECTRONIC MONITORING SYSTEM (CEMS) AND LIMITED PAYOUT MACHINES (LPMs)

The CEMS was established in terms of the National Gambling Act to perform amongst other, the following functions:

- (a) Detecting and monitoring significant events associated with any LPM that is made available for play in the Republic; and
- (b) Analysing and reporting data in accordance with the prescribed requirements as provided in the Service Level Contract (SLC) which the Board has signed with the service provider Zonke Monitoring Systems (Zonke).

The Board has ensured the continuous suitability and compliance of the CEMS operator. The continuous suitability was assured through continuous suitability checks on the entity and its employees. Shareholding movements and mergers and take over were considered and approved by the Board after thorough suitability checks.

The operations and change control committee was established to monitor changes in the CEMS and reported to the management committee. Both these committees were established in line with the SLC.

CEMS compliance was monitored through continuous approval of upgrades to the CEMS and audit checks both technically and operationally. The CEMS has reported less than 1% down time and the helpdesk reports and attendance



thereto reported continuous technical functionality and good performance by the system itself. The Board will still ensure the technical and operations compliance of the CEMS on a continuous basis.

Western Cape has, since November 2004; connected to the system when they rolled LPM machines in their province and Eastern Cape is the next province to follow early in the new financial year. Other provinces are expected to follow soon as well.

ERADICATION OF ILLEGAL GAMBLING

The ongoing campaign against illegal gambling spearheaded by the Board continues nationally with the collaboration and assistance of provinces.

FINANCIAL INTELLIGENCE CENTRE ACT

The Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001) (FICA) requires accountable institutions (all institutions who carry on businesses in respect of which a gambling licence is required to be issued by a PLA) to comply to specific requirements, as set out in the act and the regulations promulgated there under. This legislation seeks to ensure that money laundering does not take place in the gambling industry.

The Board, as a supervisory body, conducted compliance inspections on gambling venues to ensure compliance with FICA. The inspections revealed that the accountable institutions meet the minimum requirements prescribed by the legislation but more could be done to prevent money laundering and as such recommendations were made to these institutions to implement.

The Board further participates in the Money Laundering Advisory Council appointed by the Minister of Finance (in terms of FICA) to advise on gambling related matters in line with money laundering, review of the legislation and on other matters as deemed by the Minister.

GAMBLING REGULATORS AFRICA FORUM (GRAF)

The 3rd annual GRAF conference was held from 27 – 29 November 2004 in Tanzania. The conference was under the chairmanship of Malawi and with Tanzania being secretariat. The conference was attended by 11 countries. South Africa was represented by the Board as well as 6 Provincial Licensing Authorities. Also at the conference were the South African Bureau of Standards (SABS), Gaming Laboratories International and the NRGF. The new member countries that signed the Memorandum of Understanding were Botswana, Mozambique and Zimbabwe.



The forum's primary objective is to provide African Gambling Regulators with a forum to meet, exchange views and information and discuss policy on gambling matters. Participants engaged actively in discussions at the conference and the conference organisers received positive feedback from delegates. The launch of GRAF proved to be a fruitful exercise, a lot of participating member countries had several interactions after the conference. This contributed to the exchange of views and information.

SANAS GAMBLING LABORATORY EVALUATION

Quality testing of gambling equipment by gambling laboratories is a critical component to technical compliance and as such the SANAS ensures that all gambling laboratories in the country are accredited to comply with ISO/IEC 17025 and ISO 9000 and technical competency in line with South African National Standards. The Board is a member of this accreditation team and together with SANAS ensure that gambling laboratories meet these standards and requirements.

Accreditation has been performed on two gambling laboratories to ensure that test results produced are in line with the afore-mentioned criteria, using internationally acceptable methods. This accreditation is a continuous process and is highly monitored to ensure optimum compliance.

PARTICIPATION ON TECHNICAL STANDARDS

Technical compliance of all gambling equipment has always been a critical point to ensure consumer protection and integrity of such equipment hence the Board always seeks to ensure the industry's technical compliance with the South African National Standards. This led to the formation of technical standard SABS 1718 to ensure such practice. The Board in conjunction with SABS has always driven this technical committee to ensure that the standards are continuously amended in line with the technological advancement and international practices.

ASSISTANCE TO PROVINCES

The Board has assisted provinces on a number of issues such as technical assistance on testing of casinos to ensure continuous compliance and opening of casinos. A greater role has also been played by the Board in ensuring the smooth roll out of LPMs through the committees overseeing such a roll out.

The Board also held an inspectors' gaming induction seminar for GRAF members and provinces to enhance their knowledge in gambling and share ideas with other



regulators on issues of common interest and different perspective of regulation.

The Board also assisted the Free State Gambling Board with the appointment of an IT officer, development of IT policies and an IT strategy framework that is aligned to its business strategy. The Board also assisted the Limpopo Gambling Board with interviews and the appointment of the IT Manager.

NATIONAL GAMBLING BOARD'S NETWORK INFRASTRUCTURE

In July 2004, the Board relocated to **the dti** campus which resulted in many changes to the Board's Information Technology (IT) Infrastructure. The **dti** implemented a campus wide network solution. This entailed providing backbone infrastructure across the campus. The Board now runs its IT operations using its own servers; however they are connected to a VLAN (virtual local area network) of **the dti's** network to provide connectivity for the Board.

NATIONAL DATABASE SYSTEM

The Board has since developed the National Probity and Exclusion Database, but it must first undergo functionality and pilot testing before implementation. Once tested it will be implemented to support regulators' function of efficiently regulating the gambling industry especially on matters dealing with probity and exclusions.

DONATION OF COMPUTERS

The Board donated computers including software to a historically disadvantaged school, Eureka High School in Springs. The memorandum of understanding for the donation was signed on 25 October 2004. The hand over function was attended by the Chairperson, the CEO, a representative of Ekurhuleni Department of Education and other Board staff members.

INTERACTIVE GAMBLING

The Interactive Gambling Policy Committee (IGPC) has been duly established as contemplated in Item 5 of the Transitional Provisions of the Act . The Committee comprise of representatives from **the dti**, Department of Communications, South African Reserve Bank: Exchange Control department, the National Prosecuting Authority, PLAs and additional members appointed at the discretion of the Chairperson of the Committee. Mpande Advisors have been appointed to assist the Committee in compiling the report.



MEMORANDUM OF UNDERSTANDING

On 10 December 2004, the Board signed a memorandum of understanding (MOU) with the International Cricket Council Anti - Corruption and Security unit (ICC - ACSU)

The purpose of the MOU is to protect and maintain the integrity of cricket and the Board being a signatory thereto undertakes, in certain circumstances, to provide the ICC-ACSU with betting related information to assist the unit in investigating conduct connected with cricket.

LITIGATION

a) Casino Enterprise versus the Gauteng Gambling Board & others

The Board has been cited in the matter as the 2nd Respondent and has opposed the application. The application is seeking a declaratory order in respect of where gambling takes place if a server is based in Swaziland.

A court date for the application is still to be determined by parties concerned

b) North West

In January 2005, the Board was served with court papers as the 6th Respondents on the matter. The Board has opposed the application.





Mr Chris Fismer
Chairperson



Adv Thibedi Majake
CEO



Ms Astrid Ludin



Ms Thebi Moja
Deputy Chairperson



Mr Victor Masola



Comm Godfrey Lebeya



Adv Tayob Aboobaker



Ms Nana Magomola



Ms Laura Kganyago



Mr E Ramaite



Back Row from left to right:

Mthunzi Ngwane – Inspector, Magora Lekala – Driver/Messenger, Nokwazi Miya – Legal Officer, Thabiso Mango – Senior Researcher, Kedibone Gama – Inspector, Phuti Tsongayinwe – Database Administrator, Denzil Pillay – Senior Inspector: Horseracing & Betting, Marti Grobler – Personal Assistant to CEO, Veronica Northmore – Personal Assistant to General Manager: Strategic Operations, Themba Marasha – Chief Inspector, Michael Burns – Acting General Manager: Strategic Operations, Johan Keet – Manager: Finance, Kobie van den Berg – Accountant

Front row from left to right:

Phelokazi Sawula – Admin/Procurement Officer, Trishantha Naidoo – Network/CEMS Administrator, Morongoa Maponya – Senior Inspector: National Inspectorate, Vuyokazi Nkosi – Manager: Legal Services, Thibedi Majake – Chief Executive Officer, Tshepe Mokoena – Human Resources Officer, Karen van Dyk – Bookkeeper, Mauricia Benn – Personal Assistant to General Manager: Corporate Services, Vuyokazi Memani – General Manager: Corporate Services/CFO

Absent:

Thabo Johnson – Manager: Information Technology



The Board members are responsible for the preparation, integrity and fair presentation of the financial statements and the related information included in this annual report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control and reviews its operation, primarily through the Audit Committee.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Board's policies and procedures. These controls are implemented by suitably trained, skilled personnel with an appropriate segregation of duties and are monitored by management. These controls include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

As part of the system of internal control, the Board's internal audit function, outsourced to SizweNtsaluba VSP, an Independent firm of chartered accountants. Internal audit work is in accordance with the standards set by the Institute of Internal Auditors and co-ordinates audit coverage with the Auditor-General. The Auditor-General is responsible for auditing the financial statements.

The financial statements are prepared in accordance with generally accepted accounting practice (gaap) and the reporting requirements of the Public Finance Management Act, based on appropriate accounting policies consistently applied and 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.

There were no events known by the Board after the balance sheet date that would affect the figures in the annual financial statements.

The financial statements for the year ended 31 March 2005 set out on pages 28 - 49 were approved by the Board members on 20 June 2005 and are signed on its behalf by:.



Chris Fismer
Chairperson



Thibedi Majake
Chief Executive Officer



The members of the Board and management recognise the need to conduct the business of the Board with integrity and in accordance with sound corporate governance practices and are therefore committed to the principles of openness, fairness, integrity and accountability.

The Board meets regularly and is responsible for the proper management, control, compliance and ethical behaviour of the business under its direction. The Board determines and monitors matters relating to the implementation and/or modification of policies, strategic plans, organisation's disposals, major capital expenditure, and operating and financial budgets. The Board subscribes fully to the principles embodied in appropriate international corporate governance codes.

BOARD

With the introduction of the new National Gambling Act, 2004 (Act No. 7 of 2004) the old Board was dissolved on 31 October 2004 and new Board members were appointed in April 2005. The composition of the Board is made up of a non-executive Chairperson, non-executive members with the Chief Executive Officer (ex officio) being the only executive non – voting member. The members of the Board consist of men and women of integrity who bring a wealth of experience from different backgrounds, all of which help to enrich the Board. The names of the Board members are listed hereunder.

Old Board - dissolved on 31 October 2004

During the year under review (2004/2005), the Board met on 28 May 2004 and 28 October 2004.

Names of the Old Board Members	Number of Meetings Attended
CL Fismer (Chairperson)	2
VRS Ngobe	1
J Booyesen	2
J Lukwago – Mugerwa	1
SM Maja	2
R Lubbe	2
V Nzimande	1
PE Gaoboihi	2
TN Aboobaker	2
HM Tsengiwe	2
LJN Kganyago	2
T Moja	2



A Ludin	0
TW Majake (ex officio)	2

New Board members with effect from 07 April 2005

CL Fismer (Chairperson)
T Moja (Deputy Chairperson)
A Ludin
TN Aboobaker
LJN Kganyago
G Lebeya
E Ramaite
N Magomola
N Masola
TW Majake (ex officio)

Chairperson's Committee (formerly Executive Committee/Exco)

The Chairperson's Committee comprises five non-executive Board members and the Chief Executive Officer.

This Committee is responsible for the implementation of strategies and policies of the Board; it assists the Chief Executive Officer, within his delegation of authority, to manage the business and affairs of the Board. The Committee also monitors the performance of senior management and serves as the remuneration committee of the Board. The Chairperson of the Board also chairs this Committee. During the year under review (2004/2005), it met once on 6 August 2004. All the members viz. Messrs Fismer, Lukwago-Mugerwa, Maja, Aboobaker and Ms. Kganyago attended the said meeting.

Audit Committee

The Audit Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework. The names of the Committee members appear on the report of the Audit Committee.

The Committee comprises two independent members and two non-executive Board members and meets at least two times a year. Both external and internal auditors have unrestricted access to the Committee and attend meetings. The Chairperson of the Audit Committee is an independent member.

The role and responsibilities of the Committee are documented in the terms of



reference for the Audit Committee. An important role of the Committee is to review the effective functioning of the internal audit and to ensure that the roles and functions of the external audit and the internal audit are sufficiently clarified and co-ordinated to provide an objective overview of the operational effectiveness of the Board's systems of internal control and reporting, avoiding duplication of work.

In terms of Treasury Regulation 27 the Audit Committee is also required to –

- Report and make recommendations to the Board on matters falling within its mandate
- Report on the effectiveness of internal controls in the annual report
- Comment on its evaluation of the financial statements in the annual report

The Committee's report on these matters is on page 25.

Tender Committee

There is an internal Tender Committee chaired by the Chief Financial Officer which assists the Board with evaluating and approving tenders above R250 000, for services and products required. The tender process is governed by the provisions of Public Finance Management Act, 1999 (Act No. 1 of 1999) and the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and Regulations issued thereunder.

Systems of Procurement, Financial and Risk Management

The Board also maintains effective, efficient and transparent systems of financial and risk management as well as an appropriate procurement system, which are fair, equitable, transparent, competitive and cost-effective.

Materiality Framework

The Board, for the period 1 April 2004 to 31 March 2005, determined a materiality figure of R209 000. 1% of the budgeted expenditure was used to determine this figure.

Material facts of a quantitative nature need to be disclosed if any fact discovered exceeds the materiality figure of R209 000. All losses of a quantitative nature need to be disclosed in the Annual Report and financial statements if they arose through irregular/fruitless/wasteful expenditure.



Material facts of a qualitative nature need to be disclosed if:

- Disclosure of the event/item is required by law
- The fact discovered could influence the decision or actions of the executive authority or legislature.

Any material losses arising through criminal conduct need to be disclosed.



The Board has made good progress in achieving its set objectives for the year despite considerable challenges encountered.

Factors beyond the control of the Board that hampered processes required to reach planned milestones were, among others, the following:

- Introduction of the new Gambling Act on which certain activities were dependent. Some of these activities are:
 - Introduction of uniform norms and standards
 - Introduction of Internet gambling has been delayed once more in this financial year as the required amendments to the National Gambling Act, 1996 (Act No. 33 of 1996) (the Act) to provide enabling provisions for the introduction of an Internet gambling industry was promulgated. Although the new Act does not have a clause providing for the regulation of Internet gambling, it does however clearly make it unlawful for any operator to provide Internet gambling to South Africans or for South Africans to participate in Internet gambling until the national legislation providing for Internet gambling has been passed.
 - The assumptions relied upon by the CEMS operator in its tender, both with regard to the number of LPMs and the rollout timeframes, have proved to be overly optimistic. The number of LPMs and the rollout timeframes are the prerogatives of the PLAs and the Board has no control thereof. This has led to the slow rollout of LPMs.

These factors introduced uncertainties and constraints impacting not only on the staffing, but also on related operational activities. As a result, the degree to which strategic planning assumptions realised, introduced a number of variables, which made meaningful quantitative performance measurement impractical.



Performance in respect of the key objectives as set out in the strategic plan for the year is dealt with below.

Objective	Key Performance Area	Achievement	Constraints
<ul style="list-style-type: none"> Advising the Minister on legislation and regulations 	<ul style="list-style-type: none"> Amendment of the National Gambling Act 	<ul style="list-style-type: none"> The new Act was promulgated on 1 November 2004. Regulations were also adopted on 15 November 2004. The Board is in consultation with the dti on amendments to the Act and the regulations 	
<p>Implementing and maintaining a central electronic monitoring system (CEMS) linking all the Limited Payout Machines (LPMs) in the Republic, to enable the introduction of an LPM Industry and service the requirements of provincial licensing authorities (PLAs) and the Board on a national basis.</p>	<p>Rollout of the LPMs to</p> <ul style="list-style-type: none"> Eastern Cape – March 2005 Limpopo - June 2005 Northwest – Jan 2006 Western Cape – Jan 2005 Free State – March 2006 Northern Cape – March 2006 Gauteng – Feb 2005 KwaZulu – Natal <p>Ensure compliance with the Service Level Contract by service provider Zonke Monitoring Services (ZMS) on an ongoing basis</p>	<ul style="list-style-type: none"> Rollout has taken place as planned On track - evaluating Route operators On track - issued out Request for Proposal for Route Operators Rollout as planned Policy still to be approved by MEC PLA has not started with process yet Still awaiting approval of the socio economic study by MEC before commencement In the process of evaluating Request for Proposal for Route Operators. <p>System has been stable even with the connection of new LPMs</p>	<ul style="list-style-type: none"> Socio economic study being conducted by Gauteng Pending High Court case against KwaZulu-Natal Gambling Board

Objective	Key Performance Area	Performance / Achievement	Constraints
<p>Providing reliable statistical and research material on an ongoing basis</p> <p>a) National gambling statistics database</p>	<ul style="list-style-type: none"> Maintaining a database of primary information relating to all modes of gambling in South Africa Updating the Gambling Information Resource Centre with relevant information 	<ul style="list-style-type: none"> Data received from PLAs for the 2004/2005 year captured in database after collecting and correcting missing and incorrect information Reports are published on a regular basis. The Resource Centre is fully functional 	<p>Data in some cases is</p> <ul style="list-style-type: none"> not readily available in quarterly format incomplete and incorrect not received timeously
<p>b) Research report on youth gambling</p>	<ul style="list-style-type: none"> Conducting study and publishing the results on youth gambling 	<p>The field work has been completed and a draft report has been received</p>	
<p>c) Report on Black Economic Empowerment (BEE) in the gambling industry</p>	<ul style="list-style-type: none"> Conducting an audit of BEE in the gambling industry and publishing the results 	<ul style="list-style-type: none"> A report has been published and discussed with the stakeholders Regulators have decided to introduce a gambling sector charter based on the findings of this report 	



Objective	Key Performance Area	Performance / Achievement	Constraints
<p>Streamlining national probity investigations, licensing and other processes</p> <p>(a) Promoting a national uniform approach to self exclusions by persons with gambling problem from gambling establishments</p> <p>(b) Promoting a national uniform approach to probing and investigating gambling operator applicants.</p>	<ul style="list-style-type: none"> Development of the probity investigations and exclusion database 	<ul style="list-style-type: none"> The development of the system has been completed and it is on the implementation phase. 	
<p>Establishing and maintaining a regulatory function to oversee Internet gambling nationally</p>	<ul style="list-style-type: none"> Developing internet Gambling policy Developing draft guidelines on regulation of internet gambling Drafting Internet gambling licence conditions and issuing licences <p>Holding a biennial national conference in April 2004</p>	<ul style="list-style-type: none"> A committee to draft the policy has been appointed. Research on drafting internet regulations has been done Draft license conditions and technical guidelines aligned to SABS standards have been done. However, the document needs to be updated as it is more than 2 years old. A successful conference with international speakers was held in April 2004 at the Durban International Conventional Centre 	<p>Promulgation of regulations and licensing of operators dependent upon the amendment of the National Gambling Act to provide for the regulation of Internet gambling.</p>
<p>Holding a biennial national conference to create public awareness, inform and educate local stakeholders of topical issues relating to the gambling industry</p>	<p>Holding a biennial national conference in April 2004</p>	<ul style="list-style-type: none"> A successful conference with international speakers was held in April 2004 at the Durban International Conventional Centre 	

We are pleased to present our report for the financial year ended 31 March 2005.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets at least 2 times per annum as per its approved terms of reference. The Audit Committee was also dissolved when the new Act was promulgated. A new Audit Committee was appointed on 26 April 2005. During the year under review (2004/2005), the Audit Committee met on 20 May 2004 and 16 July 2004.

Name of Member	Number of Meetings Attended
Kobus Scheepers (Chairperson)	2
Sinky Ngobe	1
Jacques Booysen	2
Thobeka Mahlati	1

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51 (1) (a) of the PFMA and Treasury Regulation 27.1.10. The Audit Committee also reports that it has adopted appropriate 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 PFMA

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;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs 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.



Kobus Scheepers
Chairperson of the Audit Committee

Date: 25 July 2005



REPORT OF THE AUDITOR - GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE NATIONAL GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 28 to 49, for the year ended 31 March 2005, 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 75(2) of the National Gambling Act, 2004 (Act No. 7 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

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

An audit includes:

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

Furthermore, an 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 opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the National Gambling Board at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No.1 of 1999).

4. APPRECIATION

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

A handwritten signature in black ink, appearing to read 'FJ Joubert', is written over a circular stamp.

FJ Joubert for Auditor-General

Pretoria

28 July 2005



AUDITOR - GENERAL



1. Introduction

The members of the National Gambling Board (the Board) have pleasure in presenting their report for the year ended 31 March 2005. This report complements the financial statements and provides additional information and explanations relating to the operations and performance of the Board as well as relevant statutory information required in terms of the National Gambling Act, 2004 (Act No. 7 of 2004) (the Act) and the Public Finance Management Act, 1999 (Act No. 1 of 1999) and Treasury Regulations thereunder.

2. Nature of Business

The Board has been established in terms of the Act for the regulation and coordination of certain matters relating to casinos, racing, gambling and wagering and in particular for the promotion of uniform norms and standards applying generally throughout the Republic.

3. Objects and functions

1. The Board has the following powers and duties to be exercised and performed in accordance with the Act:

- a) Monitoring and investigating, when necessary, the issuing of national licences by provincial licensing authorities for compliance with the Act
- b) Investigating, monitoring and evaluating compliance with the Act by provincial licensing authorities, entering into agreements with those authorities in respect of steps to be taken to correct any deficiencies, and making recommendations to the National Gambling Policy Council (the Council) in relation to such matters,
- c) Establishing and maintaining:
 - i) the national register of excluded persons;
 - ii) the national central electronic monitoring system;
 - iii) the national register of gambling machines and devices;
 - iv) a central registry of information and
 - v) the national probity register ;
- d) Monitoring socio-economic patterns of gambling activity within the Republic and in particular must research and identify factors relating to, and patterns, causes, and consequences of—



- i) the socio-economic impact of gambling; and
 - ii) addictive or compulsive gambling;
- e) Evaluating—
- i) the issuing of national licences by provincial licensing authorities; and
 - ii) the compliance monitoring of licensees by provincial licensing authorities;
- f) Conducting oversight evaluations of the performance of provincial licensing authorities, so as to ensure that the national norms and standards established by this Act are applied uniformly and consistently throughout the Republic
- g) Assisting provincial licensing authorities to ensure that unlicensed gambling activities are detected; and
- h) Exercising any other powers and performing any other duties assigned to it in terms of the Act.

2. The Board may—

- a) Advise the Gambling Policy Council (the Council) on the maximum number of any kind of licences relating to casinos, racing, gambling and wagering that should be awarded in the Republic or in any particular province;
- b) Advise the Council on matters of national policy relating to casinos, racing, gambling and wagering and on the determination of national norms and standards regarding any matter in terms of the Act that should apply generally throughout the Republic;
- c) Recommend to the Council changes to bring about uniformity in the laws of the various provinces in relation to casinos, racing, gambling and wagering;
- d) Advise the Council, through the Minister, in respect of any matter referred to it by the Council;
- e) Monitor market share and market conduct in the gambling industry and refer any concerns regarding market share or possible prohibited practices to the Competition Commission in terms of the Competition



Act, 1998 (Act No. 89 of 1998); and

f) Provide a broad-based public education programme about the risks and socio-economic impact of gambling.

3. The Board may liaise with any foreign or international authorities having any objects similar to the objects of the Board.

4. Key objectives for the year

In addition to various projects supporting the core functions of the Board, the following key objectives have been identified for the year under review –

a) Research and information gathering function

- Providing reliable statistical and research material pertaining to the gambling industry on an ongoing basis

b) Inspection function

- Providing co-ordination, support, capacity and expertise in the eradication of crime and illegal gambling activities
- Compliance oversight of CEMS operator
- Establishment and maintenance of
 - national register of gambling machines/devices
 - national register of excluded persons
 - national probity register
 - national licences register
- Investigating, monitoring and evaluating compliance with the National Gambling Act

c) Oversight function of the responsible gambling programme

- Providing a solution for treating and rehabilitating persons who have become addicted to gambling, and to promote responsible gambling



- d) Central electronic monitoring and control (CEMS) service provider
 - Providing an electronic monitoring and control system and service for the Limited Payout Machine (LPM) industry on a national basis.
- e) Internet/interactive gambling regulation function
 - Licensing and regulating Internet/interactive gambling on a national basis
- f) Function for monitoring socio-economic development
 - Promoting socio-economic development in the gambling industry through research and monitoring of the promotion of BEE and SMMEs
- g) Oversight function of national licences
 - Monitoring and investigating issuance of national licences by PLAs

5. Financial Performance

The financial results for the year as reflected in the attached income statement can be summarised as follows:

- Transfers on budget allocation amounting to R15,8 million (2004: R11,0 million) were received from **the dti**. Interest revenue of R467 101 (2004: R696 658) and other revenue totalling R62 345 (2004: R24 569) was also received.
- Expenses as set out in the income statement amounted to R12,3 million (2004: R12,2 million) resulting in a surplus of R3,9 million (2004: R498 393 deficit) for the year.
- The results for the year were positively influenced by savings on budgeted expenses mainly due to staff vacancies that resulted from a delay in certain planned operations which depended on the new Act being promulgated.



The accumulated surplus is reflected in the attached statement of changes in funds. After adding/deducting the surplus/deficit for the year, the accumulated surplus of R6,3 million (2004: R6,8 million) brought forward from the previous year increased/decreased to R10,3 million (2004: R6,3 million) at the end of the year.

The financial position at the end of the year is reflected in the attached balance sheet. Total assets with a book value of R11,5 million (2004: R7,8 million) is made up of furniture and equipment, computer hardware and a motor vehicle, amounting to R484 603 (2004: R532 500), computer software amounting to R1,7 million (2004: R297 933) and current assets of R9,4 million (2004: R7,0 million). Total liabilities (all current) amounted to R1,2 million (2004: R1,5 million).

6. Capital Expenditure

Net capital expenditure on office furniture, office equipment, computer equipment and software amounted to R 1,5 million (2004: R393 462).

7. Emoluments of Board and executive members

The emoluments of Board and executive members for the year are as follows:

Board Members and Executive Members	Board Allowance /Remuneration
CL Fisser	380 209
LN Kganyago	11 396
HM Tsengiwe	13 237
VRS Ngobe	4 899
TN Aboobaker	14 729
T Moja	10 968
TW Majake - CEO	783 736
V.F. Memani - CFO	568 366
TOTAL	1 787 540



	Notes	2004/05 R	2003/04 R
ASSETS			
Non-current assets			
Property, plant and equipment	6	484,603	532,500
Intangible assets	7	1,652,103	297,933
		<u>2,136,706</u>	<u>830,433</u>
Current assets			
Accounts receivable and prepayments	5	443,190	775,572
Bank balances and cash	8	8,948,447	6,224,969
		<u>9,391,637</u>	<u>7,000,541</u>
Total assets		<u>11,528,343</u>	<u>7,830,974</u>
RESERVES AND LIABILITIES			
Reserves			
Accumulated surplus		10,287,193	6,296,951
		<u>10,287,193</u>	<u>6,296,951</u>
Current liabilities			
Trade and other payables	9	989,450	935,209
Provisions	10	251,700	598,814
		<u>1,241,150</u>	<u>1,534,023</u>
Total reserves and liabilities		<u>11,528,343</u>	<u>7,830,974</u>



Income Statement

For the year ended 31 March 2005

	Notes	2004/05 R	2003/04 R
Revenue			
Grants/transfers	2.1	15,800,000	11,000,000
Other Income	2.2	62,345	24,569
		<u>15,862,345</u>	<u>11,024,569</u>
Expenses			
Amortisation - software	3.1	24,891	45,980
Depreciation	3.2	234,385	315,617
Auditors remuneration	3.3	76,237	95,567
Board and executive members' remuneration	3.4	1,787,540	1,567,328
Professional and consulting fees	3.5	942,584	1,121,914
Staff employment costs	3.6	5,801,893	5,333,183
Travelling and subsistence	3.7	1,131,239	1,452,692
Other operating expenses	3.8	1,198,656	1,265,299
Operating leases	3.9	1,141,779	1,022,040
		<u>12,339,204</u>	<u>12,219,620</u>
Surplus/(deficit) from operations		<u>3,523,141</u>	<u>(1,195,051)</u>
Income from investments	4	467,101	696,658
Surplus/(deficit) for the year		<u>3,990,242</u>	<u>(498,393)</u>



Statement of changes in funds

Accumulated Surplus

	R
Balance at 1 April 2003	6,795,344
Net deficit for the year	(498,393)
Balance at 31 March 2004	<u>6,296,951</u>
Net Surplus for the year	3,990,242
Balance at 31 March 2005	<u><u>10,287,193</u></u>

Cash Flow Statement

for the year ended 31 March 2005

	Notes	2004/05 R	2003/04 R
Operating activities			
Net cash generated from/(utilised in) operating activities	11	3,760,674	(1,603,535)
Income from investments		467,101	696,658
Net cash inflow/(outflow) from operating activities		<u>4,227,775</u>	<u>(906,877)</u>
Investing activities			
Net cash outflow from investing activities	11	<u>(1,504,297)</u>	<u>(393,462)</u>
Net increase/(decrease) in cash and cash equivalents		2,723,478	(1,300,339)
Cash and cash equivalents at beginning of the year		6,224,969	7,525,308
Cash and cash equivalents at end of year		<u><u>8,948,447</u></u>	<u><u>6,224,969</u></u>

1 ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with statements of generally accepted accounting practice and the Public Finance Management Act, (Act No1 of 1999)(PFMA) as amended.

The following are the principal accounting policies of the National Gambling Board which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated:

1.1 Basis of preparation

The financial statements are prepared on the historical cost basis.

1.2 Currency

These financial statements are presented in South African Rands since that is the currency in which the majority of the National Gambling Board transactions are denominated.

1.3 Revenue recognition

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

Revenue comprises budget allocations for the activities of the Board provided for in the budget of the Department of Trade and Industry (**the dti**) as transfer payments, fees in terms of central electronic monitoring system (CEMS) operator contract, investment income and other non-operating income.

Budget allocations are recognised as revenue at date of receipt of the cash. CEMS contract fees and other non-operating income are recognised on an accrual basis.

Interest is recognised on a time proportion basis, taking account of the principal amount outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the Board.

1.4 Irregular and fruitless and wasteful expenditure

In terms of section 55(2)(b)(i) of the Public Finance Management Act,



1999 (Act No.1 of 1999) the financial statements must include particulars of any irregular and fruitless and wasteful expenditure.

All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

1.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on the straight-line basis, over the estimated useful lives of assets on the following basis:

Furniture and office equipment	5 years
Computer equipment	3 years
Motor vehicle	5 years

1.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation costs. Purchased software is capitalised on purchase. In-house developed software is capitalised as costs are incurred and only amortised once it is fully developed. Computer software is amortised over a period of 3 years on a straight-line basis.

1.7 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 as incurred over the period of the lease.

1.8 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.



Accounts receivable

Accounts receivable are stated at anticipated realisable value.

Accounts payable

Accounts payable are stated at amortised cost, comprising original debt less principal payments.

Cash and cash equivalents

Cash and cash equivalents are measured at realisable value.

Gains and losses

Gains and losses arising from a change in the fair value of financial instruments are included in net surplus or deficit in the period in which they arise.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Board has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Credit Risk Management

Potential concentrations of credit risk consist mainly of accounts receivable and cash and cash equivalents.

The Board places its cash and short term deposits with well established financial institutions of high quality credit standing.

Credit risk with respect to accounts receivable is limited due to the nature of the Board's business and its reliance on government grant as the main source of funding.

Interest Rate Risk Management

The Board manages its interest rate risk by investing in current and short term deposit accounts. These accounts are held with well established financial institutions of high quality credit standing and the accounts bear interest at prevailing market rates.



Fair Value

The carrying amounts of financial assets and liabilities approximate their fair values at 31 March 2005 due to the short term maturities of these assets and liabilities.

1.9 Extraordinary items

All items of income and expense arising in the ordinary course of business are taken into account in arriving at income before taxation. Where items of income and expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the National Gambling Board, they are separately disclosed and appropriate explanations are provided.

1.10 Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Gains and losses arising on translation are credited to or charged against income.

1.11 Provisions

Provisions are recognised when there is 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.

1.12 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 provisions for employee entitlements to wages, salaries, and annual leave represent the amount which the Board has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.



1.13 Retirement benefits

The Board contributes to a defined contribution fund of which the contributions are charged against income as incurred.

1.14 Comparative figures

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

1.15 Taxation

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

	2004/05 R	2003/04 R
2. REVENUE		
2.1 Grants, Receipts and Transfers National Departments - Department of Trade and Industry	15,800,000	11,000,000
Total	<u>15,800,000</u>	<u>11,000,000</u>
2.2 Other Income		
Profit on Disposal of Fixed Assets	61,252	7,627
Other	1,093	16,942
Total	<u>62,345</u>	<u>24,569</u>
3 EXPENSES		
3.1 Amortisation of intangibles		
Computer software Licenced	- 24,891	- 45,980
Total	<u>24,891</u>	<u>45,980</u>
3.2 Depreciation		
- Furniture and office equipment - owned	79,490	184,979
- Computer equipment - owned	142,981	116,988
- Vehicles - owned	11,914	13,650
Total	<u>234,385</u>	<u>315,617</u>



	2004/05 R	2003/04 R
3.3 Auditors' remuneration		
- Audit fees	76,237	95,567
- Expenses	-	-
Total	<u>76,237</u>	<u>95,567</u>
3.4 Board and executive members' remuneration		
Board members' remuneration		
CL Fismer	380,209	428,589
VRS Ngobe	4,899	10,146
HM Tsengiwe	13,237	28,747
T Moja	10,968	16,660
LJN Kganyago	11,396	37,202
DN Auret	-	16,660
TN Aboobaker	14,729	32,129
	<u>435,438</u>	<u>570,133</u>
Chief Executive Officer - TW Majake	783,736	516,295
Chief Financial Officer - VF Memani	568,366	480,900
Total	<u>1,787,540</u>	<u>1,567,328</u>
3.5 Professional and consulting fees		
Legal fees	(203,850)	607,462
Research	712,628	125,905
CEMS	44,044	67,786
Internal Auditors' fees	94,512	114,429
Probity investigations for new appointments	14,960	80,097
Audit committee fees	10,758	30,438
Organisational structure review	27,200	47,600
Human resources and disciplinary processes	127,773	-
Miscellaneous	114,559	48,197
Total	<u>942,584</u>	<u>1,121,914</u>



Notes to the financial statements

For the year ended 31 March 2005

	2004/05 R	2003/04 R
3.6 Staff employment costs		
Wages and salaries		
Salaries, bonuses and overtime - excluding CEO & CFO	4,828,121	4,386,226
Contract and temporary staff	103,262	57,281
Leave encashment	164,777	151,689
Other non-pensionable allowance - Cellphone	112,175	115,315
UIF	34,747	20,604
Insurance & administration of the provident fund	198,250	183,758
Other salary related costs	360,561	418,310
Total	5,801,893	5,333,183
3.7 Travel and subsistence		
Travel and subsistence - local	686,766	535,235
Travel and subsistence - overseas	444,473	917,457
Total	1,131,239	1,452,692
3.8 Other operating expenses		
Communication costs	355,128	518,486
Conference, forum and workshop expenses	489,360	179,361
Administrative expenses	288,450	356,937
Maintenance, repairs and running costs	40,489	32,432
Other	25,229	178,083
Total	1,198,656	1,265,299
3.9 Operating leases		
Current year		
- Premises	1,088,630	985,385
- Equipment	53,149	36,655
Total	1,141,779	1,022,040



	2004/05 R	2003/04 R
The future minimum lease payments under non-cancellable operating leases for the Board's offices and photocopier are as follows:		
Within 1 year - Premises	882,654	926,832
Within 1 year - Equipment	62,853	19,605
1 to 5 years - Premises	5,592,431	-
1 to 5 years - Equipment	208,120	3,102
Total	6,746,058	949,539

There is no signed agreement between NGB and **the dti** however, the lease payments are based on the budgeted amounts.

4 INCOME FROM INVESTMENTS

Interest income		
- Bank deposits - ABSA and Corporation for Public Deposits	467,101	696,658
Total	467,101	696,658

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

CEMS Operator	-	131,213
VAT receivable	310,127	126,330
Accrued interest	820	54,952
Deposits	88,021	411,868
Other receivables	44,222	51,209
Total	443,190	775,572



6 PROPERTY, PLANT AND EQUIPMENT

	Furniture and office equipment R	Computer Equipment R	Vehicles R	Total R
Year ended 31/3/2004				
Net book value 1 April 2003	492,425	213,328	25,564	731,317
Cost or valuation	945,227	852,171	68,248	1,865,646
Accumulated depreciation	(452,802)	(638,843)	(42,684)	(1,134,329)
Additions	-	135,333	-	135,333
Disposals	(2,865)	(15,668)	-	(18,533)
Depreciation charge	(184,979)	(116,988)	(13,650)	(315,617)
Cost or valuation	942,362	971,836	68,248	1,982,446
Accumulated depreciation	(637,781)	(755,831)	(56,334)	(1,449,946)
Net carrying amount 31 March 2004	304,581	216,005	11,914	532,500
Year ended 31/3/2005				
Net book value 1 April 2004	304,581	216,005	11,914	532,500
Cost or valuation	942,362	971,836	68,248	1,982,446
Accumulated depreciation	(637,781)	(755,831)	(56,334)	(1,449,946)
Additions	-	327,688	-	327,688
Disposals	(139,743)	(1,457)	-	(141,200)
Cost or valuation	(631,327)	(301,940)	-	(933,267)
Accumulated depreciation	491,584	300,483	-	792,067
Depreciation charge	(79,490)	(142,981)	(11,914)	(234,385)
Cost or valuation	311,035	997,584	68,248	1,376,867
Accumulated depreciation	(225,687)	(598,329)	(68,248)	(892,264)
Net carrying amount 31 March 2005	85,348	399,255	-	484,603



7 INTANGIBLE ASSETS

	Computer software		
	Internally generated R	Licensed R	Total R
Year ended 31/3/2004			
Net book value 1 April 2003	-	59,624	59,624
Cost or valuation	-	218,206	218,206
Accumulated amortisation	-	(158,582)	(158,582)
Additions	259,800	24,489	284,289
Disposals	-	-	-
Amortisation	-	(45,980)	(45,980)
Cost or valuation	259,800	242,695	502,495
Accumulated amortisation	-	(204,562)	(204,562)
Net carrying amount 31 March 2004	259,800	38,133	297,933
Year ended 31/3/2005			
Net book value 1 April 2004	259,800	38,133	297,933
Cost or valuation	259,800	242,695	502,495
Accumulated amortisation	-	(204,562)	(204,562)
Additions	1,379,061	-	1,379,061
Disposals	-	-	-
Amortisation	-	(24,891)	(24,891)
Cost or valuation	1,638,861	242,695	1,881,556
Accumulated amortisation	-	(229,453)	(229,453)
Net carrying amount 31 March 2005	1,638,861	13,242	1,652,103

8 BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk.

Cash and cash equivalents	2004/05	2003/04
	R	R
Cash at bank	62,794	130,896
Cash on hand	2,500	1,622
Short term investments	8,883,153	6,092,451
Total	8,948,447	6,224,969

The effective interest rate on short term bank deposits was 4% (2004: 5.9%) and these deposits have an average maturity of 32 days.

9 TRADE AND OTHER PAYABLES

Trade creditors	989,450	935,209
Total	989,450	935,209

10 PROVISIONS

	Leave pay	Legal costs	Total
	R	R	R
Opening balance - 01 April 2003	155,935	550,000	705,935
Additional provisions and adjustments	42,879	-	42,879
Utilisation of provision	-	(150,000)	(150,000)
Closing balance - 31 March 2004	198,814	400,000	598,814
Opening balance - 01 April 2004	198,814	400,000	598,814
Additional provisions and adjustments	7,886	(355,000)	(347,114)
Utilisation of provision	-	-	-
Closing balance - 31 March 2005	206,700	45,000	251,700

The leave pay provision relates to estimated liabilities arising as a result of services rendered by employees.



11 RECONCILIATION OF SURPLUS/(DEFICIT) TO CASH GENERATED FROM/(UTILISED IN) OPERATIONS

	2004/05 R	2003/04 R
Cash generated from/(utilised in) operations		
Surplus/(deficit)	3,990,242	(498,393)
Adjusted for:		
- Depreciation	234,385	315,617
- Amortisation	24,891	45,980
- Gain on disposal of property, plant and equipment	(61,252)	(7,627)
- Decrease in provisions	(347,114)	(107,121)
- Income from investments	(467,101)	(696,658)
Operating cash flows before working capital changes	<u>3,374,051</u>	<u>(948,202)</u>
Changes in working capital		
- Decrease/(increase) in trade and other receivables	332,382	(445,946)
- Increase/(decrease) in trade and other payables	54,241	(187,247)
- Other (Deposit held in trust)	-	(22,140)
	<u>386,623</u>	<u>(655,333)</u>
Cash generated from/(utilised in) operations	<u>3,760,674</u>	<u>(1,603,535)</u>
Investing activities		
- Proceeds on disposal of property, plant and equipment	202,452	26,160
- Acquisition of property, plant and equipment	(327,688)	(135,333)
- Acquisition of intangible assets	(1,379,061)	(284,289)
Net cash outflow from investing activities	<u>(1,504,297)</u>	<u>(393,462)</u>



	2004/05 R	2003/04 R
12 Losses		
Losses through criminal conduct written off	-	5,307
Other losses written off	21,377	9,615
Less: losses recovered	-	(12,934)
Total	21,377	1,988

2005

Normal operational losses totalling R21,377 were written off during the year under review.

2004

Assets with a book value of R5,307 were stolen during the year by parties outside the Board. These losses were subsequently recovered from the insurance company at replacement values of R12,934. Normal operational losses totalling R9,615 were also written off during the year under review.

13 Irregular and fruitless and wasteful expenditure

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 the financial statements must include particulars of any irregular and fruitless and wasteful expenditure.

No irregular expenditure were incurred during the year ended 31 March 2005.

No fruitless and wasteful expenditure was incurred during the year ended 31 March 2005.

14 Non-capital commitments

Other

The Board had the following contractual commitments at year-end:

Obligation to host a national conference during April 2004 at Durban International Convention Centre	-	238,184
Wits University for the Youth Gambling Research project	202,065	-
Total	202,065	238,184



15 Capital Commitments

Contracted commitments existed in respect of:-
National Database (Molepe Business Solutions)

Total

2004/05 R	2003/04 R
-	1,276,600
<u>-</u>	<u>1,276,600</u>

16 Retirement benefits

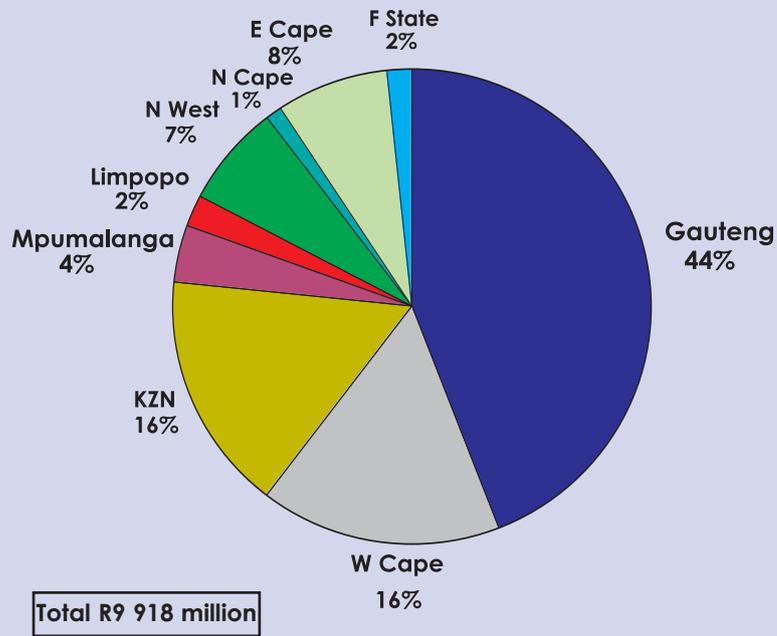
Retirement benefits are provided for through the Board's Provident fund, which functions as a defined contribution fund and is subject to the provisions of the Pension Funds Act, 1956. Membership is compulsory for all permanent staff.

The Fund is registered as an umbrella fund, managed by Alexander Forbes and offers individual investment choice to all members.

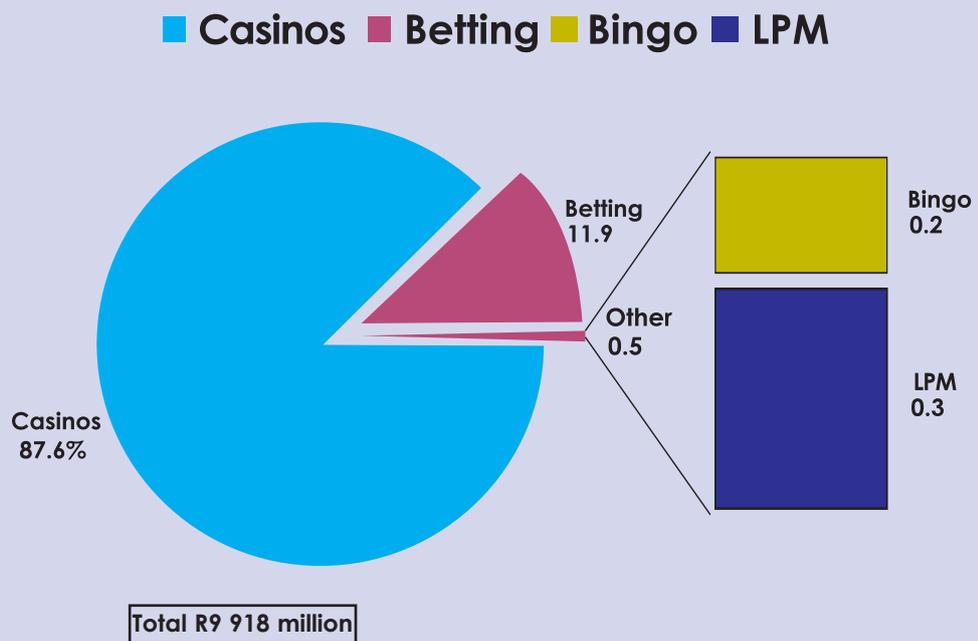
17 Accumulated surplus

The accumulated surplus is made up of funds for which approval has been granted by National Treasury to retain for purposes of funding commitments at year end and to supplement funding of the budget for 2005/2006.

Gross Gambling Revenue per province - all modes

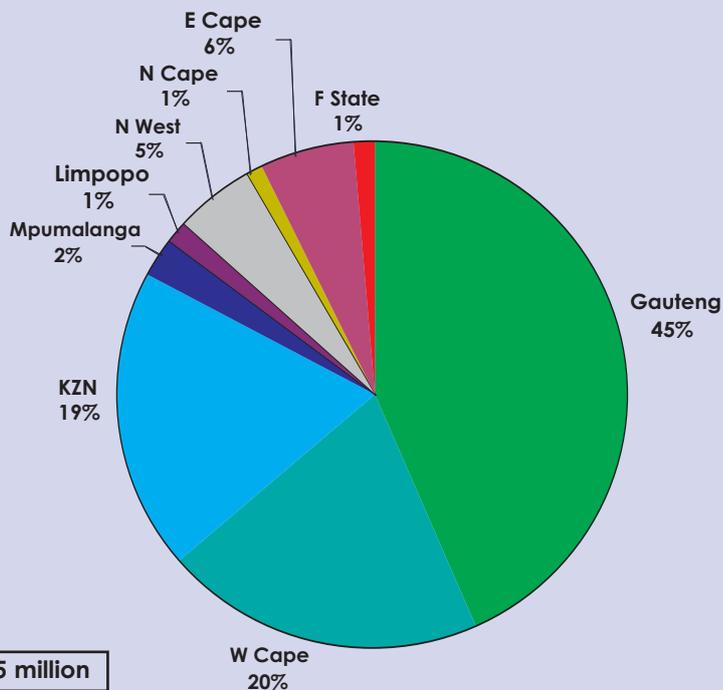


Gross Gambling Revenue per gambling mode - all modes





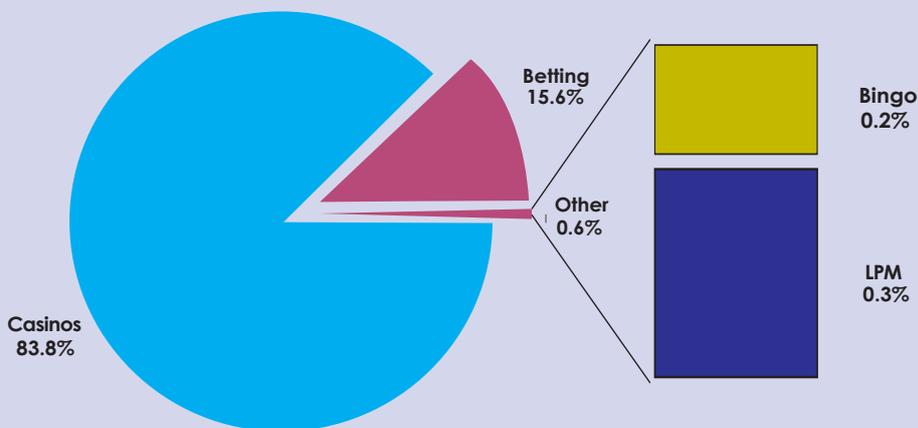
Gambling Tax/Levy contribution per province - all modes



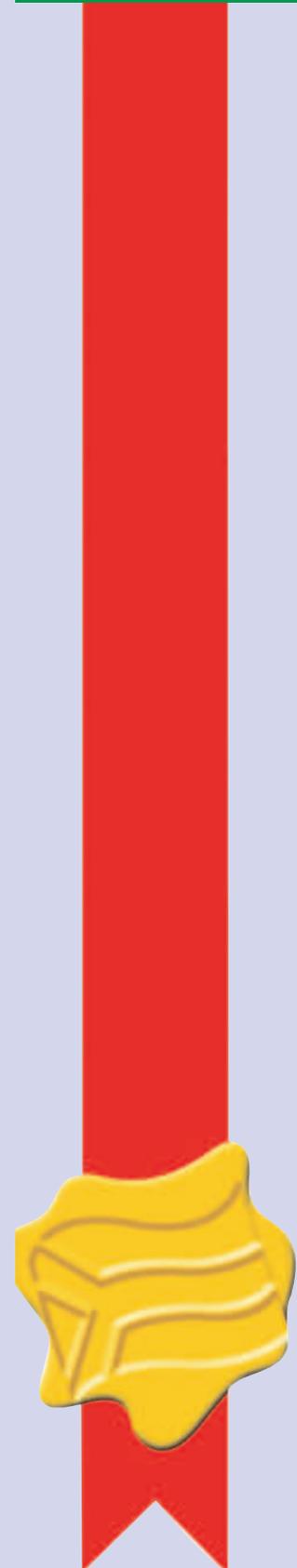
Total R 925 million

Gambling Tax/Levy contribution per gambling mode - all modes

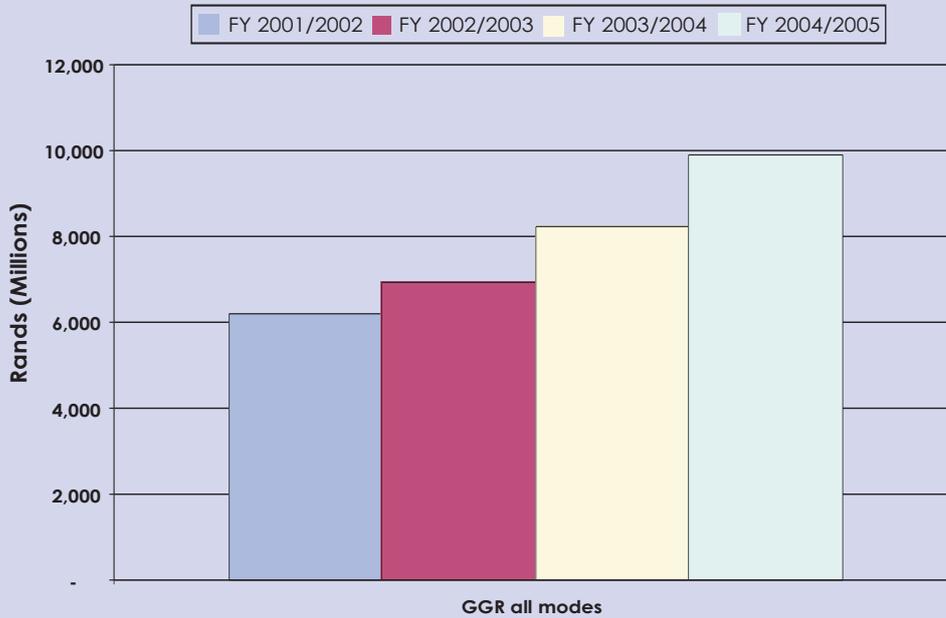
■ Casinos ■ Betting ■ Bingo ■ LPM



Total R 925 million



Gross Gambling Revenue all modes - Fiscal years comparison



Gambling Tax/Levy contribution for all modes Fiscal years comparisons



Casinos in the Republic of South Africa

	Province	LOCATION	NAME OF RESORT	DATE OPENED	CASINO OPERATOR	MANAGEMENT CO.	TOTAL CAPITAL INVESTMENT (R)	TEMPORARY OR PENDING		PERMANENT CASINOS		CURRENT STATUS March-05
								Slots	Tables	Slots	Tables	
1	Eastern Cape	Port Elizabeth	The Boardwalk	Oct-00	Emtuli Resort	Sun Inter. Management	533,000,000			747	22	Permanent casino - FEB 01
2	Eastern Cape	East London	Hemlingways Casino	Sep-01	Tsogo Sun Emtoli	Tsogo Sun Management Co.	222,000,000			400	12	Permanent casino - Mar 02 No Licence issued
3	Eastern Cape	Queenstown	Wild Coast Sun	Dec-81	Transkei Sun Int.	Sun Inter Management	4,944,537			438	16	No Licence issued Existing operation - opened Dec-81. New Licence issued Oct 99
4	Eastern Cape	Umtata										
5	Eastern Cape	Bizana										
6	Free State	Southern Region (Beermontein)	Thaba Nchu Sun	Oct-85	Sun International	Sun Inter. Management	63,974,908	230	10	193	10	Permanent casino - Oct 85
7	Free State	Eastern Region (Beermontein)	Naledi Sun	May-89	Sun International	Sun Inter. Management	13,604,288	38		112		Permanent casino - May 89
8	Free State	Western Region (Hartbeespoort)	Goldfields Casino & Entertainment	Dec-05	Goldfields Casino & Entertainment	CAI Gold Reef Management	56,000,000	226	6			Temporary casino - May 03 Licence issued - June 03 No licence issued
9	Free State	Northern Region (Vaal River)	Indaba (Indaba) Loch Aftone Casino Resort									
10	Gauteng	Fourways	Montecasino	Sep-98	Tsogo Sun Casinos	Tsogo Sun Management Co.	1,917,000,000			1,700	70	Permanent casino - Nov 00
11	Gauteng	Gold Reef City	Gold Reef City	Nov-98	Akani Egoli	Akani Egoli Management	728,570,000			1,600	50	Permanent casino - March 00
12	Gauteng	Vanderbijlpark	Emerald Safari Resort	Nov-98	Emerald Casino	London Clubs Int.	600,000,000			640	23	Permanent casino - May 01
13	Gauteng	Kempson Park	Empire Palace	Dec-98	Global Resorts (East Rand (Pty)	Coesta Global Resorts, Manager	1,240,000,000	1,500	50	1,640	67	Permanent casino - Sept 99
14	Gauteng	Brakpan	Carnival City	Dec-98	Africa Gaming	Sun Inter. Management	870,000,000			1,750	60	Permanent casino - Oct 99 Licence awarded pending issuance by the Gauteng Gambling Board
15	Gauteng	West Rand			Silver Star Development							
16	KwaZulu - Natal	Greater Durban (Mluge Green)	Suncoast Casino & Entertainment	Nov-02	Tsogo Sun KZN	Tsogo Sun Management Co.	1,400,000,000	1,250	50	899	37	Temporary casino - Nov 02
17	KwaZulu - Natal	North Durban (M Edgecombe)	Shogun Resorts	Feb-01	Afisiun KZN	Sun Inter. Management	727,000,000					Temporary casino - Feb 01
18	KwaZulu - Natal	North Coast (Empangeni)	Tusk Umhlozi Casino	May-02	Emantini Leisure Resorts	Tusk Casino & Hotel Management	81,300,000	300	10			Temporary casino - May 02
19	KwaZulu - Natal	Northern Natal (Newcastle)	Monte Vista Casino & Resort	Sep-99	Baldie Leisure	Whelen Casino Operators	624,000,000	200	7	450	22	Temporary casino - Sept 99
20	KwaZulu - Natal	Natal Midlands (Pietermaritzburg)	Golden Horse Casino	Sep-01	Akani Msunduzi	Akani Msunduzi	151,000,000					Temporary casino - Sept 01
21	Mpumalanga	Witbank	Champions Casino	Mar-98	Tsogo Sun Casinos	Tsogo Sun Management Co.	205,000,000	378	16	340	12	Permanent Casino - Sep 02
22	Mpumalanga	Secunda	Graceland Hotel & Casino	Oct-97	Peermont Global (8H)	Peermont Global Limited	249,000,000			408	16	Permanent Casino - July 98
23	Mpumalanga	Nelspruit	Emnathweni Casino	Oct-97	Tsogo Sun Casinos	Tsogo Sun management Co.	170,000,000			303	11	Permanent Casino - Nov 99 No licence issued
24	Mpumalanga	Pilgrims Rest/Lydenburg/Bushbuck										
25	Limpopo	Polokwane (Pietersburg)	Meropa Entertainment World	Mar - 02	Sun international	Sun Inter Management	208,000,000			282	13	Permanent Casino - Mar 02
26	Limpopo	Thohoyandou	Tusk Vanda Casino hotel	Jul-83	Tusk Resorts	Tusk Casino & Hotel Management	81,900,000			123	6	No licence issued Existing operation - Sun Int sold to Tusk Jan 01
27	Limpopo											
28	Northern Cape	Kimberley	Fleming	Mar-02	Teemane	Sun Inter Management	1,572,181,222	145	7	236	9	Permanent casino - Mar 02
29	Northern Cape	Upington	Desert Palace Hotel Resort	Jun-00	Desert Palace	Kafo Management Co.	24,000,000			145	7	Temporary Casino - June 00 No licence issued
30	Northern Cape	Colesburg										
31	North West	Mmabatho	Tusk Mmabatho Casino Resort	Dec-78	Tusk Resorts	Tusk Casino & Hotel Management	217,100,000			8	155	Sun international sold to Tusk Resorts - Jan 99
32	North West	Pietersburg	Sun City	Dec-79	Sun International	Sun Inter. Management	30,000,000			596	38	Existing operation
33	North West	Klerksdorp	Tusk Rio Casino Resort	Sep-04	Tusk Resorts	Tusk Casino & Hotel Management	82,000,000	241	11			Sun Int sold to Tusk Resorts - Jan 99 Transferred the licence to Klerksdorp Sept 04
34	North West	Mabopane	Marula Sun	Jun-87	Sun International	Sun Inter. Management	147,000,000			510	12	Existing Operation
35	North West	Hammanstraal	Carouel	Nov-91	Sun International	Sun Inter. Management	305,000,000			700	21	Existing Operation
36	Western Cape	Cape Metropole (Goodwood)	Grand West	Dec-00	Sun West Int.	Sun Inter. Management	1,520,000,000	1,520		1,774	62	Permanent casino - Dec 00
37	Western Cape	Southern Cape (Mossel Bay)	Garden Route Casino	Dec-02	Garden Route Casino	CAI Gold Reef Management	118,000,000			312	13	Permanent casino - Dec 02
38	Western Cape	Breede River	Worcester	Oct-00	Century Casinos Coledon (Pty)	Century Casino Inc.	122,909,716			300	9	No licence issued
39	Western Cape	Overberg	Coledon casino	Nov-00	West Coast Leisure	CAI Gold Reef Management	63,000,000			270	9	Permanent casino - Oct 00
40	Western Cape	West Coast	Club Mykonos									Permanent casino - Oct 00

Illegal Gambling

PROVINCIAL LICENCING AUTHORITY	KZN	GAUTENG	FREE STATE	NORTH WEST	NORTHERN CAPE	LIMPOPO	EASTERN CAPE	WESTERN CAPE	MPUMALANGA	TOTAL
Number of raids/closures	80	91	25	22	3	299	7	25	26	578
Number of raids (fanfee)	0	0	0	0	0	72	6	0	0	72
Confiscated gambling machines	224	337	150	1350	48	32	8	57	38	2244
Confiscated gambling tables	0	3	0	4	0	1	0	0	0	8
Confiscated computer devices	0	8	0	0	0	1	0	0	0	9
Case convictions	5	0	2	2	2	47	2	0	0	60
Acquittals	0	1	0	0	0	2	0	0	0	3
Admission of guilt	68	48	18	18	2	26	2	16	20	200
Withdrawals	1	0	1	0	0	1	10	3	0	16
Forfeited gambling machines	224	289	98	24	0	11	25	44	19	734
Forfeited gambling tables	0	3	0	0	0	0	0	0	0	3
Forfeited computer devices	0	8	0	0	0	0	37	0	0	45
Returned gambling machines	0	0	0	285	1	2	0	0	0	288
Returned gambling tables	0	0	0	0	0	0	0	0	0	0
Returned computer devices	0	0	0	0	0	0	0	0	0	0
Destroyed gambling machines	125	390	572	0	0	10	0	315	28	1440
Destroyed gambling tables	0	3	0	0	0	0	0	16	0	27



Chief Executive Officer:-

Adv TW Majake

Chief Financial Officer/General Manager: Corporate Services:-

Ms VF Memani

Acting General Manager: Strategic Operations:-

Mr MS Burns

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